

BMO UK High Income Trust PLC

Annual Report and Financial
Statements 31 March 2019

Formerly F&C UK High
Income Trust PLC



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Financial Calendar

| | | |
|---|--------------------------|-----------------|
| Annual General Meeting | | 9 July 2019 |
| First quarter's distribution paid | (XD Date 4 July 2019) | 2 August 2019 |
| Second quarter's distribution paid | (XD Date 3 October 2019) | 1 November 2019 |
| Announcement of Interim Results | | November 2019 |
| Third quarter's distribution paid | (XD Date 2 January 2020) | 7 February 2020 |
| Fourth quarter's distribution paid | (XD Date 2 April 2020) | 1 May 2020 |
| Announcement of Annual Results and Posting of Annual Report | | May 2020 |
| Annual General Meeting | | July 2020 |

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

Company Overview

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

The Company's name changed from F&C UK High Income Trust PLC on 9 November 2018.

Investment Objective

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

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

Capital Structure

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

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

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

Visit our website at www.bmoukhighincome.com

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

Forward-looking statements

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

Financial Highlights 2019

5.3%

Yield⁽¹⁾ on Ordinary Shares and B Shares

Distribution yield of 5.3 per cent on Ordinary shares and B shares at 31 March 2019, compared to the yield on the FTSE All-Share Index of 4.2 per cent. Total distributions increased by 3.3% to 5.04p per share compared to the prior year.

3.7%

Ordinary Share price total return⁽¹⁾

Ordinary share price total return per share for the year was 3.7 per cent, compared to the Benchmark⁽²⁾ total return of 6.0 per cent.

4.5%

B Share price total return⁽¹⁾

B share price total return per share for the year was 4.5 per cent, compared to the Benchmark⁽²⁾ total return of 6.0 per cent.

3.5%

NAV total return⁽¹⁾

Net asset value total return per share for the year was 3.5 per cent, compared to the Benchmark⁽²⁾ total return of 6.0 per cent.

⁽¹⁾ Yield and Total return – See Alternative Performance Measures on page 85.

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

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

Summary of Performance

| Total Return⁽¹⁾ | | Year to 31 March 2019 | Year to 31 March 2018 | |
|--|--|-----------------------------|-----------------------------|--|
| Net asset value total return per Ordinary share, B share and unit (debt at fair value) ^{*†} | | 3.5% | -2.5% | |
| Ordinary share price | | 3.7% | -2.8% | |
| B share price | | 4.5% | -3.8% | |
| Unit price* | | -1.0% | 1.3% | |
| Benchmark ⁽²⁾ | | 6.0% | 0.9% | |

| | | Year to 31 March 2019 | Year to 31 March 2018 | % change |
|--|--|-----------------------------|-----------------------------|----------|
| Revenue and Distributions | | | | |
| Distributions per Ordinary share and B share | | 5.04p | 4.88p | +3.3% |
| Distributions per unit* | | 20.16p | 19.52p | +3.3% |
| Yield ⁽¹⁾ | | 5.3% | 5.1% | |

| | | 31 March 2019 | 31 March 2018 | % change |
|--|--|------------------|------------------|----------|
| Capital | | | | |
| Net Assets | | £120.1m | £122.3m | -1.8% |
| Net asset value per Ordinary share and B share (debt at fair value) [†] | | 102.39p | 103.75p | -1.3% |
| Net asset value per unit (debt at fair value) ^{*†} | | 409.56p | 415.00p | -1.3% |
| FTSE All-Share Index | | 3,978.28 | 3,894.17 | +2.2% |
| Discount⁽¹⁾ | | | | |
| Ordinary shares | | -7.2% | -7.0% | |
| B shares | | -7.2% | -7.7% | |
| Units | | -8.9% | -4.3% | |
| Gearing⁽³⁾ | | | | |
| Net gearing | | 4.3% | 4.4% | |
| Ongoing Charges⁽¹⁾ | | | | |
| as percentage of average shareholders' funds | | 0.98% | 0.91% | |

⁽¹⁾ Total return, Yield, Discount and Ongoing charges – see Alternative Performance Measures on pages 84 to 85.

⁽²⁾ Benchmark – see definition on page 2.

⁽³⁾ The gearing figure indicates the extra amount by which shareholders' funds would rise or fall if total assets were to rise or fall. A figure of zero per cent means that the Company has a nil geared position.

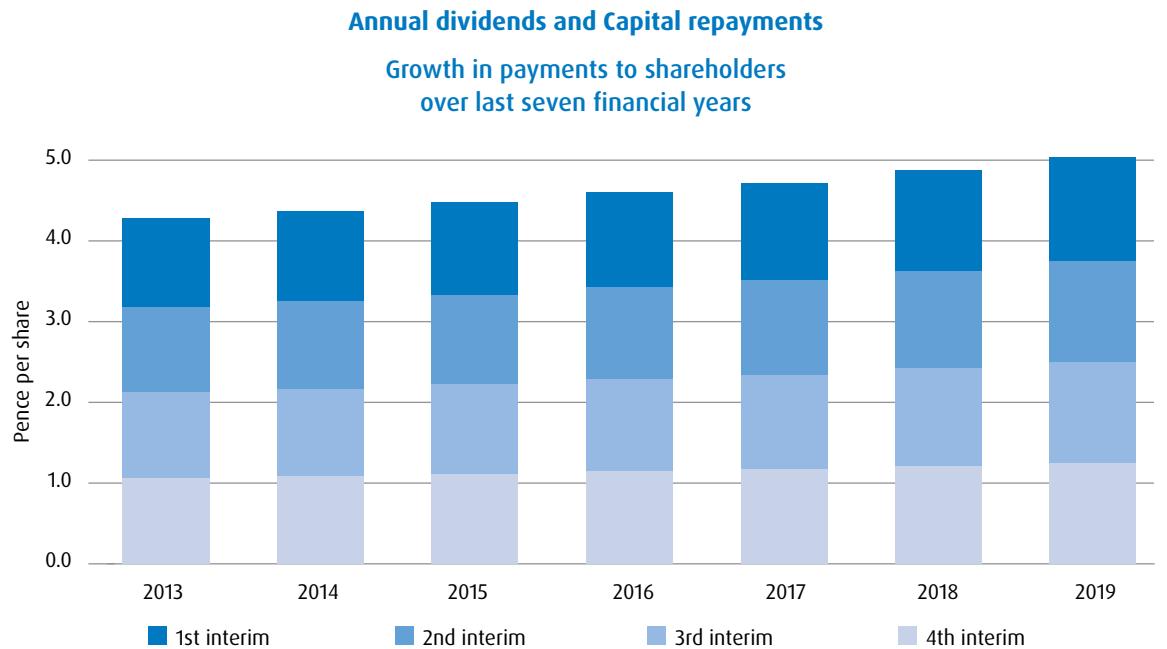
Net gearing = the percentage figure of investments held divided by net assets attributable to shareholders.

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

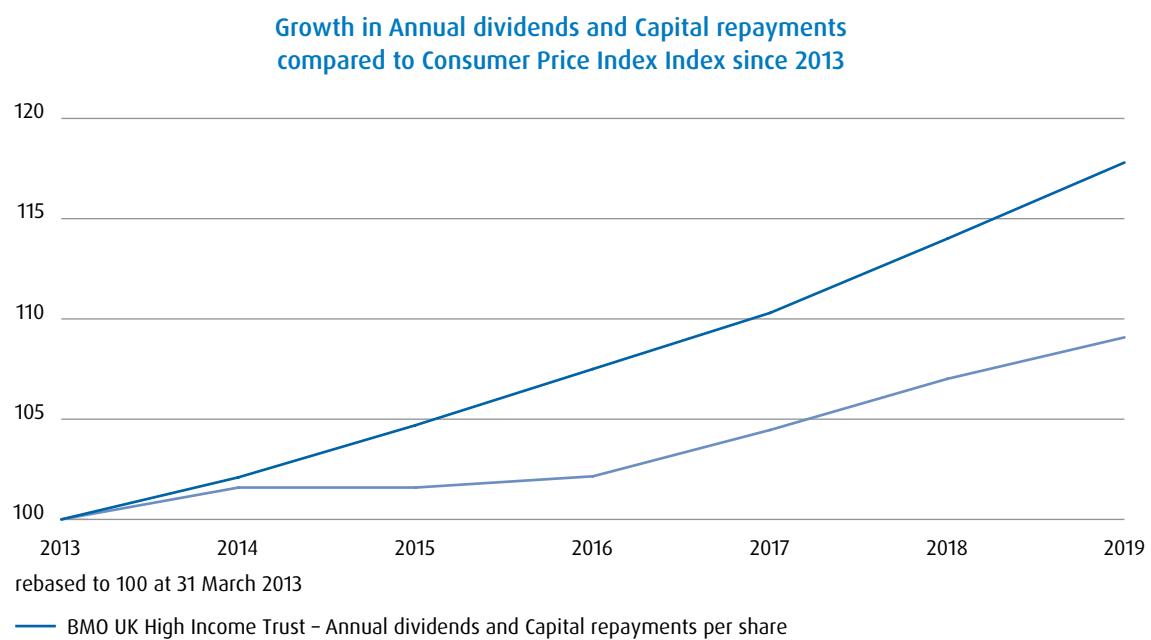
† A reconciliation between the net asset value (debt at fair value) and the net asset value per the Statement of Financial Position is shown in note 3 to the financial statements.

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

Summary of Performance



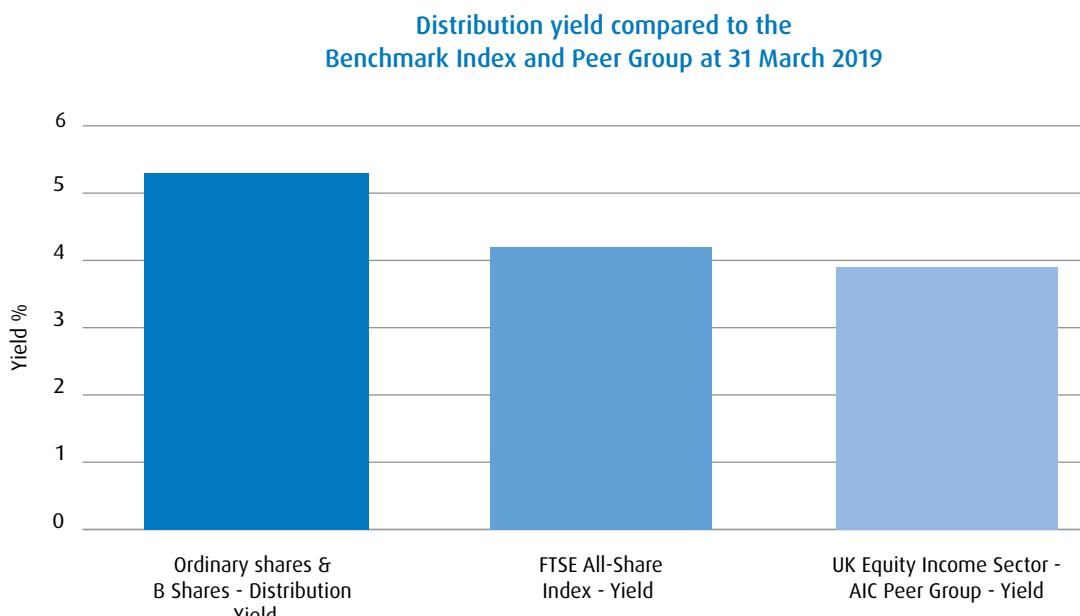
Source: BMO GAM



rebased to 100 at 31 March 2013

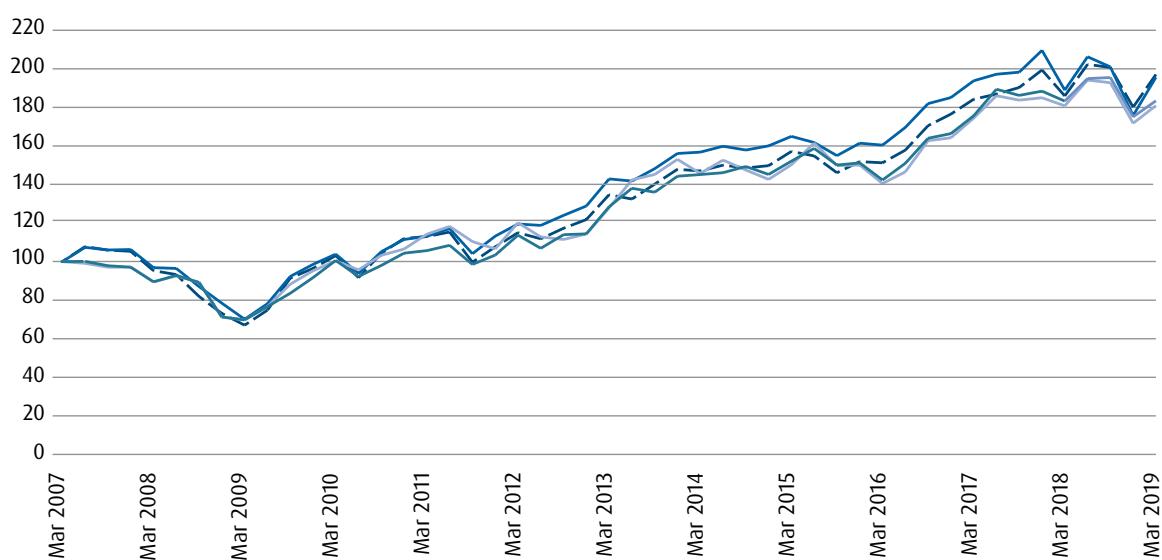
— BMO UK High Income Trust – Annual dividends and Capital repayments per share
— Consumer Price Index

Source: BMO GAM and Datastream



Source: Datastream and AIC

Net Asset Value Total Return and Share Price Total Return since launch



rebased to 100 at 1 March 2007, date of launch

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

Source: BMO GAM

Strategic Report

This Strategic Report, which includes pages 6 to 25 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement



"The yield on the Ordinary shares and B Shares was 5.3% at 31 March 2019 and total distributions increased by 3.3% compared to the prior year."

I A McLaren Chairman

Over the financial year, the Board has continued to focus on the delivery of the changes which have been implemented since 2017 and the Company has engaged with our shareholders on our new focused strategy. We feel confident that the changes will deliver an attractive, relevant, and ultimately differentiated income strategy for our shareholders over the long term. We are aware that delivery takes time and that the Manager needs to build a longer-term track record with this more concentrated strategy, but we now have the constituents in place.

Performance

UK equity markets delivered a positive return over the Company's financial year although this was coupled with considerable volatility. This volatility was most visible in the fourth quarter of 2018, when investors reacted to the weakening global economic backdrop by 'panic' selling. The FTSE All-Share fell by more than 10% in the quarter as we saw a sharp derating of the market. The Manager felt the reaction was overdone and took the opportunity to add to some of our existing holdings at what subsequently proved to be very attractive valuations. His assessment of opportunity was not based on sentiment or noise but on the fundamentals of the companies in

question and reflects the considerable analysis and in depth research that has been undertaken on the Company's holdings.

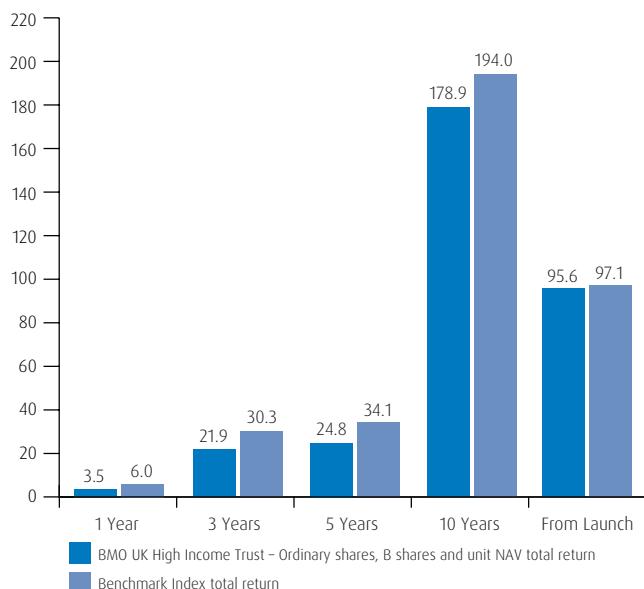
For the Company's financial year ended 31 March 2019, the Net Asset Value ("NAV") total return for the Ordinary shares and the B shares was 3.5% compared to the total return of the Company's benchmark of 6.0%. The share price total return for the Ordinary shares and B shares was 3.7% and 4.5% respectively for the financial year, the latter reflecting a slight decrease in the discount to NAV over the year.

Whilst the performance is behind the benchmark during this period of transition, we are confident that the changes being made will deliver over the longer term. The Manager has been clear that he wants to move away from the traditional mega-cap income model of owning the top 10 index constituents, which he describes in more detail in the Manager's Review. This is a challenging transition to make, especially given the uncertainty in markets and the fact that these larger businesses are often deemed safe-haven assets in periods of heightened volatility. In tandem with these sales, he has rotated into areas that are under-owned or under-researched, but where he sees significant value on offer over the longer term.

The principal contributors to the performance and additional information is covered in more detail in the Manager's Review on pages 21 to 22.

The Company's longer-term performance is illustrated graphically below and shown within the Key Performance Indicators on page 17.

Cumulative Performance to 31 March 2019



Environmental, Social and Governance ("ESG") approach

The Company's Manager applies the highest standards of ESG practice in managing the Company's investments and more information on this approach and insight into engagement during the year is included on pages 14 and 15. BMO GAM is a signatory to the United Nations Principles for Responsible Investment ("UNPRI") under which signatories contribute to the development of a more sustainable global financial system and is A+ rated.

Earnings, Dividends and Capital Repayments

The Company's revenue earnings per share decreased over the year to 3.77p (2018: 4.03p). As explained in the accompanying Manager's Review this is primarily a function of a change in style as it was felt that the portfolio was top-heavy with too many high dividend yielders, but minimal growth prospects. The Manager has now repositioned the portfolio resulting in a better balance between capital and dividends over the longer term. This has not altered our ethos: to pay a high and growing dividend or the Board's commitment

to a progressive dividend policy. This year's total annual dividend was fully covered by net revenue.

Movements in the Sterling exchange rate, most notably against the US dollar, have an important influence on the Company's revenue as broadly a quarter of the Company's income comes from UK-listed companies that declare dividends in US dollars. Over the past year Sterling has weakened against the US dollar by approximately 7% which has benefitted the level of dividend income.

The total dividend/capital repayment in respect of the year ended 31 March 2019 amounted to 5.04p per share, an increase of 3.3% on the previous year and ahead of the 1.9% increase in the Consumer Price Index. For each of the first three quarters, the interim dividends paid on the Ordinary shares and capital repayments on the B shares were 1.25p per share. A fourth quarter interim dividend and a capital repayment of 1.29p per share was paid to Ordinary shareholders and B shareholders respectively, after the year end, on 3 May 2019.

We have now steadily increased the annual total dividend/capital repayment in each of the last seven financial years while adding to the revenue reserve. After accounting for the fourth quarter dividend, (which was paid after the year-end), a small transfer to the revenue reserve (from current year net income) was possible, resulting in a revenue reserve of £5.3m. This is equivalent to approximately 122% of the current annual dividend cost. This revenue reserve affords the Company the ability to sustain the level of dividend payments if a more difficult environment develops.

The total dividend/capital repayment for the year represents a yield of 5.3% on both the Ordinary share and B share year end prices, a premium of around 26% to the 4.2% yield from the Company's benchmark at that date.

Borrowing

The Company has a £7.5 million term loan at a fixed interest rate of 2.58% per annum and an unsecured revolving credit facility for £7.5 million both of which are committed to the Company until 28 September 2022. This dual structure gives us both fixed structural gearing and flexibility to use the revolving facility when we feel it is appropriate.

The Company's gearing policy and related limits are set out on page 12 and at the time of writing, borrowings total approximately 6.0% of gross assets.

Discount and buy backs

At the financial year end, the Company's Ordinary share price and B share price stood at a discount to net asset value of 7.2%. The average discount level at which the Company's Ordinary shares and B shares traded relative to net asset value in the year was 7.2% and 6.9% respectively.

During the year, the Company bought back 600,000 Ordinary shares, representing 0.7% of the Ordinary shares, in issue at the previous year end. The shares were bought back in line with the Company's stated policy, which helps to reduce the volatility of the discount. The price paid for these Ordinary shares represented a discount of approximately 9.8% to the prevailing net asset value at the time of purchase.

Name change

On 9 November 2018, it was announced that it had been decided to change the Company's name to BMO UK High Income Trust PLC. The Company's Manager, F&C Investment Business Limited, became part of the BMO Financial Group in 2014. BMO was founded over 200 years ago as Bank of Montreal and is now the eighth largest bank by assets in North America. As part of its development plans, BMO decided to rebrand F&C's savings plans to the BMO prefix. Many of the Company's shareholders invest through the F&C savings plans and with the F&C brand changing your Board therefore resolved that continuing to align with the brand of its Manager, as well as the savings plans, would avoid unnecessary confusion and ensure the Company maximises the benefits resulting from broader brand investment by BMO. The Fund Manager, investment policy and process remain unchanged.

Cost efficiency and Manager fee

One of our Key Performance Indicators is cost efficiency and we monitor costs closely and strive to keep our ongoing charges as competitive as possible. As we reported last year, with effect from 1 April 2018 the investment management fee was reduced from 0.75% to 0.65% per annum on the net asset value which has helped to keep our ongoing charges below 1%.

Board Changes

I have served on the Board since March 2009 and as Chair since January 2011 and will retire following the conclusion of the Annual General Meeting on 9 July 2019. I am pleased to report that the Board intends to appoint John Evans to succeed me as Chair. John has over 30 years' experience in the investment management industry and of investment trusts and he has made a significant contribution to the Company since he joined the Board in May 2013.

The Nomination Committee is currently undertaking a recruitment process with a view to appointing another non-executive director in the near future. We will always appoint the best person for the job and the policy on Board diversity is set out on page 15.

Annual General Meeting ("AGM")

The AGM will be held at 12 noon on 9 July 2019 in the offices of BMO Global Asset Management, Exchange House, Primrose Street, London, EC2A 2NY. It will be followed by a presentation from our Fund Manager Philip Webster. This is a good opportunity for shareholders to meet the Board and the Fund Manager and I would encourage you to attend. I would also encourage all shareholders to exercise their right to vote at the AGM and if you are not able to attend, please vote using the proxy form provided.

Outlook

Whilst the short-term performance since we implemented the recent strategy changes has been behind the benchmark, the Board and I feel strongly that this was the right course of action and I believe that I am leaving this Company well placed to deliver its objective over the next investment cycle. Looking forward, the environment is likely to remain volatile against the backdrop of Brexit, which the Manager covers in his review. We have considered the implications of this for the Company and regardless of how Brexit finally materialises we do not consider that it will have a significant impact on the operations of the Company. We remain confident that the steps taken to provide shareholders with a truly active, high income-generating product, leaves the new Chair and Board in the best possible position to continue to deliver value for our shareholders.

Iain McLaren

Chairman

22 May 2019



'We monitor our costs closely and with effect from 1 April 2018 the investment management fee was reduced from 0.75% to 0.65% per annum on the net asset value'

Overview

Strategic Report

Governance Report

Auditor's Report

Financial Report

Notice of Meeting

Other Information

Strategy and Business Model

The investment objective is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth. We do this by investing predominantly in UK equities and equity related securities of companies across the market capitalisation spectrum.

Business model

BMO UK High Income Trust PLC is a closed-end listed investment company and carries on business as an investment trust.

The Board of non-executive Directors is responsible for the overall stewardship and governance of the Company. The Board consists of four male Directors and one female Director and their biographical details can be found on page 26. The Company has no executive Directors or employees.

The Directors believe that the optimum basis for meeting their duty under Section 172 of the Companies Act 2006 in promoting the success of the Company and achieving its investment objective in the interests of shareholders is to work closely with its appointed investment management company, BMO Investment Business Limited (the “**Manager**”). The Manager is part of BMO Global Asset Management (“BMO GAM”) and is a subsidiary of BMO Asset Management (Holdings) PLC, which is ultimately owned by the Bank of Montreal (“**BMO**”). Within policies set and overseen by the Directors, the Manager has been given overall responsibility for the management of the Company’s assets, gearing, stock selection and risk. Engagement on environmental, social and governance (“**ESG**”) matters are undertaken by BMO GAM.

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

The Board remains responsible for decisions over corporate strategy; corporate governance; risk and control assessment; setting policies as detailed on pages 12 and 13 setting limits on gearing and asset allocation and monitoring investment performance.

The Manager

A summary of the terms of the management agreement is contained in note 4 to the financial statements. The Manager also acts as the Alternative Investment Fund Manager (“**AIFM**”) under the Alternative Investment Fund Managers Directive (“**AIFMD**”).

Philip Webster is the Fund Manager appointed by BMO GAM. Philip is a senior member of the BMO GAM investment team with 13 years’ experience in managing investment companies.

Manager evaluation

Investment performance is fundamental to delivering the investment objective for shareholders and an important responsibility of the Directors is the annual evaluation of the Manager. The outcome of the evaluation in the current year, which was conducted by the Remuneration Committee, is set out on pages 30 to 31.

Investment policy

The Company’s investment policy is set out on page 12.

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

Our approach

The Company invests in companies which the Manager believes will generate a combination of long-term growth in capital and income for shareholders. The selection of investments is based on analysis of, amongst other things, market positioning and competitive advantage, financial strength, credit risk and cashflow characteristics.

Investment risks are mitigated through holding a wide range of securities in different sectors and the Manager makes use of third party risk measurement systems to monitor investment risk. An analysis of the investment portfolio is contained on pages 23 to 25.

Investment Portfolio

Investments are predominantly in UK equities and equity-related securities of companies across the market capitalisation spectrum.

Favoured companies are those which have the ability to sustain above-average growth in earnings and dividends over the longer term, have strong balance sheets and interest cover, are inherently cash-generative and have a stable and proven management team.

The style of management is to make long-term strategic investments; however the basic approach does not preclude the taking of a more pragmatic view of the valuation of companies through the business cycle.

The Company has a relatively concentrated portfolio and typically has modest portfolio turnover.

Environmental, Social and Governance Impact

The Company's ESG policies, as set out on pages 14 to 15, are aligned towards the delivery of sustainable investment performance over the longer term.

The Company has no employees or premises and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no significant direct social, human rights, community or environmental responsibilities.

The Company's indirect impact occurs through the businesses in which it invests and seeks to mitigate this through BMO GAM's Responsible Ownership policy.

Information on where to find the statement of compliance with The UK Stewardship Code can be found on page 35.

Shareholder communication and Marketing

The Board places great importance on communication with shareholders and the Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings.

BMO GAM continues to promote investment in the Company's shares, which are suitable for retail distribution in the UK as well as professionally advised private clients and institutional investors. The Board works closely with BMO GAM to ensure optimal delivery of the Company's investment proposition through all available channels and together with BMO GAM we remain focused on promoting the success of the Company.

The Manager offers a range of private investor savings schemes which are a convenient and flexible way to invest in the Company, details of which can be found in the 'How to Invest' section of this report on page 81. In addition, meetings are held regularly with current and prospective shareholders and analysts covering the investment trust sector.

Principal Risks and Uncertainties

The Company's Principal Risks and Uncertainties that could threaten its objective, strategy and performance are set out in detail on pages 18 and 19 and how the Board manages such risks. The performance of the Manager is monitored at each Board Meeting and the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlook. It also considers compliance with the investment policy and other investment restrictions.

In addition, functions such as administration, secretarial and accounting are also carried out by the Manager. The Directors also review the services provided by other suppliers, such as the Depositary and Custodian in their duties of safeguarding the Company's assets.

Review of Performance and Outlook

The key policies applied in running the Company are set out on pages 12 to 13 and the Company's performance in meeting its objectives is measured against key performance indicators ('KPIs') as set out on page 17. Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 6 to 8 and the Manager's Review on pages 21 and 22, both of which form part of this Strategic Report.

The Strategic Report, contained on pages 6 to 25, has been approved by the Board of Directors.

By order of the Board

For BMO Investment Business Limited

Company Secretary

6th Floor

Quartermile 4

7a Nightingale Way

Edinburgh EH3 9EG

22 May 2019

Policy Summary

Investment Policy

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

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

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

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

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

The Company's Benchmark

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

Gearing Policy

As explained in the Investment Policy statement, the Company has the flexibility to borrow and the Board has set a gearing limit. The Board receives recommendations on gearing levels from the Manager and it is responsible for setting the gearing range within which the Manager may operate. The Company's borrowing facilities are described in more detail in the notes to the financial statements.

Dividend/Capital Repayment Policy

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

In determining dividend payments, the Board takes account of income forecasts, brought forward revenue reserves, prevailing inflation rates, the Company's dividend payment record and the Corporation Tax rules governing investment trust status. Dividends can also be paid from capital reserves although the Board has no current need or intention of doing so. At the same time as dividend payments are made to Ordinary shareholders, capital repayments of the same amount are made to B Shareholders from the special capital reserve. Risks to the dividend policy have been considered as part of the Principal Risks and Uncertainties and Viability review on pages 18 to 20 and include financial risks leading to a deterioration in the level of income received by the Company or a significant change to the Company's regulatory environment.

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

Buy-backs/Discount Policy

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

While the Directors will at all times retain discretion over whether or not to repurchase Shares, it will be the Company's policy, in the absence of unforeseen or extreme circumstances and subject to its policy of maintaining the Ordinary share: B share ratio within the range (72.5% : 27.5% and 77.5% : 22.5%), to repurchase Shares of either class when there are net sellers and the market price stands at a discount to net asset value of 5 per cent or more. Shares will not be bought back at a premium to net asset value. Shares which are bought back by the Company may be cancelled or may be held in treasury. There is no limit on the amount of shares the Company can hold in treasury. Shares held in treasury may be resold, subject to conditions on dilution to net asset value. For further details see the 'Treasury Shares' section on page 32.

Taxation Policy

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

The Company complies at all times with Section 1158 of the Corporation Tax Act 2010 ("**Section 1158**") such that it does not suffer UK Corporation Tax on capital gains; and ensures that it submits correct taxation returns annually to HMRC and settles promptly any taxation due.

Sustainability and our Environmental, Social and Governance (“ESG”) policies

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

Sustainability approach

The Board is committed to taking a responsible approach to ESG matters and the Company's Manager applies the highest standards of ESG practice in managing the Company's investments on behalf of our shareholders.

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

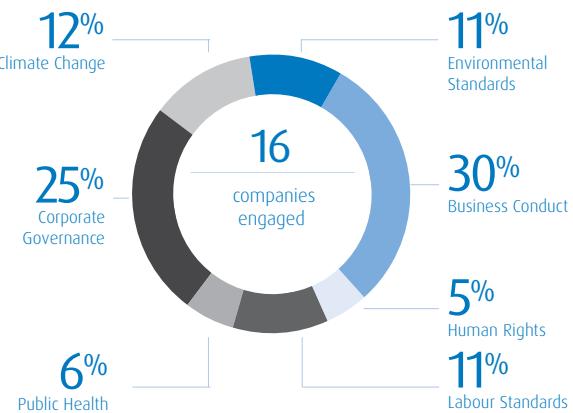
We support BMO GAM in its belief that good governance and sustainability practices creates value. BMO GAM aims to systematically incorporate environmental, social and governance factors into its investment processes. This is based on the view that companies with strong management focus on these areas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

We believe that engaging with companies is best in the first instance rather than simply divesting or excluding investment opportunities. Engagement with companies on significant ESG matters, so as to reduce risk, improve performance, encourage best practice and

underpin long-term investor value forms an important part of BMO GAM's approach towards responsible investment.

Engagement

In the year ended 31 March 2019, BMO GAM engaged with nearly half of the investee companies held by the Company on a range of environmental, social and governance topics as illustrated below.



Example engagement in practice

| Company | Topic | Engagement |
|--------------------|--|---|
| Kerry Group | Environmental Standards – Environmental Supply Chain Management | Our Manager has engaged with this Irish consumer staples business since 2007 on a wide range of issues including supply chains, modern slavery, water, remuneration and nutrition. In 2018 our engagement focused on issues related to raw material sourcing. The company has made notable progress on identifying and management of ESG risks related to each of its ten key raw materials, including dairy, meat and palm oil. As for water management, we welcomed progress made in assessing potential water scarcity within its operations and plans to improve water stewardship. Finally, we engaged with the company on its approach to tackling modern slavery risks. We specifically asked management to develop a comprehensive strategy to managing these risks at its own operations and, importantly, along supply chains. In terms of progress with the company, following our engagement, Kerry Group last year announced it had committed to achieve No Deforestation across high risk supply chains by 2025 and will aim for full traceability throughout the entire supply chain. The company also committed to only source RSPO certified palm oil by the end of 2018 for its own branded products. |

Sustainability and our Environmental, Social and Governance (“ESG”) policies

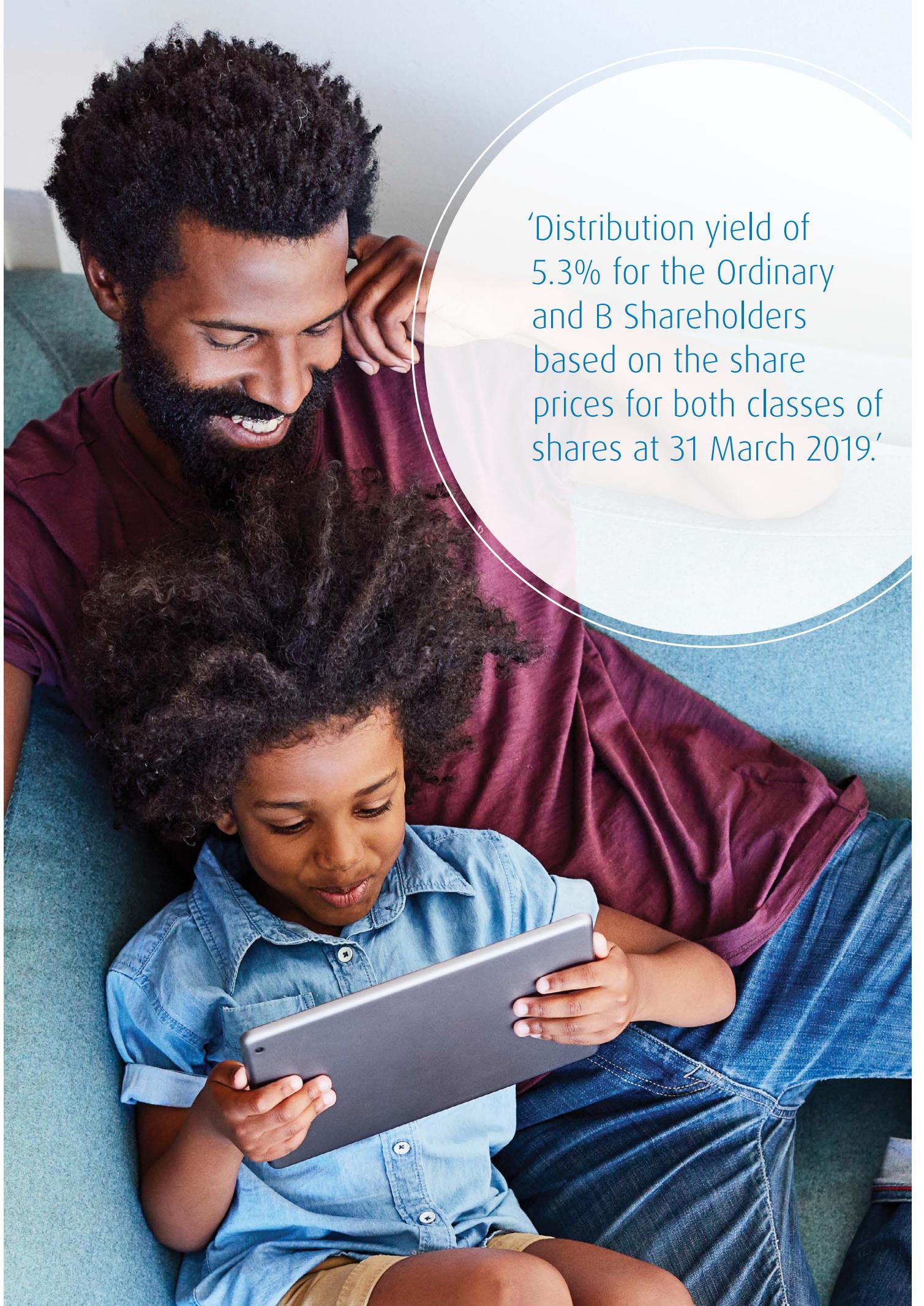
Voting

We expect our shares to be voted on all holdings where possible. In the absence of explicit instructions from the Board, BMO GAM is empowered to exercise discretion in the use of the Company’s voting rights and are voted in accordance with BMO GAM’s own Corporate Governance Guidelines, with oversight from the Responsible Investment team.

With respect to the Company’s investments, in the year to 31 March 2019, BMO GAM voted at 39 company meetings and exercised at least one vote against management at 25% of these meetings. Overall 98.5% of votes were with management and 1.5% of votes were against management.

Board diversity

The Board is composed solely of non-executive directors and has 20% female representation. The Board’s approach to the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender. The Board complies with the UK Corporate Governance Code and AIC Code in appointing appropriately diverse, independent non-executive directors who set the operational and moral standards of the Company. The Board will always appoint the best person for the job and will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability.

A photograph of a smiling man with a beard and curly hair, wearing a maroon shirt, sitting on a couch. He is holding a young boy on his lap. The boy, also with curly hair, is wearing a blue denim shirt and shorts, and is looking intently at a silver tablet held in his hands. They appear to be sharing a joyful moment together.

'Distribution yield of
5.3% for the Ordinary
and B Shareholders
based on the share
prices for both classes of
shares at 31 March 2019.'

Key Performance Indicators

The Board recognises that it is the distribution level of the Ordinary shares and B shares together with the longer term share price performance that is most important to the Company's investors. Underlying share price performance is driven by the performance of the net asset value. The Board assesses its performance in meeting the Company's objective against the key performance indicators ("KPIs") (also referred to as Alternative Performance Measures) set out below. Commentary on these measures can be found in the Chairman's Statement on pages 6 to 8 and the Manager's Review on pages 21 and 22.

| Total return performance ⁽¹⁾ – 31 March 2019 | | | | | |
|---|----------|-----------|-----------|------------|-----------------------------|
| | 1 Year % | 3 Years % | 5 Years % | 10 Years % | Since launch [‡] % |
| Ordinary share price | 3.7 | 22.8 | 27.7 | 171.6 | 83.4 |
| B share price | 4.5 | 20.3 | 18.3 | 167.9 | 80.9 |
| Unit price | -1.0 | 22.3 | 27.3 | 169.0 | 81.3 |
| Net asset value per Ordinary share, B share and per unit | 3.5 | 21.9 | 24.8 | 178.9 | 95.6 |
| Benchmark ⁽²⁾ | 6.0 | 30.3 | 34.1 | 194.0 | 97.1 |

Source: BMO GAM and Datastream.

| Distribution Yield ⁽¹⁾ % – 31 March | | | |
|--|--------|--------|--------|
| | 2019 % | 2018 % | 2017 % |
| Ordinary shares | 5.3 | 5.1 | 4.5 |
| B shares | 5.3 | 5.1 | 4.5 |
| Yield-FTSE All-Share Index | 4.2 | 3.9 | 3.5 |

Source: BMO GAM and Datastream

| Discount ⁽¹⁾ | | | |
|-------------------------|-------------------|------------|---------|
| As at 31 March | Ordinary shares % | B shares % | Units % |
| 2019 | (7.2) | (7.2) | (8.9) |
| 2018 | (7.0) | (7.7) | (4.3) |
| 2017 | (6.4) | (6.1) | (7.9) |

Source: BMO GAM

| Ongoing charges ratio – 31 March ⁽¹⁾ | | % |
|---|--|------|
| 2019 | | 0.98 |
| 2018 | | 0.91 |
| 2017 | | 1.11 |

Source: BMO GAM

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

⁽²⁾ Benchmark – see definition on page 2.

[‡] The Company was launched on 1 March 2007.

Principal Risks and Uncertainties and Viability Statement

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

A summary of the Company's internal controls and risk management arrangements is included within the Report of the Audit Committee on pages 36 and 37. By means of the procedures set out in that summary, and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the Financial Reporting Council, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. These significant risks, emerging risks and other risks, including Brexit are regularly reviewed by the Audit Committee and the Board. It has also regularly reviewed the effectiveness of the Company's risk

management and internal control systems for the period. Whilst there are ongoing uncertainties regarding Brexit, the Board does not consider that any related outcome will have a significant impact on the operations of the Company.

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

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

| Principal Risks and Uncertainties | Mitigation |
|--|--|
| Financial Risk The Company's assets consist mainly of listed equity securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.  No change in overall risk | The Board regularly considers the composition and diversification of the Investment Portfolio and considers individual stock performance together with purchases and sales of investments. Investments and markets are discussed with the Manager and a Strategy meeting is held annually. An explanation of these risks and the way in which they are managed are contained in note 21 to the financial statements. |
| Investment and strategic risk Incorrect strategy, asset allocation, stock selection, inappropriate capital structure, insufficient monitoring of costs, failure to maintain an appropriate level of discount/premium and the use of gearing could all lead to poor returns for shareholders including impacting the capacity to pay dividends.  No change in overall risk | The Company's objective and investment policy and performance against peers and benchmark are considered by the Board at each meeting. A separate Board meeting is also held each year to consider strategic issues. The Investment Portfolio is diversified and comprises listed securities and its composition is reviewed regularly with the Board. BMO GAM's Investment Risk team provides oversight on investment risk management. Market intelligence is maintained via the Company's Broker and the effectiveness of the marketing strategy is also reviewed at each meeting. The Manager also meets with major shareholders. The Board regularly considers operating costs combined with underlying dividend income from portfolio companies and the consequent dividend paying capacity of the Company. |

| Principal Risks and Uncertainties | Mitigation |
|--|---|
| Regulatory Breach of regulatory rules could lead to the suspension of the Company's Stock exchange listing, financial penalties, or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. Changes to tax regulations could alter the market competitiveness of the Company's B shares.  No change in overall risk | <p>The Board liaises with advisors to ensure compliance with laws or regulations.</p> <p>The Manager and its Business Risk department provide regular reports to the Board and Audit Committee on their monitoring and oversight of such rules and are reviewed by the Board. This includes the conditions to maintain investment trust status including the income distribution requirement.</p> <p>The Board has access to BMO GAM's Head of Business Risk and requires any significant issues directly relevant to the Company to be reported immediately.</p> |
| Operational Failure of the Manager's systems or disruption to its business, or that of an outsourced or third party service provider, could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets leading to a potential breach of the Company's investment mandate or loss of shareholders' confidence. External cyber attacks could cause such failure or could lead to the loss or sabotage of data.  No change in overall risk but cyber risks remain heightened | <p>The Board meets regularly with the management of BMO GAM and its Business Risk team to review internal control and risk reports which includes oversight of third party service providers. The Manager's appointment is reviewed annually. The contract can be terminated with six months' notice. A business continuity plan is in place.</p> <p>The Manager continues to benefit from the long-term financial strength and policies of its parent company, Bank of Montreal ("BMO").</p> <p>BMO GAM has outsourced trade processing, valuation and middle office tasks and systems to State Street Bank and Trust Company ('State Street') and supervision of such third party service providers, including DST Financial Services who administer the BMO savings plans, has been maintained by BMO GAM and includes the review of IT security and heightened cyber threats.</p> |
| Custody risk Safe custody of the Company's assets may be compromised through control failures by the custodian.  No change in overall risk | <p>The Board receives quarterly reports from the Depositary confirming safe custody of the Company's assets and cash and holdings are reconciled to the Custodian's records. The Custodian's internal controls reports are also reviewed by the Manager and key points reported to the Audit Committee. The Board also receives periodic updates from the custodian on its own cyber-security controls.</p> <p>The Depositary is specifically liable for loss of any of the Company's securities and cash held in custody.</p> |

Viability assessment and statement

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

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

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

- The Company retains title to all assets held by the Custodian under the terms of a formal agreement with the Custodian and Depositary.
- The borrowing facilities, which remain available until September 2022, are also subject to formal agreements, including financial covenants with which the Company complied in full during the year.
- Revenue and expenditure forecasts are reviewed by the Directors at each Board Meeting.
- Cash is held with banks approved and regularly reviewed by the Manager.

In considering the viability of the Company, the Directors carried out a robust assessment of the principal risks and uncertainties which could threaten the Company's objective and strategy, future performance, liquidity and solvency. These risks, their mitigations and the processes for monitoring them are set out on pages 18 and 19 on Principal Risks and Uncertainties, pages 36 and 37 in the Report of the Audit Committee and in Note 21 of the financial statements.

The Directors have also considered:

- the level of ongoing charges incurred by the Company which are modest and predictable and total 0.98% of average net assets,
- future revenue and expenditure projections,
- the Company's borrowing and liquidity in the context of the fixed rate loan which is due to mature in September 2022,
- its ability to meet liquidity requirements given the Company's investment portfolio consists mainly of readily realisable listed equity securities which can be realised to meet liquidity requirements if required,
- the ability to undertake share buybacks if required,
- the effect of significant future falls in investment values and the ability to maintain dividends and capital repayments and
- the uncertainties regarding Brexit and the UK's related ongoing negotiations to leave the EU.

These matters were assessed over a five year period to May 2024, and the Board will continue to assess viability over five year rolling periods, taking account of severe but plausible scenarios. A rolling five year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to May 2024.

Manager's Review



"I see significant value in the portfolio today caused by the current market backdrop which is an opportunity for the patient medium-term investor."

Philip Webster

Strategy update

In the March 2018 Annual Report, I spoke at length about the Company's new strategy to deliver a differentiated and relevant income product for the future. If you want a reminder, please refer to it as this strategy change is fundamental to the Company's objective.

The financial year to 31 March 2019 was more evolution than revolution, with the major strategy changes having already been implemented in late 2017. My focus since, has therefore been on execution and refining the shape of the portfolio to a high conviction, high income product that can provide a more balanced approach between capital and income over the medium-term.

To put these changes in context, during the financial year to 31 March 2018, I initiated 14 new positions and exited 33. Over this financial year to 31 March 2019, I have added a further 3 new names and exited 4, which hopefully gives you an understanding of the comfort level I have in the portfolio today.

The portfolio had been concentrated down to 35 holdings and it is broadly around that level today. I don't expect the number of holdings to vary materially as I believe that at this level I can drive real 'informational advantage' in the holdings owned through our rigorous due diligence process. As a team, we seek to remove the short-term noise in markets over the next quarter's results delving into the qualities of the business model and how they drive their sustainable competitive advantage. This is the determining factor that gives me the comfort to run larger weights and provides confidence that over the medium-term these are the business models that will deliver shareholder value.

This clarification of the changes to the portfolio is intended to give transparency on how and why we have made these changes and is not an excuse for the short-term underperformance. The underperformance has been driven by several factors including our contrarian style, stock-selection and being underweight the larger index constituents. The concentrated nature of the portfolio means that over the short-term we will disconnect from the benchmark especially through periods of heightened volatility. We have,

however, seen performance improve towards the year-end and with the noise around Brexit subsiding we have subsequently seen the portfolio begin to outperform.

Brexit

Predicting the outcome or the longer-term implications of Brexit on the UK market is a futile exercise. What we do know is that it has been a challenging time to be a UK investor, although, as is often the case, the 'fear' has provided opportunities to own quality UK businesses at attractive valuations. Brexit may be deemed by some to be severely negative for the UK, but it is a known event and valuations already reflect a lot of the concerns.

Stepping back from the noise and political wrangling, plans are being implemented at the portfolio level, or are already in place, to deal with the potential fallout. I cannot say that some of my positions won't be affected, but I've bought into them with the understanding that there is a margin-of-safety in the valuation. That doesn't mean that they can't fall so I've also been diligent in making sure those that are most exposed to this risk have the appropriate balance sheets to weather some short-term upset to trading.

Relative positioning

The following table sets out the Company's top 10 relative weights (versus the benchmark index) and is the way I think about portfolio construction and the medium-term return potential. The first thing to note is the balancing of stable growth compounders (RELX, Kerry Group, Sage Group and Phoenix Holdings) combined with value (either out-of-favour or the cycle).

The value positions require patience or the cycle to turn. Close Brothers is a perfect example of a business that is around, or at its cyclical low in terms of earnings growth. History has, however, proven this to be a quality growth play when the cycle again turns in their favour. The second point of note is that out-of-favour holdings can also have exceptionally attractive yields. For example, Jupiter Fund Management, Lenzing and Brewin Dolphin all yielded 5% or more at the point of initiation.

| Company | Relative Weight against the FTSE All-Share Index* (%) |
|----------------------------|---|
| Close Brothers Group | 3.11 |
| RELX | 2.89 |
| Kerry Group | 2.57 |
| Jupiter Fund Management | 2.52 |
| Sage Group | 2.43 |
| Lenzing | 2.42 |
| Phoenix Group Holdings | 2.40 |
| British American Tobacco | 2.39 |
| Brewin Dolphin | 2.27 |
| Intermediate Capital Group | 2.26 |

* Illustrates the difference between the Company's position in individual holdings as compared to their weighting in the FTSE All-Share Index at 31 March 2019.

The final point to highlight is that these positions are a combination of strong stable compounders but also a considerable amount of value that will drive the medium-term returns. We are happy to be holding a contrarian stance given the disregard for valuation, especially when it comes to quality businesses. This is the reason we have exited Unilever and Diageo, both quality businesses, that were sizeable positions because we felt the valuations had reached a level where investors were overpaying. Overinflated valuations will always unravel in the longer term but over the shorter term, not owning some of these businesses will drag on performance.

From a sector perspective we are underweight the traditional mega-cap sectors; Oil & Gas, Healthcare and Basic Materials (Mining). We are overweight Financials, although within that we are very underweight Banks. Our overweight is driven by our exposure to the diversified financials, for example Brewin Dolphin and Intermediate Capital Group where we own businesses with a competitive advantage. We are overweight Consumer Goods & Consumer Services, which is currently a contrarian stance, but this is where we see value on offer.

Activity

As noted earlier, the level of trading has reduced significantly but we have taken advantage of weakness over the year to introduce three new holdings; Lenzing, Wizz Air and Jupiter Fund Management.

Lenzing is one of the few European names we have added to the portfolio. Lenzing are transitioning to a specialised manufacturer of niche sustainable fabrics for the fashion industry. These products are expensive and value-add for the garment manufacturers and give Lenzing the ability to brand and price appropriately. Their speciality businesses are growing in importance but in the short term, their viscose division, which is insignificant in profit terms, has driven the share price down towards new lows of €75. I have been using this

weakness to build up the position size and at the time of writing we have seen a good rebound.

The second new addition to the portfolio is Wizz Air, the Eastern European low-cost airline. They are the market leader in their region with 39% market share and very strong positions in Poland, Romania, Hungary and Bulgaria. They are getting closer to the market leader, Ryanair, in terms of the cost per seat and have been driving considerable growth as they open new routes and add capacity to their existing network. Again, I used the weakness due to the rising oil price to initiate a position at what I felt was a very attractive valuation.

We initiated a position in Jupiter Fund Management post the recent sell-off, using proceeds from the reduction in HSBC. We see this as a significant quality upgrade into a franchise that has weakened with markets and fund-specific outflows rather than underlying fundamentals. They still face several challenges, but on a P/E multiple of 13x and yielding 6% (excluding the special dividend) the stock was already pricing in a lot of the challenges. They have a net cash balance sheet, so I would feel comfortable adding to the position should it weaken further.

Dividend

The transition of the portfolio has also improved the quality of the earnings, balance sheets and dividend cover. I wrote last year about skewing the portfolio more towards dividend growth, and away from some of the very high yielding, but low growth, mega-caps. This year has been similar as we have opportunistically made the relevant changes to upgrade the quality of the holdings and the sustainability of the dividends.

It is pleasing to see holdings like Cairn Homes transition from a 'ramp-up' stock to providing capital returns in a relatively short timeframe. Having paid no dividend last year, we expect them to return a significant amount of the cash-flow generated over the next 3 years, which would mean a yield of above 5%. Names such as these may be small contributors at the outset, but they will be meaningful over time in the dividend growth generated.

Outlook

As we approach the Brexit deadline I would expect volatility to increase and investors to seek solace in safe-haven assets. My focus has been improving the quality of the Company's holdings, balance sheets, cash-flow and ultimately dividend cover which will allow us to maintain the high yield and drive medium-term capital growth for our shareholders. I see significant value in the portfolio today caused by the current market backdrop which is an opportunity for the medium-term investor.

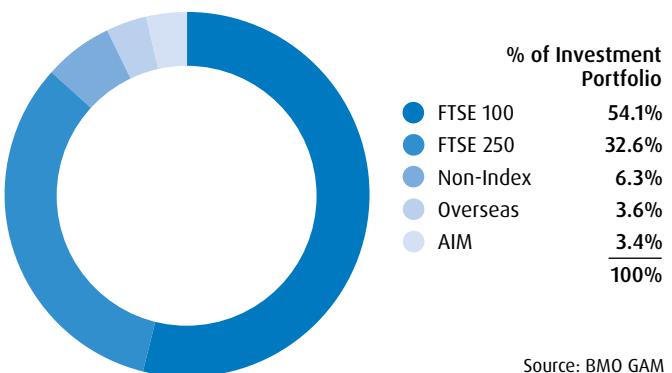
Philip Webster
Fund Manager
BMO Investment Business Limited
22 May 2019

Classification of Investments

The following table shows, at 31 March 2019, the percentage weightings by sector of the investment portfolio in comparison to the FTSE All-Share Index.

| Investment Portfolio by Sector | | 2019 % Total investments | 2019 FTSE All-Share Index |
|--------------------------------|--|--------------------------|---------------------------|
| Sector | | | |
| Financials | | 32.2 | 25.7 |
| Consumer Goods | | 21.2 | 14.6 |
| Consumer Services | | 14.5 | 11.5 |
| Oil & Gas | | 8.0 | 14.2 |
| Healthcare | | 6.4 | 8.3 |
| Basic Materials | | 5.7 | 8.1 |
| Technology | | 5.2 | 1.1 |
| Industrials | | 5.0 | 11.0 |
| Utilities | | 1.8 | 2.8 |
| Telecommunications | | - | 2.7 |
| Total | | 100.0 | 100.0 |

Investment Portfolio analysis by Index as at 31 March 2019



Source: BMO GAM

Investment Portfolio

| At 31 March 2019 | | |
|--|--|---------------------------|
| Company | Market Value 31 March 2019 £'000 | % of total Investments |
| British American Tobacco (Consumer Goods - Tobacco) British American Tobacco is involved in the manufacture, marketing and selling of cigarettes and other tobacco products. It is also at the forefront of developing alternatives to traditional tobacco products. | 8,857 | 7.1 |
| GlaxoSmithKline (Health Care - Pharmaceuticals & Biotechnology) GlaxoSmithKline is a global manufacturer and marketer of pharmaceutical products. | 8,003 | 6.4 |
| Royal Dutch Shell (Oil & Gas - Oil & Gas Producers) Royal Dutch Shell is one of the world's largest integrated oil and gas companies. | 6,405 | 5.1 |
| RELX (Consumer Services - Media) RELX is a multinational information and analytics company. | 6,243 | 5.0 |
| Prudential (Financials - Life Insurance) Prudential is an international financial services group. | 5,271 | 4.2 |
| Rio Tinto (Basic Materials - Mining) Rio Tinto is a diversified international mining company. | 5,076 | 4.1 |
| Compass Group (Consumer Services - Travel & Leisure) Compass Group is a multinational contract foodservice company. | 4,613 | 3.7 |
| Close Brothers Group (Financials - Banks) Close Brothers Group is a niche UK merchant banking group providing lending, wealth management services and securities lending. | 4,545 | 3.6 |
| Imperial Brands (Consumer Goods - Tobacco) Imperial Brands is a multinational tobacco company. | 4,125 | 3.3 |
| Sage Group (Technology - Software & Computer Services) Sage Group is a multinational enterprise software company. | 4,066 | 3.2 |
| Ten largest investments | 57,204 | 45.7 |

| At 31 March 2019 | | Market Value 31 March 2019 £'000 | % of total Investments |
|--------------------------------------|--|--|------------------------------|
| Company | Sector – Sub Sector | | |
| Kerry Group | Consumer Goods – Food Producers | 3,934 | 3.1 |
| Phoenix Group Holdings | Financials – Life Insurance | 3,713 | 3.0 |
| Cairn Homes | Consumer Goods – Household Goods & Home Construction | 3,694 | 2.9 |
| Jupiter Fund Management | Financials – Financial Services | 3,618 | 2.9 |
| BP | Oil & Gas – Oil & Gas Producers | 3,605 | 2.9 |
| Brewin Dolphin | Financials – Financial Services | 3,304 | 2.6 |
| Intermediate Capital Group | Financials – Financial Services | 3,244 | 2.6 |
| Beazley | Financials – Non-Life Insurance | 3,191 | 2.5 |
| Melrose Industries | Industrials – Industrial Engineering | 3,142 | 2.5 |
| Just Eat | Consumer Services – General Retailers | 3,115 | 2.5 |
| Twenty largest investments | | 91,764 | 73.2 |
| Bovis Homes Group | Consumer Goods – Household Goods & Home Construction | 3,109 | 2.5 |
| BBA Aviation | Industrials – Industrial Transportation | 3,070 | 2.5 |
| HSBC Holdings | Financials – Banks | 2,912 | 2.3 |
| LondonMetric Property | Financials – Real Estate Investment Trusts | 2,884 | 2.3 |
| Berkeley Group Holdings | Consumer Goods – Household Goods & Home Construction | 2,849 | 2.3 |
| Burford Capital | Financials – Financial Services | 2,656 | 2.1 |
| Wizz Air Holdings | Consumer Services – Travel & Leisure | 2,633 | 2.1 |
| Neinor Homes | Financials – Real Estate Investment & Services | 2,449 | 2.0 |
| Sophos Group | Technology – Software & Computer Services | 2,430 | 1.9 |
| Legal & General Group | Financials – Life Insurance | 2,335 | 1.9 |
| Thirty largest investments | | 119,091 | 95.1 |
| Pennon Group | Utilities – Gas, Water & Multiutilities | 2,284 | 1.8 |
| Lenzing | Basic Materials – Chemicals | 2,033 | 1.6 |
| ASOS | Consumer Services – General Retailers | 1,601 | 1.3 |
| Investors Securities Company Limited | N/A (subsidiary undertaking) | 250 | 0.2 |
| Total investments | | 125,259 | 100.0 |

Board of Directors



Iain McLaren, Chairman of the Board and Nomination Committee

Appointed on 19 March 2009. He is currently a non-executive director of Wentworth Resources plc, Ecofin Global Utilities and Infrastructure Trust plc and Edinburgh Dragon Trust plc. Until his recent retirement on 17 May 2019 he was a non-executive director of Baillie Gifford Shin Nippon plc and was previously senior partner in Scotland of KPMG.



Julia Le Blan, Audit Committee Chairman

Appointed on 1 January 2011. She has worked in the financial services industry for over 30 years. She retired from Deloitte in 2009, where she had been a tax partner since 1990. She is currently a non-executive director of Aberforth Smaller Companies Trust plc, Impax Environmental Markets plc, JPMorgan US Smaller Companies Investment Trust plc and The Biotech Growth Trust plc.



John Evans

Appointed on 8 May 2013. He has worked in the investment management industry for over 30 years. He retired from Aberforth Partners, a specialist investment management firm, in 2011 having been one of its founding partners in 1990. He is Chairman of Drum Income Plus REIT plc and a non-executive director of JPMorgan Mid Cap Investment Trust plc and Securities Trust of Scotland plc.



Andrew Watkins

Appointed on 29 June 2017. He has worked in the financial services industry for over 40 years and was head of Client Relations for Investment Trusts at Invesco Perpetual from 2004 until his retirement in June 2017. He is currently a non-executive director and chairman of Ashoka India Equity Investment Trust plc and a non-executive director of Chelverton UK Dividend Trust PLC and The European Investment Trust plc.



James Williams, Senior Independent Director and Remuneration Committee Chairman

Appointed on 17 September 2009. He has been involved with the investment management industry for over 40 years. He retired from Baring Asset Management in 2002, where he was chief investment officer and head of global investment strategy. He is a non-executive director and chairman of Pacific Assets Trust plc and was previously a non-executive director of JPMorgan American Investment Trust plc, Prosperity Russian Domestic Fund, Royal London Growth and Income Trust plc and of Close Brothers Group plc.

All Directors are members of the Remuneration Committee and Nomination Committee.

All Directors with the exception of Iain McLaren (with effect from 27 November 2018) are members of the Audit Committee.

Report of the Directors

The Directors submit the Annual Report and Financial Statements of the Company for the year to 31 March 2019. The Directors' biographies, Corporate Governance Statement, the Report of the Audit Committee and the Directors' Remuneration Report form part of this Report of the Directors.

Statement Regarding Annual Report and Financial Statements

The Directors consider that, following advice from the Audit Committee, the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee has reviewed the Annual Report and Financial Statements for the purpose of this assessment. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular. The outlook for the Company can be found on pages 8 and 22. Principal risks and uncertainties can be found on pages 18 and 19 with further information in note 21 to the financial statements.

Changes during the year

At the Company's Annual General Meeting on 5 July 2018 shareholders approved the proposed change in relation to the Company's Articles of Association in order to change the Company's benchmark from the FTSE All-Share Capped 5% Index to the FTSE All-Share Index.

The name of the Company was changed from F&C UK High Income Trust PLC to BMO UK High Income Trust PLC on 9 November 2018 by a resolution of the Board.

Results and Dividends

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

The Company has paid quarterly interim dividends in the year ended 31 March 2019 as follows:

| Interim Dividend payments | | |
|---------------------------|-----------------|----------------|
| | Payment date | Rate per share |
| Fourth interim for 2018 | 4 May 2018 | 1.25p |
| First interim for 2019 | 3 August 2018 | 1.25p |
| Second interim for 2019 | 2 November 2018 | 1.25p |
| Third interim for 2019 | 1 February 2019 | 1.25p |

Dividend payments in the prior year ended 31 March 2018 are set out in note 9 to the financial statements.

A fourth quarter interim dividend of 1.29p per Ordinary share was paid on 3 May 2019 to Ordinary shareholders on the register at close of business on 5 April 2019. The total (for the current financial year to 31 March 2019) of 5.04p per Ordinary share represents an increase of 3.3% over the 4.88p per Ordinary share paid in respect of the previous financial year.

As set out in the Company's dividend/capital repayment policy on page 12, payments are made quarterly and the Company does not currently pay a final dividend that would require formal shareholder approval of the AGM. As an alternative, the Board proposes to seek formal shareholder approval at the AGM, and in future years, to continue quarterly payments (**Resolution 8**).

Principal Activity and Status

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

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

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

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

Subsidiary Company

The Company has a 100 per cent interest in Investors Securities Company Limited (number: SC140578), a company which deals in investments. In the year to 31 March 2019, Investors Securities Company Limited made a profit before taxation of £nil (2018: £nil).

Investors Securities Company Limited did not trade during the year to 31 March 2019 and it has not been consolidated in the financial statements in accordance with section 405 of the Companies Act 2006 on grounds of materiality.

Accounting and Going Concern

The financial statements start on page 52 and the unqualified Independent Auditor's Report on the financial statements is on pages 44 to 51. The significant accounting policies of the Company are set out in note 1 to the financial statements.

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

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council and have undertaken a rigorous review of the Company's ability to continue as a going concern. As part of that review the Board has considered the ongoing uncertainties regarding Brexit and does not consider that any related outcome would affect the Company's ability to continue as a going concern.

The Company's investment objective and policy, which is described on pages 10 and 12 and which is subject to regular Board monitoring processes, is designed to ensure that the Company is invested mainly in liquid, listed securities. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities with which it has complied during the year. Cash is held only with banks approved and regularly reviewed by the Manager.

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

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

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

The Company's longer term viability is considered in the 'Viability assessment and statement' on page 20.

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

Statement of Disclosure of Information to Auditor

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

Re-appointment of Auditor

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

Further information in relation to the re-appointment can be found on page 39.

Capital Structure and Voting Rights

The Company's capital structure is explained in the 'Capital Structure' section on page 78 of this Annual Report and details of the share capital, including voting rights, are set out in note 17 to the financial statements. Details of voting rights are also set out in the Notes to the Notice of Annual General Meeting. At 31 March 2019, the total listed share capital of the Company was represented 76.1 per cent by Ordinary shares and 23.9 per cent by B shares.

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

Substantial Interests in Share Capital

At 31 March 2019 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure Guidance and Transparency Rules):

| | Ordinary Shares | |
|----------------------------------|-----------------|------------------|
| | Number held | Percentage held* |
| 1607 Capital Partners, LLC | 8,711,000 | 10.1 |
| D. C. Thomson & Company Limited | 7,944,869 | 9.2 |
| Jupiter Asset Management Limited | 6,470,000 | 7.5 |
| Thomson Leng Provident Fund | 3,800,000 | 4.4 |

| | B Shares | |
|---------------------------------|-------------|------------------|
| | Number held | Percentage held* |
| D. C. Thomson & Company Limited | 2,241,623 | 7.2 |

* Based on 86,328,144 Ordinary Shares and 30,976,703 B Shares in issue as at 31 March 2019.

Since 31 March 2019 the Company has received the following notification of voting rights: 1607 Capital Partners, LLC 8,612,500 Ordinary Shares (9.98%).

The Company has not received any other notification of any changes in these voting rights and no new holdings have been notified since 31 March 2019 up to the date of this report.

BMO Savings Plans

Approximately 36% of the Company's share capital is held through the BMO savings plans. The Manager does not have discretion to exercise any voting rights in respect of the shares held through the BMO Savings Plans. Instead the nominee company holding these shares votes in line with any voting directions received from the underlying planholders. Where no instruction is received from any underlying planholder, the voting rights attached to their shares will not be exercised.

Directors' Remuneration report

The Directors' Remuneration Report, which can be found on pages 40 to 42, provides detailed information on the remuneration arrangements for the Directors. Shareholders will be asked to approve the Annual Report on Directors' Remuneration at the AGM on 9 July 2019 (**Resolution 2**).

At the Annual General Meeting held on 29 June 2017, shareholders approved the Directors' Remuneration Policy. It is intended that this policy will continue for the three year period ending at the AGM in 2020, when shareholders will next be asked for their approval. The policy can be found on page 40.

Director re-elections

Biographical details of the Directors, all of whom are non-executive, can be found on page 26 and are incorporated into this report by reference. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below.

All of the Directors held office throughout the year under review. As explained in more detail under the Corporate Governance Statement on page 34, the Board has agreed that all Directors will retire annually. Mr I A McLaren is not standing for re-election and will therefore retire at the conclusion of the forthcoming Annual General Meeting.

- **Resolution 3** relates to the re-election of Mrs J Le Blan who was appointed on 1 January 2011 and has a strong accounting and financial background and was a tax partner at Deloitte until her retirement in 2009.
- **Resolution 4** relates to the re-election of Mr J M Evans who was appointed on 8 May 2013 and has in-depth knowledge, expertise and experience in investment management.
- **Resolution 5** relates to the re-election of Mr A K Watkins who was appointed on 29 June 2017 and has extensive experience and knowledge of investment trusts and the sector having been Head of Client Relations for Investment Trusts at Invesco Perpetual until his retirement in 2017.
- **Resolution 6** relates to the re-election of Mr J P Williams who was appointed on 17 September 2009 and has therefore served for more than nine years. He has in-depth knowledge, expertise and experience in investment management and was chief investment officer and head of global investment strategy at Baring Asset Management.

The Board believes that longer serving Directors should not be prevented from forming part of an independent majority, which is consistent with the view expressed within the AIC Code. The Board does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, the Board believes that each Director is independent in character and judgement, that they perform their duties at all times in an independent manner and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board believes that continuity and experience add significantly to the strength of the Board and therefore no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

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

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

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

Directors' Deeds of Indemnity

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

Conflicts of Interest

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

this effect. The Company's Articles of Association give the Directors authority to approve such situations.

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

Safe custody of assets

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

Depositary

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

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

Management and Management Fees

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

Since the end of the year, the Remuneration Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review the Committee considered the past investment performance of the Company and the ability of the Manager to produce satisfactory investment performance in the future. It also considered the length of

the notice period of the investment management contract and fees payable to the Manager, together with the standard of other services provided which include company secretarial and accounting services. Following this review, it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

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

Other Companies Act 2006 Disclosures

- The rules for appointment and replacement of Directors are contained in the Articles of Association of the Company. In respect of retiral by rotation, the Articles of Association provide that each Director is required to retire at the third annual general meeting after the annual general meeting at which last elected. As mentioned earlier in this Report, the Board has agreed that all Directors will retire annually.
- Amendment of the Articles of Association and powers to issue and buy back shares require shareholder authority.
- There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid.

Future Developments of the Company

The future success of the Company in pursuit of its investment objective is dependent primarily on the performance of its investments and the outlook for the Company is set out in the Chairman's Statement on page 8 and the Manager's Report on page 22.

Environmental, Social and Governance

Details of the Company's Environmental, Social and Governance policies including voting on portfolio investments is set out on pages 14 to 15.

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

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

Financial Group under the Act has been published on the Manager's website at www.bmogam.com

Greenhouse Gas Emissions

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

Financial Instruments

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

Annual General Meeting

The Annual General Meeting will be held at Exchange House, Primrose Street, London, EC2A 2NY on Tuesday 9 July 2019 at 12 noon. The Notice of Annual General Meeting is set out on pages 74 to 76.

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

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

Resolution 9 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,316 consisting of 4,316,407 Ordinary shares and new B shares up to an aggregate nominal amount of £1,548 consisting of 1,548,835 B shares, being 5 per cent of the total issued Ordinary shares and B shares (excluding treasury shares) as at 22 May 2019. This authority therefore authorises the Directors to allot up to 5,865,242 shares in aggregate representing 5 per cent of the total share capital in issue (excluding treasury shares).

Resolution 10 will, if passed, authorise the Directors to allot new Ordinary shares up to an aggregate nominal amount of £4,316 and new B shares up to an aggregate nominal amount of £1,548, being 4.2 per cent and 4.8 per cent of the total issued Ordinary shares and B shares respectively (including treasury shares) as at 22 May 2019, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. This authority therefore authorises the Directors to allot up to 5,865,242 shares in aggregate for cash on a non pre-emptive basis representing 4.4 per cent of the total share capital in issue (including treasury shares). These authorities will continue until the earlier of 30 September 2020 and the conclusion of the Company's next Annual General Meeting.

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

Directors' Authority to Buy Back Shares (Resolution 11)

At the Annual General Meeting held on 5 July 2018 shareholders gave the Company authority to make market purchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury). During the year to 31 March 2019 the Company purchased for treasury 600,000 Ordinary shares of 0.1p each, representing 0.7 per cent of the Ordinary shares in issue at the previous year end, for a total consideration of £547,000 in accordance with the Company's discount management policy. The Company did not purchase any B shares during the year to 31 March 2019.

The current authority of the Company to make market purchases of up to 14.99 per cent of each of the issued Ordinary shares and the B shares (in each case, excluding shares held in treasury) expires at the end of the Annual General Meeting and **Resolution 11**, as set out in the notice of the Annual General Meeting, seeks renewal of that authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of each of the issued Ordinary shares and issued B shares of the Company on the date of the passing of the resolution. The price paid for shares will not be less than the nominal value of 0.1p per share nor more than the higher of (a) 5 per cent above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of those shares for the five business days before the shares are purchased and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share and is in the interests of the shareholders. Any shares purchased under this authority will be purchased with cash and will either be held in treasury or cancelled. This authority will expire on the earlier of 30 September 2020 and the conclusion of the next Annual General Meeting of the Company.

There were 117,304,847 Ordinary shares and B shares in issue (excluding treasury shares) as at 22 May 2019; of which 73.6 per cent represents Ordinary shares and 26.4 per cent represents B shares. At that date, the Company held 15.4 per cent of the total Ordinary share capital in treasury and 3.4 per cent of the total B share capital in treasury.

The Company therefore in aggregate holds 16,839,000 shares in treasury representing 14.4 per cent of the total share capital in issue (excluding treasury shares).

Treasury Shares (Resolutions 12 and 13)

The Board continues to believe that the effective use of treasury shares assists the liquidity in the Company's securities and management of the discount by addressing imbalances between demand and supply for the Company's securities. The discount management policy that was adopted at the time of the Company's launch in 2007 included the ability of the Company to resell treasury shares at a discount to net asset value, subject to certain conditions (see Resolution 12 below). The Directors retain discretion over the resell price. Subject to unforeseen circumstances, it is their intention only to resell treasury shares at a price at, or above net asset value. This is consistent with the practice followed in recent years.

Resolution 12, if passed, will continue to allow the Company to sell shares from treasury at a discount to net asset value. Shares would only be resold from treasury when market demand is identified and, pursuant to the authority conferred by this resolution, at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which shares are to be resold must be less than the average discount at which shares held in treasury have been repurchased and, second, the net asset value dilution in any one financial year must not exceed 0.5 per cent of net assets. Resolution 12 is conditional on the passing of Resolution 13.

Resolution 13, if passed, will enable the Company to sell shares from treasury without having first to make a pro rata offer to existing shareholders. This authority will be limited to shares representing approximately 8.5 per cent and 9.7 per cent of the Company's issued Ordinary share capital and B share capital respectively (including treasury shares) as at the date of passing of the resolution. Resolution 13 is not conditional on the passing of Resolution 12.

Notice Period for General Meetings (Resolution 14)

Resolution 14 is being proposed to reflect the provisions of the Companies Act 2006 relating to meetings and the minimum notice period for listed company general meetings being increased to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for annual general meetings), provided that the company offers facilities for shareholders to vote by electronic means and that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of general meetings (other than for annual general meetings) from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 14 as a special resolution to ensure that the minimum required period for notice of general meetings of the Company (other than for annual general meetings) is 14 clear days. The approval will be effective until the earlier of 30 September 2020 and the Company's next annual general meeting when it is intended that a similar resolution will be proposed. The Board intends that this flexibility of a shorter notice period to be available to the Company will be used only for non routine business and only where needed in the interests of shareholders as a whole.

Recommendation

The Directors consider that the passing of the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, they unanimously recommend that all shareholders vote in favour of those resolutions. The Directors intend to vote in favour of each of the resolutions in respect of their own beneficial holdings of 56,773 Ordinary shares and 85,000 B shares, representing approximately 0.1 per cent. of the issued share capital of the Company as at the date of this document. Information on shareholder voting rights is set out in the Notes to the Annual General Meeting.

Individual Savings Accounts

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

By order of the Board

For BMO Investment Business Limited

Company Secretary

Quartermile 4

7a Nightingale Way

Edinburgh EH3 9EG

22 May 2019

Corporate Governance Statement

Introduction

Arrangements in respect of corporate governance, appropriate to an investment trust, have been made by the Board. Except as disclosed in the paragraph below, the Company complied throughout the year with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council ('**UK Code**'), in 2016 which can be found at www.frc.org.uk.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance ('**AIC Code**') published in 2016 by reference to the AIC Corporate Governance Guide for Investment Companies ('**AIC Guide**'), both of which can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code as well as setting out additional principles and recommendations on issues which are of specific relevance to investment companies.

Since all the Directors are non-executive, and in accordance with the AIC Code and the preamble to the UK Code, the provisions of the UK Code in respect of the role of the chief executive and, except in so far as apply to non-executive Directors, on Directors' remuneration are not relevant to the Company and are not reported on further.

In view of its non-executive nature and the requirements of the Articles of Association, that all Directors are subject to retirement by rotation, the Board does not consider it appropriate for the Directors to be appointed for a specified term as recommended by provision B.2.3 of the UK Code. The Articles of Association require the Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the UK Code and the AIC Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

During 2018, the Financial Reporting Council issued an updated version of its UK Corporate Governance Code, which will apply to the Company for the year ended 31 March 2020. In February 2019 the AIC also issued a revised version of the AIC Code of Corporate Governance.

The Board has had regard to these latest versions. The latest version of the UK Code includes a nine year limit on chair tenure. The chairman Mr I A McLaren has served over nine years since appointment to the Board in March 2009, and as noted on page 29 intends to retire following the forthcoming AGM on 9 July 2019.

The Board

The Board consists solely of non-executive Directors. Mr I A McLaren is Chairman and Mr J P Williams is the Senior Independent Director. All Directors are considered by the Board to be independent of the Company's Manager. Full details of the duties of Directors are provided at the time of appointment. Under the requirements of the Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment. New Directors receive an induction from the Manager on joining the Board, and all Directors are encouraged to attend relevant training courses and seminars and receive regular updates on the industry and changes to regulations from the Company Secretary and other parties, including the AIC.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

The basis on which the Company aims to generate value over the longer term is set out within the Strategy and Business Model as contained on pages 10 to 11.

The Company has no executive Directors or employees. A management agreement between the Company and its Manager, BMO Investment Business Limited, sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. Including an annual strategy meeting, the Board currently meets at least five times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

| Directors' attendance during the year ended 31 March 2019 | | | | |
|---|--------------------|-----------------|------------------------|----------------------|
| | Board of Directors | Audit Committee | Remuneration Committee | Nomination Committee |
| No. of meetings | 5 | 2 | 1 | 3 |
| I A McLaren | 5 | 2 | 1 | 3 |
| J Le Blan | 5 | 2 | 1 | 3 |
| J M Evans | 5 | 2 | 1 | 3 |
| A K Watkins | 5 | 2 | 1 | 3 |
| J P Williams | 5 | 2 | 1 | 3 |

All Directors attended the Annual General Meeting in July 2018.

Board effectiveness

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

Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remain committed to the Company.

Voting policy on portfolio investments

Details of the Company's ESG policies including voting on portfolio investments is set out on pages 14 and 15.

BMO GAM's statement of compliance with The UK Stewardship Code has been reviewed and endorsed by the Board, which encourages and supports BMO GAM on its voting policy and its stance towards environmental, social and governance issues. The statement is available on BMO GAM's website at bmogam.com/gb-en/institutional/institutional-capabilities/responsible-investing/.

Committees

Throughout the year a number of committees have been in operation. The committees are the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate within clearly defined terms of reference which are available on the website www.bmoukhighincome.com and for inspection on request at the Company's registered office. With the exception of the Audit Committee (where Mr I A McLaren ceased to be a member with effect from 27 November 2018), each of the committees comprises all of the Directors. The Board considers that, given its size, it would be unnecessarily burdensome to establish separate committees which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

Audit Committee

Details of the Audit Committee are contained in the Report of the Audit Committee on pages 36 to 39.

Remuneration Committee

The Remuneration Committee comprises the full Board and is chaired by Mr J P Williams. The Remuneration Committee reviews the remuneration of Directors and the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis. The Directors' Remuneration Report on pages 40 to 42 provides information on the remuneration arrangements for the Directors of the Company.

Nomination Committee

The Nomination Committee comprises the full Board and is chaired by Mr I A McLaren. The Nomination Committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board these are based on merit. The Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity, including gender, independence and knowledge of the Company within the Board. The Company's Board diversity policy is shown on page 15. The Directors have not set any measurable objectives in relation to the diversity of the Board.

As explained in the Chairman's Statement, it is intended that Mr J Evans will be appointed as Chairman following the conclusion of the AGM on 9 July 2019, following the retirement of Mr I A McLaren. The Board has begun the process of recruiting a new Director and an external search agency, Nurole, is being used.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. In addition to the annual and interim reports that are available for shareholders, monthly fact sheets and additional information is included on the Company's website at www.bmoukhighincome.com. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Fund Manager will give a short presentation on the Company at the Annual General Meeting.

Risk Management and Internal Controls

Details of the principal risks and uncertainties and risk management and internal controls applied by the Board are set out on pages 18 and 19 and pages 36 and 37 respectively.

Share Capital and Companies Act 2006 Disclosures

Details of the Company's capital structure is set out on page 28 and details of substantial interests in the Company's share capital and other Companies Act 2006 Disclosures are included on pages 29 to 31.

By order of the Board

For BMO Investment Business Limited

Company Secretary

Quartermile 4

7a Nightingale Way

Edinburgh EH3 9EG

22 May 2019

Report of the Audit Committee

Composition of the Committee

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

The Audit Committee is chaired by Mrs J Le Blan who is a chartered accountant and has recent and relevant financial experience. It operates within clearly defined terms of reference and comprises the full Board, with the exception of Mr I A McLaren who ceased to be a member of this Committee with effect from 27 November 2018. These directors have a combination of financial, investment and business experience and specifically with respect to the investment trust sector. The performance of the Committee was evaluated as part of the Board appraisal process.

Role of the Committee

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

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 34. In the due course of its duties, the committee had direct access to Deloitte and senior members of BMO GAM's Fund Management, Investment Trust and Business Risk teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcement and annual and half-yearly reports and financial statements;
- The accounting policies of the Company and the allocation of management expenses and interest costs between capital and revenue;
- The principal risks and uncertainties faced by the Company and the effectiveness of the Company's internal control and risk management environment including consideration of the assumptions underlying the Board's statement on viability;
- The effectiveness of the external audit process and the independence and objectivity of Deloitte as auditor, its re-appointment, remuneration and terms of engagement;

- The policy on the engagement of Deloitte to supply non-audit services and approval of any such services;
- The implications of proposed new accounting standards and regulatory changes;
- The need for the Company to have its own internal audit function;
- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian and the Company's registrar; and
- Whether the Annual Report and Financial Statements is fair, balanced and understandable.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant financial information as is noted in the Statement of Directors' Responsibilities on page 43.

Risk Management

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

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

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

The Company's principal risks and uncertainties and their mitigations are set out on pages 18 and 19 with additional information provided in note 21 to the financial statements. The integration of these risks into the consideration of the Viability Statement on page 20 was also fully considered and the Audit Committee concluded that the Board's Statement was soundly based. The period of five years was also agreed as remaining appropriate for the reasons given in the statement.

Internal Controls

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

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

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

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

The assessment included a review of the BMO GAM risk management infrastructure and the Report on Internal Controls in accordance with ISAE 3402 and AAF 01/06 for the year to 31 October 2018 (the '**ISAE/AAF Report**') that has been prepared for their clients. The Audit Committee also received confirmation from BMO GAM that subsequent to this date, there had been no material changes to the control environment. Containing an unqualified opinion from

independent reporting accountants KPMG LLP, it sets out BMO GAM's control environment and procedures with respect to the management of its clients' investments and maintenance of their financial records. The effectiveness of these controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues identified and which would be reported to the Board. Any errors or breaches relating to the Company are reported at each Board Meeting by BMO GAM. No failings or weaknesses material to the overall control environment and financial statements in respect of the Company were identified in the year under review nor to the date of this report.

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

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

Based on review, observation and enquiry, the Audit Committee has concluded that the systems and procedures employed by BMO GAM, including its internal audit, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained and the Board has concurred. An internal audit function, specific to the Company, is therefore considered unnecessary but this decision will be kept under review.

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

| Matter | Action |
|--|--|
| Valuation of Investment Portfolio | |
| Possibility of incorrect valuation of the investment portfolio, including failure to assess stock liquidity appropriately. | The Company's accounting policy is stated in note 1 to the financial statements. The Board reviews the full portfolio valuation at each Board meeting and receives quarterly monitoring and control reports from the AIFM and Depositary. The Committee reviewed BMO GAM's ISAE/AAF Report for the year ended 31 October 2018, which is reported on by independent external accountants and which details the systems, processes and controls around the daily pricing of equity and fixed interest securities. BMO GAM has provided further assurance that controls have operated satisfactorily since that date. |

| Significant Matters Considered by the Audit Committee in Relation to the Financial Statements | |
|---|---|
| Matter | Action |
| Misappropriation of Assets | |
| Misappropriation or non-existance of the Company's investments or cash balances could have a material impact on its net asset value per share. | The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as referred to overleaf, which is reported on by independent external accountants and which details the controls around the reconciliation of the Manager's records to those of the custodian. The Audit Committee also reviewed the custodian's semi-annual internal control report, which is reported on by independent external accountants, and which provides details regarding its control environment. The Depositary has issued reports confirming, amongst other matters, the safe custody of the Company's assets for the periods since implementation of AIFMD to 31 March 2019. |
| Going Concern | |
| The Company's financial statements have been prepared on a going concern basis. Under guidance issued by the Financial Reporting Council, the Directors are required to conduct a rigorous assessment of this basis of preparation. | The Audit Committee reviewed the basis for concluding that the Company remains a going concern, including consideration of the liquidity of investments, the quantum of cash holdings, revenue and expense forecasts, the due date for repayment of the Company's borrowing facilities and continued compliance with applicable banking covenants, and satisfied itself that the going concern basis of preparation remained appropriate. |
| Income Recognition | |
| Incomplete or inaccurate income recognition, including allocation between revenue and capital, could have an adverse effect on the Company's net asset value and earnings per share and its level of dividend cover. | The Audit Committee reviewed BMO GAM's ISAE/AAF Report, as previously referred to, which details the systems, processes and controls around the recording of investment income. It also compared the final level of income received for the year to the budget which was set at the start of the year and discussed the accounting treatment of all special dividends received with the Manager. |
| Calculation of Management Fee | |
| Inaccurate calculation of the management fee payable to the investment manager, including the allocation of such fee between revenue and capital in line with the Company's accounting policy, could result in a misstatement of the Company's net asset value per share and/or Statement of Comprehensive Income and could lead to a loss for the Company. | The Audit Committee reviewed the calculation of the management fee, set out in line with the methodology prescribed in the investment management agreement, noting this had also been reviewed by the Remuneration Committee. |
| Investment Trust Tax Status | |
| As an investment trust company, the Company is exempt from taxation arising on capital gains. | The Audit Committee reviewed the Company's ongoing compliance with the investment trust conditions set out in section 1158 of the Corporation Tax Act 2010. In particular, the Audit Committee ensured that the retained revenue after tax for the year was less than 15 per cent of the Company's total income. |

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

External audit process and significant matters considered by the Audit Committee

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved Deloitte's plan for the audit of the financial statements for the year ended 31 March 2019. At the conclusion of the audit Deloitte did not report any audit differences in excess of their reporting threshold of £60,000, nor any differences below that level which would warrant disclosure on qualitative grounds. In addition Deloitte did not highlight any other issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. Deloitte issued an unqualified audit report which is included on pages 44 to 51. The significant issues considered by the Audit Committee, are discussed in the preceding table.

Non-audit services

In relation to the provision of non-audit services by the Auditor it has been agreed that all non-audit work to be carried out by the Auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees, Deloitte received fees, excluding VAT, for non-audit services of £nil for the year (2018: £nil).

In particular, the Committee has a policy, with effect from 1 April 2017 that the accumulated costs of all non-audit services sought from the auditor in any one year should not exceed 30% of the likely audit fees for that year and by year four, not exceed 70% of the average audit fee for the previous three years.

Auditor assessment, independence and appointment

The Audit Committee reviews the re-appointment of the auditor every year and has been satisfied with the effectiveness of Deloitte's performance on the audit just completed. As part of the review of auditor independence and effectiveness, Deloitte has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating Deloitte, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that Deloitte continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. The current senior statutory auditor was engaged for the first time during the year ended 31 March 2018. The Audit Committee also considered the evaluation of Deloitte's audit performance through the Audit Quality Review performed by the Financial Reporting Council. Deloitte's fee for the audit was £22,000 (2018: £21,000). On the basis of this assessment, the Audit Committee has recommended the re-appointment of Deloitte to the Board.

Julia Le Blan
Chairman of the Audit Committee
22 May 2019

Directors' Remuneration Report

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 March 2019, are shown below. This shows all major decisions on Directors' remuneration, and any substantial changes made during the year relating to Directors' remuneration, including the context in which any changes occurred.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 44 to 51.

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Remuneration Committee is responsible for determining the level of Directors' fees.

Remuneration Committee

The Remuneration Committee consists of all five non-executive Directors and is chaired by Mr J P Williams. The Remuneration Committee meets at least annually to review the remuneration of Directors and the remuneration and terms of appointment of the Manager. The Board has appointed the Company Secretary, BMO Investment Business Limited, to provide information on comparative levels of Directors' fees in advance of the Remuneration Committee considering the level of Directors' fees.

Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. The policy also provides for the Company's reimbursement of all reasonable travel and associated expenses incurred by the Directors in attending Board and Committee meetings, including those treated as a benefit in kind subject to tax and national insurance. There were no changes to the policy during the year.

The Company has not received any direct communications from its Shareholders in respect of the levels of Directors' remuneration. It is intended that the policy will continue for the three year period ending at the AGM in 2020.

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

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office during business hours. The terms of appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that. However, in accordance with the recommendations of the UK Code and the AIC Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There is no notice period and no provision for compensation upon termination of appointment.

Voting at Annual General Meeting

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting, held on 29 June 2017. 97.6 per cent of votes were in favour of the resolution and 2.4 per cent of votes were against.

Annual Statement

As Chairman of the Remuneration Committee, I confirm that effective 1 April 2018 Directors fees increased by £1,000 per annum for the Chairman, the Audit Committee Chairman and for each of the other Directors.

Future Policy Table

Following a review of the level of Directors' fees for the forthcoming year, in comparison to comparable investment trusts, the Remuneration Committee concluded that effective 1 April 2019 the amount paid to Directors should increase by £1,000 per annum for the Audit Committee Chairman and by £500 per annum for the Chairman and for each of the other Directors.

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

| | 31 March 2020 £ | 31 March 2019* £ |
|--------------------------|-----------------------|------------------------|
| Chairman | 34,500 | 34,000 |
| Audit Committee Chairman | 28,000 | 27,000 |
| Director | 23,500 | 23,000 |

* Actual Directors' fees for the year ended 31 March 2019

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors for the years ended 31 March 2019 and 2018 and can expect to receive the fees indicated for 2020 as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

| Fees for services to the Company (audited) | | | | | | | |
|--|--------------------|--------------------|--|--------------------|--------------------|--------------------|------------------------------------|
| | Fees (audited) | | Taxable Benefits ⁽¹⁾ (audited) | | Total (audited) | | Anticipated Fees ⁽²⁾ |
| Director | 31 March 2019 £ | 31 March 2018 £ | 31 March 2019 £ | 31 March 2018 £ | 31 March 2019 £ | 31 March 2018 £ | 31 March 2020 £ |
| I A McLaren (Chairman) | 34,000 | 33,000 | 4,608 | 4,307 | 38,608 | 37,307 | 9,469 |
| J Le Blan | 27,000 | 26,000 | - | - | 27,000 | 26,000 | 28,000 |
| J M Evans | 23,000 | 22,000 | 2,218 | 1,300 | 25,218 | 23,300 | 31,481 |
| K D Shand ⁽³⁾ | - | 5,425 | - | 1,215 | - | 6,640 | - |
| A K Watkins ⁽⁴⁾ | 23,000 | 16,620 | - | - | 23,000 | 16,620 | 23,500 |
| J P Williams | 23,000 | 22,000 | 638 | 347 | 23,638 | 22,347 | 23,500 |
| Total | 130,000 | 125,045 | 7,464 | 7,169 | 137,464 | 132,214 | 115,950 |

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

⁽²⁾ Fees expected to be payable to the Directors during the year ended 31 March 2020. Taxable benefits are also anticipated but are not currently quantifiable. (The anticipated fees reflect that I A McLaren will retire following the AGM and it is intended that J M Evans will succeed him as Chair)

⁽³⁾ Retired 29 June 2017

⁽⁴⁾ Appointed 29 June 2017

Relative Importance of Spend on Pay

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

| | 31 March 2019 £ | 31 March 2018 £ | Change % |
|---|-----------------------|-----------------------|-------------|
| Aggregate Directors' Remuneration | 130,000 | 125,045 | +4.0 |
| Management fee and other expenses | 1,262,000 | 1,404,000 | -10.1 |
| Distributions paid to Shareholders | 5,895,000 | 5,720,000 | +3.1 |
| Aggregate cost of Ordinary Shares repurchased | 547,000 | 521,000 | +5.0 |

Directors' Shareholdings (audited)

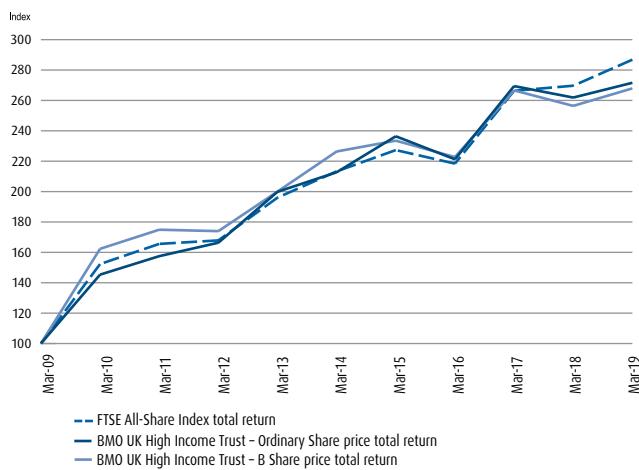
The Directors who held office at the year end and their interests in the shares of the Company at 31 March 2019 (all of which were beneficially held) were as follows:

| Director | 31 March 2019 | | 1 April 2018 | |
|------------------------|--------------------|----------|--------------------|----------|
| | Ordinary Shares | B Shares | Ordinary Shares | B Shares |
| I A McLaren (Chairman) | 10,632 | 30,000 | 10,116 | 30,000 |
| J Le Blan | 6,000 | - | 6,000 | - |
| J M Evans | 15,000 | 5,000 | 15,000 | 5,000 |
| A K Watkins | 10,000 | - | 10,000 | - |
| J P Williams | 15,000 | 50,000 | - | 38,590 |

Since the year end, I A McLaren has acquired a further 141 Ordinary shares. There have been no changes in any of the other Directors' interests in the shares of the Company between 31 March 2019 and 22 May 2019.

Company Performance

The graph below compares, for the ten financial years ended 31 March 2019, the total return (assuming all dividends are reinvested) to Ordinary shareholders and B shareholders compared to the total return on the FTSE All-Share Index. This index was chosen for comparison purposes, as it represents a comparable broad equity market index; however it should be noted that up to 25 per cent. of the Company's assets were held in higher yielding securities during part of this period. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Review.

Share Price Total Return and the FTSE All-Share Index Total Return Performance Graph (rebased to 100 at 31 March 2009)**Voting at Annual General Meeting**

At the Company's last Annual General Meeting, held on 5 July 2018, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2018. 97.8 per cent of votes were in favour of the resolution and 2.2 per cent were against.

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

On behalf of the Board**James Williams****Director****22 May 2019**

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Responsibility statements under the Disclosure Guidance and Transparency Rules

Each of the Directors listed on page 26 confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Strategic Report (comprising the Chairman's Statement, Strategy and Business Model, Policy Summary, Sustainability and our ESG policies, Key Performance Indicators, Principal Risks and Uncertainties and Viability Statement, Manager's Review, Classification of Investments and Investment Portfolio) and the Report of the Directors include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that they face;
- taken as a whole, the annual report and financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Company;
- the financial statements include details on related party transactions; and
- having assessed the principal risks and uncertainties and other matters discussed in connection with the Viability Statement, it is appropriate to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Iain McLaren

Chairman

22 May 2019

Independent Auditor's Report

to the members of the BMO UK High Income Trust PLC

Report on the audit of the financial statements

Opinion

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

- **give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Cash Flow Statement;
- the Statement of Changes in Equity; and
- the related notes 1 to 22.

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

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 confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Summary of our audit approach

| | |
|--------------------------|---|
| Key audit matters | The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> • Valuation and ownership of quoted investments • Revenue recognition – completeness of dividend income |
| Materiality | The materiality that we used in the current year was £1.20m which was determined on the basis of 1% of net assets at 31 March 2019. |
| Scoping | Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. |

Conclusions relating to principal risks, going concern and viability statement

Going concern

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

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

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

Principal risks and viability statement

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

- the disclosures on pages 18-19 that describe the principal risks and uncertainties and explain how they are being managed or mitigated;
- the directors' confirmation on page 20 that they have carried out a robust assessment of the principal risks and uncertainties facing the company, including those that would threaten its objective and strategy, future performance, solvency or liquidity; or
- the directors' explanation on page 20 as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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

Key audit matters

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

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

| Valuation and Ownership of quoted investments | | |
|--|---|--|
| Key audit matter description | How the scope of our audit responded to the key audit matter | Key observations |
| <p>The quoted investments of the company of £125.0m (2018: £127.4m) make up 104.1% of total net assets of £120.1m (2018:£122.3m) as at 31 March 2019.</p> <p>Please see accounting policy (investments) in note 1 and note 11.</p> <p>Quoted investments are valued at the closing bid price at the year end.</p> <p>There is a risk that the quoted investments may not be valued correctly or may not represent the property of the company.</p> <p>The description of the key audit matter above should be read in conjunction with the significant matters considered by the audit committee in Relation to the Financial Statements discussed on pages 37-38.</p> | <p>We have performed the following procedures to test the valuation and ownership of investments at 31 March 2019:</p> <ul style="list-style-type: none">• evaluated the design and implementation of controls at the Manager ("BMO GAM"), the custodian and depository ("JP Morgan") and the administrator ("State Street") over the ownership and valuation of quoted investments;• agreed 100% of the company's quoted investment portfolio at the year end to confirmations received directly from JP Morgan; and• agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. <p>In addition to the procedures above carried out over the significant risk, we have performed the following as additional support:</p> <ul style="list-style-type: none">• tested the recording of a sample of purchases and sales of quoted investments by agreeing the transactions to supporting documentation and tracing the cash movements to bank statements; and• reviewed the completeness and appropriateness of disclosures in relation to fair value measurements. | <p>Based on the work performed we concluded that the valuation and ownership of quoted investments is appropriate.</p> |

| Revenue recognition – completeness of dividend income | | |
|---|---|---|
| Key audit matter description | How the scope of our audit responded to the key audit matter | Key observations |
| <p>Dividends from equity shares totalling £5.2m (2018:£5.5m) are accounted for on an ex-dividend date as revenue, and are brought into account when the company's right to receive payment is established where the ex-dividend date is not quoted. Please see Accounting Policy (income) in note 1 and note 2.</p> <p>The investment objective of the company is to provide an attractive return to shareholders each year in the form of dividends and/or capital repayments, together with prospects for capital growth.</p> <p>As dividend income is the key driver of the dividend paid to shareholders, we consider that there is a risk that dividend income is incomplete and consequently the revenue recognised in the financial statements is misstated. We have also considered the potential for fraud in this balance.</p> <p>The description of the key audit matter above should be read in conjunction with the significant issues considered by the audit committee discussed on pages 37-38.</p> | <p>In considering the significant risk arising from revenue recognition, we have performed the following:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of controls in place over revenue recognition including the Manager's (BMO GAM) and administrator's (State Street) monitoring of completeness of revenue; and • for 100% of investments held during the year, obtained ex-dividend dates and rates for dividends declared during the year and agreed the amounts recorded within the general ledger to confirm that the recognition policy was applied consistently. <p>In addition we have:</p> <ul style="list-style-type: none"> • for a sample of corporate actions and special dividends received, evaluated management's rationale for the allocation between revenue and capital against the requirements of the AIC SORP and agreed details of the dividend to a third party source to corroborate the nature of the dividend; and • assessed the accounting policies for revenue recognition against the requirements of IFRS and the AIC SORP and confirmed their application during the year. | <p>Based on the work performed we concluded that the recognition of dividend income is appropriate.</p> |

Our application of materiality

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

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

| | |
|--|---|
| Materiality | £1.20m (2018: £1.22m) |
| Basis for determining materiality | 1% of net assets (2018: 1% of net assets). |
| Rationale for the benchmark applied | Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is the key driver of shareholder value. |

We agreed with the audit committee that we would report to the Committee all audit differences in excess of £60,000 (2018: £61,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

As described in note 1, the company no longer prepares group accounts and as such our audit was scoped for the company only. The financial reporting process is outsourced to BMO GAM, who have delegated certain accounting responsibilities to State Street.

As part of our audit we assessed the key controls in place at the Manager and State Street.

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

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

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

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

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

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

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, the administrator and the audit committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: valuation of quoted investments and revenue recognition – completeness of income; and
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the Companies Act 2006 and UK Listing Rules, as well as the company qualification as an Investment Trust under UK tax legislation.

Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments and revenue recognition – completeness of dividend income as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members of the Company on 29 June 2017 to audit the financial statements for the year ending 31 March 2018 and then at the AGM on 5 July 2018 for the subsequent financial period. The year ending 31 March 2019 is the second year of our audit tenure.

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

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

Use of our report

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

Andrew Partridge (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

22 May 2019

Statement of Comprehensive Income

| Notes | For the year to 31 March | | | | | |
|-------|---|---|---|---|---|---|
| | Revenue Year to 31 March 2019 £'000 | Capital Year to 31 March 2019 £'000 | Total Year to 31 March 2019 £'000 | Revenue Year to 31 March 2018 £'000 | Capital Year to 31 March 2018 £'000 | Total Year to 31 March 2018 £'000 |
| | Capital Gains/(losses) on investments | | | | | |
| 11 | Gains/(losses) on investments held at fair value through profit or loss | - | 462 | 462 | - | (6,867) |
| 21 | Exchange gains/(losses) | - | 7 | 7 | - | (17) |
| | Revenue | | | | | |
| 2 | Investment income | 5,219 | - | 5,219 | 5,601 | - |
| | Total income | 5,219 | 469 | 5,688 | 5,601 | (6,884) |
| | Expenditure | | | | | |
| 4 | Investment management fee | (238) | (555) | (793) | (294) | (686) |
| 5 | Other expenses | (469) | - | (469) | (424) | - |
| | Total expenditure | (707) | (555) | (1,262) | (718) | (686) |
| | Profit/(loss) before finance costs and tax | 4,512 | (86) | 4,426 | 4,883 | (7,570) |
| | Finance costs | | | | | |
| 7 | Interest on bank loan | (61) | (143) | (204) | (119) | (277) |
| | Total finance costs | (61) | (143) | (204) | (119) | (277) |
| | Profit/(loss) before tax | 4,451 | (229) | 4,222 | 4,764 | (7,847) |
| 8 | Tax | - | - | - | - | - |
| | Profit/(loss) for the year | 4,451 | (229) | 4,222 | 4,764 | (7,847) |
| | Total comprehensive income/(expense) for the year | 4,451 | (229) | 4,222 | 4,764 | (7,847) |
| 10 | Earnings per share | 3.77p | (0.19)p | 3.58p | 4.03p | (6.64)p |
| | | | | | | (2.61)p |

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

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

No operations were acquired or discontinued in the year.

The accompanying notes on pages 56 to 72 are an integral part of these financial statements.

Statement of Financial Position

| As at 31 March | | 2019 £'000 | 2018 £'000 |
|----------------|---|---------------|---------------|
| Notes | | | |
| | Non-current assets | | |
| 11 | Investments held at fair value through profit or loss | 125,259 | 127,664 |
| | Current assets | | |
| 13 | Receivables | 1,696 | 1,179 |
| 14 | Cash and cash equivalents | 1,204 | 1,563 |
| | | 2,900 | 2,742 |
| | Total assets | 128,159 | 130,406 |
| | Current liabilities | | |
| 15 | Payables | (554) | (581) |
| | | (554) | (581) |
| | Non-current liabilities | | |
| 16 | Bank loan | (7,500) | (7,500) |
| | | (7,500) | (7,500) |
| | Total liabilities | (8,054) | (8,081) |
| | Net assets | 120,105 | 122,325 |
| 17 | Share capital | 134 | 134 |
| 18 | Share premium | 153 | 153 |
| | Capital redemption reserve | 5 | 5 |
| | Buy back reserve | 81,643 | 82,190 |
| | Special capital reserve | 16,540 | 18,089 |
| | Capital reserves | 15,197 | 15,426 |
| | Revenue reserve | 6,433 | 6,328 |
| | Equity shareholders' funds | 120,105 | 122,325 |
| 19 | Net asset value per Ordinary share | 102.39p | 103.75p |
| 19 | Net asset value per B share | 102.39p | 103.75p |

The Company's profit for 2019 was £4,222,000 (2018: loss £3,083,000).

Company Number: SC314671

Approved by the Board and authorised for issue on 22 May 2019 and signed on its behalf by:

Iain McLaren, Director

The accompanying notes on pages 56 to 72 are an integral part of these financial statements.

Cash Flow Statement

| Notes | For the year to 31 March | | |
|-------|---|--------------------------------------|--------------------------------------|
| | | Year to 31 March 2019 £'000 | Year to 31 March 2018 £'000 |
| | Cash flows from operating activities | | |
| | Profit/(loss) before tax | 4,222 | (3,083) |
| | Adjustments for: | | |
| 11 | (Gains)/losses on investments held at fair value through profit or loss | (462) | 6,867 |
| 21 | Exchange (gains)/losses | (7) | 17 |
| | Interest income | (7) | (11) |
| | Interest received | 7 | 11 |
| 2 | Investment interest | - | (63) |
| | Investment interest received | - | 125 |
| 2 | Dividend income | (5,207) | (5,522) |
| | Dividend income received | 4,946 | 5,292 |
| | Decrease in receivables | 2 | 4 |
| | Decrease in payables | (27) | (22) |
| | Finance costs | 204 | 396 |
| | Net cash inflow from operating activities | 3,671 | 4,011 |
| | Cash flows from investing activities | | |
| 11 | Purchases of investments | (28,927) | (69,296) |
| 11 | Sales of investments | 31,525 | 71,056 |
| | Net cash inflow from investing activities | 2,598 | 1,760 |
| | Cash flows from financing activities | | |
| | Bank loan repaid | - | (10,500) |
| 9 | Dividends paid on Ordinary shares | (4,346) | (4,220) |
| 9 | Capital returns paid on B shares | (1,549) | (1,500) |
| | Interest on bank loan | (193) | (436) |
| 17 | Shares purchased for treasury | (547) | (521) |
| | Net cash outflow from financing activities | (6,635) | (17,177) |
| 20 | Net decrease in cash and cash equivalents | (366) | (11,406) |
| 20 | Currency gains/(losses) | 7 | (13) |
| 20 | Opening net cash and cash equivalents | 1,563 | 12,982 |
| 20 | Closing net cash and cash equivalents | 1,204 | 1,563 |

The accompanying notes on pages 56 to 72 are an integral part of these financial statements.

Statement of Changes in Equity

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

| For the year to 31 March 2018 | | | | | | | | | | |
|-------------------------------|--|---------------------|----------------------------------|------------------------|-------------------------------|--|--|-----------------------|-------------|---------|
| Notes | Share Capital £'000 | Share Premium £'000 | Capital Redemption Reserve £'000 | Buy back Reserve £'000 | Special Capital Reserve £'000 | Capital Reserve - investments sold £'000 | Capital Reserve - investments held £'000 | Revenue Reserve £'000 | Total £'000 | |
| | 134 | 153 | 5 | 82,711 | 19,589 | (9,910) | 33,183 | 5,784 | 131,649 | |
| | | | | | | | | | | |
| | Total comprehensive income/(expense) for the year | | | | | | | | | |
| | Profit/(loss) for the year | - | - | - | - | 7,074 | (14,921) | 4,764 | (3,083) | |
| | Total comprehensive income/(expense) for the year | - | - | - | - | 7,074 | (14,921) | 4,764 | (3,083) | |
| | Transactions with owners of the Company recognised directly in equity | | | | | | | | | |
| 17 | Shares bought back for treasury | - | - | - | (521) | - | - | - | (521) | |
| 9 | Dividends paid on Ordinary shares | - | - | - | - | - | - | (4,220) | (4,220) | |
| 9 | Capital returns paid on B shares | - | - | - | - | (1,500) | - | - | (1,500) | |
| | Balance as at 31 March 2018 | 134 | 153 | 5 | 82,190 | 18,089 | (2,836) | 18,262 | 6,328 | 122,325 |

The accompanying notes on pages 56 to 72 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

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

Basis of Preparation

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

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

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

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

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

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is included in the Report of the Directors on page 28.

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year.

- In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' which reflects all phases of the financial instruments project and replaces IAS 39 'Financial Instruments: Recognition and Measurements'. The standard introduces new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and hedge accounting. Retrospective application is required with some exceptions. The adoption of this standard did not have any material impact on the current or any prior periods.
- IASB has issued a new standard for the recognition of revenue, IFRS 15 'Revenue from Contracts with Customers'. This replaced IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 April 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The adoption of this standard did not have any material impact on the current or any prior periods.

1. Accounting policies (continued)

Presentation of Statement of Comprehensive Income

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

Investments

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

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

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

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

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

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

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

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

Receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

1. Accounting policies (continued)

Bank borrowings

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

Derivative financial instruments

Derivatives are classified as fair value through profit or loss – held for trading and are held at fair value and changes in fair value are recognised in the capital return column of the Statement of Comprehensive Income. No derivative financial instruments were held during the year to 31 March 2019.

Payables

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

Reserves

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

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

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

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

(e) Capital reserves

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

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

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

1. Accounting policies (continued)

Income

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

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

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

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

Taxation

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

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

Deferred taxation

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

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

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

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

Expenses and interest

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

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

1. Accounting policies (continued)

Foreign currency

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

| Rates of exchange at 31 March | 2019 | 2018 |
|-------------------------------|--------|--------|
| Euro | 1.1605 | 1.1406 |
| US Dollar | 1.3031 | 1.4028 |

2. Income

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|---------------|---------------|
| Income from investments | | |
| UK dividend income | 5,041 | 5,034 |
| Overseas dividend income | 166 | 488 |
| UK listed fixed interest | - | 52 |
| Overseas listed fixed interest | - | 11 |
| | 5,207 | 5,585 |
| Other income | | |
| Deposit interest | 7 | 11 |
| Other income | 5 | 5 |
| Total income | 5,219 | 5,601 |
| Total income comprises: | | |
| Dividends | 5,207 | 5,522 |
| Interest on fixed interest securities | - | 63 |
| Deposit interest | 7 | 11 |
| Other income | 5 | 5 |
| Total income | 5,219 | 5,601 |
| Income from investments: | | |
| Listed | 5,207 | 5,585 |

3. Operating segments

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in equity and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value measuring debt at fair value. The reconciliation between the measure of profit or loss used by the Board and that contained in the financial statements is as follows:

| | 2019 Net Asset Value per share £'000 | 2018 Net Asset Value per share £'000 |
|--|--|--|
| Shareholders' funds per financial statements | 120,105 | 102.39 |
| Closing fair value adjustment on fixed-rate term loan* | - | - |
| Shareholders' funds with debt at fair value | 120,105 | 102.39 |

| | Earnings per share £'000 | Earnings per share £'000 |
|---|--------------------------------|--------------------------------|
| Profit/(loss) for the year per financial statements | 4,222 | 3.58 |
| Movement in fair value on fixed-rate term loan* | - | - |
| Profit/(loss) for the year with debt at fair value | 4,222 | 3.58 |

*Refer to note 16 for further details on the fixed-rate term loan.

4. Investment management fee

| | Revenue £'000 | Capital £'000 | 2019 Total £'000 | Revenue £'000 | Capital £'000 | 2018 Total £'000 |
|---------------------------|------------------|------------------|------------------------|------------------|------------------|------------------------|
| Investment management fee | 238 | 555 | 793 | 294 | 686 | 980 |

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

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

The investment management fee for the quarter ended 31 March 2019 of £192,000 (2018: £229,000) is due to the Company's investment manager at the year end.

5. Other expenses (including irrecoverable VAT thereon)

| | 2019 £'000 | 2018 £'000 |
|--------------------------------|---------------|---------------|
| Directors' fees (Note 6) | 130 | 125 |
| Auditor's remuneration for: | | |
| - statutory audit | 26 | 25 |
| Custody and depository | 21 | 21 |
| Marketing | 28 | 29 |
| Printing and postage | 38 | 31 |
| Registrar's fees | 30 | 34 |
| Broker and professional fees | 65 | 49 |
| Subscription and listing fees | 41 | 41 |
| Credit facility commitment fee | 42 | 21 |
| Other | 48 | 48 |
| | 469 | 424 |

6. Directors' fees

The emoluments of the Chairman, the highest paid Director, were at the rate of £34,000 per annum (2018: £33,000).

Other Directors' emoluments amounted to £23,000 (2018: £22,000) each per annum, with the chairman of the Audit Committee receiving an additional £4,000 (2018: £4,000) per annum. Full details are provided in the Directors' Remuneration Report on pages 40 to 42.

7. Finance costs

| | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 | 2018 Revenue £'000 | 2018 Capital £'000 | 2018 Total £'000 |
|---|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Finance costs attributable to term loan | 61 | 143 | 204 | 119 | 277 | 396 |

8a. Tax on ordinary activities

| | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 | 2018 Revenue £'000 | 2018 Capital £'000 | 2018 Total £'000 |
|-------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Corporation tax | - | - | - | - | - | - |
| Total tax charge | - | - | - | - | - | - |

8b. Factors affecting tax charge for current year

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

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Profit/(loss) before tax | 4,222 | (3,083) |
| Taxation on ordinary activities at the UK standard rate of corporation tax of 19% (2018: 19%) | 802 | (586) |
| Effects of: | | |
| - Non taxable dividend income | (974) | (1,049) |
| - Non taxable capital (gains)/losses | (89) | 1,307 |
| - Excess management expenses | 261 | 328 |
| Total tax charge for the year | - | - |

The deferred tax asset of £1,826,000 (2018: £1,557,000) in respect of unutilised expenses at 31 March 2019 has not been recognised as it is uncertain that there will be taxable profits from which the future reversal of the deferred tax asset could be deducted.

9. Dividends and capital repayments

| | Payment date | 2019 Revenue £'000 | 2019 Capital £'000 | 2019 Total £'000 | 2018 Revenue £'000 | 2018 Capital £'000 | 2018 Total £'000 |
|---|--------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| Amounts recognised as distributions to shareholders in the year: | | | | | | | |
| For the year ended 31 March 2018 | | | | | | | |
| Fourth interim dividend paid at 1.25p (2018: 1.21p) per Ordinary share | 4-May-18 | 1,087 | - | 1,087 | 1,058 | - | 1,058 |
| Fourth capital repayment paid at 1.25p (2018: 1.21p) per B share | 4-May-18 | - | 387 | 387 | - | 375 | 375 |
| For the year ended 31 March 2019 | | | | | | | |
| First interim dividend paid at 1.25p (2018: 1.21p) per Ordinary share | 3-Aug-18 | 1,087 | - | 1,087 | 1,058 | - | 1,058 |
| First capital repayment paid at 1.25p (2018: 1.21p) per B share | 3-Aug-18 | - | 387 | 387 | - | 375 | 375 |
| Second interim dividend paid at 1.25p (2018: 1.21p) per Ordinary share | 2-Nov-18 | 1,086 | - | 1,086 | 1,052 | - | 1,052 |
| Second capital repayment paid at 1.25p (2018: 1.21p) per B share | 2-Nov-18 | - | 387 | 387 | - | 375 | 375 |
| Third interim dividend paid at 1.25p (2018: 1.21p) per Ordinary share | 1-Feb-19 | 1,086 | - | 1,086 | 1,052 | - | 1,052 |
| Third capital repayment paid at 1.25p (2018: 1.21p) per B share | 1-Feb-19 | - | 388 | 388 | - | 375 | 375 |
| | | 4,346 | 1,549 | 5,895 | 4,220 | 1,500 | 5,720 |
| Amounts relating to the year but not paid at the year end: | | | | | | | |
| Fourth interim dividend payable at 1.29p (2018: 1.25p) per Ordinary share | 3-May-19 | 1,114 | - | 1,114 | 1,087 | - | 1,087 |
| Fourth capital repayment payable at 1.29p (2018: 1.25p) per B share | 3-May-19 | - | 400 | 400 | - | 387 | 387 |
| | | 1,114 | 400 | 1,514 | 1,087 | 387 | 1,474 |

As shown in the preceding table, the Directors have declared a fourth interim dividend and capital repayment in respect of the year ended 31 March 2019 of 1.29p per share, which was paid on 3 May 2019 to Shareholders on the register on 5 April 2019. Although these payments relate to the year ended 31 March 2019, under IFRS they will be accounted for in the period during which they are paid.

9. Dividends and capital repayments (continued)

| | 2019 £'000 |
|---|---------------|
| Revenue available for distribution by way of dividends for the year | 4,451 |
| First quarterly interim dividend of 1.25p per Ordinary share paid in respect of the year ended 31 March 2019 | (1,087) |
| Second quarterly interim dividend of 1.25p per Ordinary share paid in respect of the year ended 31 March 2019 | (1,086) |
| Third quarterly interim dividend of 1.25p per Ordinary share paid in respect of the year ended 31 March 2019 | (1,086) |
| Fourth quarterly interim dividend of 1.29p per Ordinary share payable in respect of the year ended 31 March 2019* | (1,114) |
| Undistributed revenue for the purposes of Section 1158 of the Corporation Tax Act 2010 | 78 |

*based on 86,328,144 Ordinary shares in issue at the record date of 5 April 2019.

10. Earnings per share

The Company's earnings per share are based on the profit for the year of £4,222,000 (year to 31 March 2018 loss: £3,083,000) and on 86,904,582 Ordinary shares (2018: 87,138,309) and 30,976,703 B shares (2018: 30,976,703), being the weighted average number of shares in issue of each share class during the year.

The Company's revenue earnings per share are based on the revenue profit for the year of £4,451,000 (year to 31 March 2018: £4,764,000) and on the weighted average number of shares in issue as above.

The Company's capital earnings per share are based on the capital loss for the year of £229,000 (year to 31 March 2018 loss: £7,847,000) and on the weighted average number of shares in issue as above.

11. Investments held at fair value through profit or loss

| | 2019 £'000 | 2018 £'000 |
|------------------------|----------------|---------------|
| Listed securities | 125,009 | 127,414 |
| Subsidiary undertaking | 250 | 250 |
| | 125,259 | 127,664 |

11. Investments held at fair value through profit or loss (continued)

| | Listed/ Quoted (Level 1) £'000 | Subsidiary/ Unlisted (Level 3)* £'000 | Total £'000 |
|---|---|--|----------------|
| Opening book cost | 109,298 | 250 | 109,548 |
| Opening unrealised gains | 18,116 | - | 18,116 |
| Opening valuation | 127,414 | 250 | 127,664 |
| Movements in the year: | | | |
| Purchases at cost | 28,927 | - | 28,927 |
| Sales – proceeds | (31,794) | - | (31,794) |
| – gains on sales | 3,352 | - | 3,352 |
| Decrease in unrealised gains | (2,890) | - | (2,890) |
| Closing valuation at 31 March 2019 | 125,009 | 250 | 125,259 |
| Closing book cost at 31 March 2019 | 109,783 | 250 | 110,033 |
| Closing unrealised gains | 15,226 | - | 15,226 |
| Closing valuation at 31 March 2019 | 125,009 | 250 | 125,259 |

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

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Equity investments | 125,259 | 127,664 |
| | 125,259 | 127,664 |
| Net gains on realisation of investments | 3,352 | 8,049 |
| Movement in fair value | (2,890) | (14,916) |
| Gains/(losses) on investments | 462 | (6,867) |

The Company incurred transaction costs of £104,000 (2018: £349,000) on the purchase of assets and £15,000 (2018: £53,000) on the sale of assets in the year.

Net gains on realisation of investments during the year represents the difference between the net proceeds of sale and the book cost of the investments sold.

Movement in fair value represents the decrease in the difference between the book cost of investments held and their market value at 31 March 2019 compared with the difference between the book cost of investments held and their market value at 31 March 2018.

12. Significant interests

As at 31 March 2019, the Company's subsidiary undertaking which deals in investments is:

| Name | Country of incorporation or Registration | Class of Capital | Share Capital and Reserves £'000 | Profit for the year £'000 | % of Class held | % of Equity held | Valuation at 31.03.19 and 31.03.18 £'000 |
|--------------------------------------|--|------------------|----------------------------------|---------------------------|-----------------|------------------|--|
| Investors Securities Company Limited | Scotland | Ordinary | 250 | - | 100 | 100 | 250 |

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

At 31 March 2019, no investments were held by the dealing subsidiary and it did not trade during the year. The accounts of this subsidiary have not been consolidated with those of the Company as, in the opinion of the Directors, it is not material.

13. Receivables

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Income receivable from shares and securities | 1,329 | 1,068 |
| Capital return receivable from shares and securities | 269 | - |
| Withholding tax recoverable | 44 | 44 |
| Sundry debtors and prepayments | 54 | 67 |
| | 1,696 | 1,179 |

14. Cash and cash equivalents

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

15. Payables

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Loan from subsidiary undertaking repayable on demand | 250 | 250 |
| Accrued expenses | 112 | 102 |
| Investment management fee payable to the Manager | 192 | 229 |
| | 554 | 581 |

16. Bank loan

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| £7.5 million term loan maturing 28 September 2022 | 7,500 | 7,500 |

The Company has a £7.5 million unsecured term loan from Scotiabank Europe plc with a five year term to 28 September 2022 and at a fixed interest rate of 2.58 per cent per annum. The Company also has a £7.5 million unsecured multicurrency revolving credit facility ("RCF") with Scotiabank (Ireland) Designated Activity Company available until 28 September 2022. £nil of the RCF was drawn down at 31 March 2019 (£nil at 31 March 2018). Arrangement and legal fees of £55,000 were incurred and are being amortised over the term of these facilities.

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

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

17. Share capital

Allotted, issued and fully paid

| | Number | Listed £ | Number | Held in Treasury £ | Number | In Issue £ |
|-------------------------------------|--------------------|----------------|---------------------|-----------------------|--------------------|----------------|
| Ordinary Shares of 0.1p each | | | | | | |
| Balance at 1 April 2018 | 102,067,144 | 102,067 | (15,139,000) | (15,139) | 86,928,144 | 86,928 |
| Repurchased to be held in treasury | - | - | (600,000) | (600) | (600,000) | (600) |
| Balance at 31 March 2019 | 102,067,144 | 102,067 | (15,739,000) | (15,739) | 86,328,144 | 86,328 |
| B Shares of 0.1p each | | | | | | |
| Balance at 1 April 2018 | 32,076,703 | 32,077 | (1,100,000) | (1,100) | 30,976,703 | 30,977 |
| Repurchased to be held in treasury | - | - | - | - | - | - |
| Balance at 31 March 2019 | 32,076,703 | 32,077 | (1,100,000) | (1,100) | 30,976,703 | 30,977 |
| Total at 31 March 2019 | 134,143,847 | 134,144 | (16,839,000) | (16,839) | 117,304,847 | 117,305 |

During the year the Company bought back 600,000 Ordinary Shares (2018: 500,000 Ordinary shares) to hold in treasury at a cost of £547,000 (2018: £521,000) and nil B Shares (2018: nil B Shares) to hold in treasury. The Company did not buy back any shares for cancellation during the year (2018: nil).

At 31 March 2019 the Company held 15,739,000 Ordinary Shares (2018: 15,139,000 Ordinary shares) and 1,100,000 B Shares (2018: 1,100,000 B Shares) in treasury.

17. Share capital (continued)

Shareholder entitlements

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

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

18. Share premium account and reserves

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

The Company will apply these two reserves as follows:

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

Capital management

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

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

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

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

19. Net asset value per share

The Company's basic net asset value per share of 102.39p (2018: 103.75p) is based on the equity shareholders' funds of £120,105,000 (2018: £122,325,000) and on 117,304,847 equity shares, consisting of 86,328,144 Ordinary Shares and 30,976,703 B Shares (2018: 117,904,847 equity shares, consisting of 86,928,144 Ordinary Shares and 30,976,703 B Shares), being the number of shares in issue at the year end.

| | 2019 | 2018 |
|--|---------------------|--------------|
| Net assets attributable | £120,105,000 | £122,325,000 |
| Equity shares in issue at the year end | 117,304,847 | 117,904,847 |
| Net asset value per Ordinary/B share | 102.39p | 103.75p |

The Company's shares may also be traded as units, each unit consisting of three Ordinary Shares and one B Share. The basic net asset value per unit as at 31 March 2019 was therefore 409.56p (2018: 415.00p).

The Company's treasury net asset value per share, incorporating the 15,739,000 Ordinary shares and 1,100,000 B Shares held in treasury at the year end (2018: 15,139,000 Ordinary Shares and 1,100,000 B Shares), was 101.75p (2018: 103.12p). The Company's treasury net asset value per unit at the end of the year was 407.00p (2018: 412.48p). The Company's policy is to only re-sell shares held in treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of sale, together with other conditions. Accordingly, for the purpose of the calculation, such treasury shares are valued at the higher of net asset value less 5 per cent and the mid market share price at each year end.

20. Analysis of changes in net debt

| | At 1 April 2018 £'000 | Cash flow £'000 | Currency movements £'000 | At 31 March 2019 £'000 |
|---------------------------|-----------------------------|-----------------------|--------------------------------|------------------------------|
| Cash and cash equivalents | 1,563 | (366) | 7 | 1,204 |
| Bank loan | (7,500) | - | - | (7,500) |
| Net debt | (5,937) | (366) | 7 | (6,296) |

21. Financial instruments

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

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

The fair value of the financial assets and liabilities of the Company at 31 March 2019 is not materially different from their carrying value in the financial statements.

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

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

21. Financial instruments (continued)

Credit risk

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

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

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

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

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

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

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. Other external events such as protectionism, inflation or deflation, economic recessions and terrorism could also affect share prices in particular markets. The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Strategy and Business Model and Policy Summary on pages 10 to 13. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Investment performance is discussed in more detail in the Manager's Review and further information on the investment portfolio is set out in the sections of this report entitled 'Classification of Investments' and 'Investment Portfolio'.

Any changes in market conditions will directly affect the profit or loss reported through the Statement of Comprehensive Income. A 10 per cent increase in the value of the Investment Portfolio as at 31 March 2019 would have increased net assets and income for the year by £12,526,000 (2018: an increase of 10 per cent in the Investment Portfolio would have increased net assets and income by £12,766,000). A decrease of 10 per cent (2018: 10 per cent) would have had an equal but opposite effect.

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

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

21. Financial instruments (continued)

Liquidity risk

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

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

The remaining contractual maturities of the financial liabilities at 31 March 2019, based on the earliest date on which payment can be required, were as follows:

| | Three months or less £'000 | More than three months but less than one year £'000 | More than one year but less than two years £'000 | More than two years but less than five years £'000 | Total £'000 |
|-------------------------|----------------------------|---|--|--|-------------|
| 31 March 2019 | | | | | |
| Current liabilities | | | | | |
| Payables | 304 | - | - | - | 304 |
| Non-current liabilities | | | | | |
| Bank loan | 48 | 144 | 193 | 7,792 | 8,177 |
| 31 March 2018 | | | | | |
| Current liabilities | | | | | |
| Payables | 331 | - | - | - | 331 |
| Non-Current liabilities | | | | | |
| Bank loan | 48 | 144 | 193 | 7,985 | 8,370 |

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

Interest rate risk

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

Floating rate

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which was 0.75 per cent at 31 March 2019 (2018: 0.50 per cent).

21. Financial instruments (continued)

Fixed rate

At 31 March 2019 and 31 March 2018 the Company's Investment Portfolio did not contain any fixed interest or floating rate interest assets.

Details of the Company's Investment Portfolio are given in Note 11 and in the section of this report entitled 'Classification of Investments' and 'Investment Portfolio'. At 31 March 2019 and 31 March 2018 the Company had fixed interest liabilities.

| | Weighted average interest rate £'000 | 2019 Average duration until maturity 3.5 years | Weighted average interest rate £'000 | 2018 Average duration until maturity 4.5 years |
|-----------------------------|--|---|--|---|
| Fixed interest liabilities: | | | | |
| Term loan | 7,500 | 2.58% | 3.5 years | 7,500 |

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

Considering the effect on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the year by £12,000 (year to 31 March 2018: £16,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the net cash balances at the respective statement of financial position date and are not representative of the year as a whole, nor are they reflective of future market conditions.

Foreign currency risk

It is not the Company's policy to hedge any overseas currency exposure on equity investments. Foreign currency exposure (which includes Euro denominated equity investments) at 31 March 2019 was as follows:

| | 2019 | | | | 2018 | | | |
|-----------|----------------------|-----------------------------------|---------------|----------------|----------------------|-----------------------------------|---------------|----------------|
| | Investments £'000 | Net Current Assets £'000 | Cash £'000 | Total £'000 | Investments £'000 | Net Current Assets £'000 | Cash £'000 | Total £'000 |
| US Dollar | - | - | - | - | - | 146 | - | 146 |
| Euro | 12,110 | 20 | - | 12,130 | 9,950 | 11 | - | 9,961 |
| | 12,110 | 20 | - | 12,130 | 9,950 | 157 | - | 10,107 |

Total gains in the year from foreign exchange transactions and balances held in cash were £7,000 (2018 losses – £17,000).

At 31 March 2019, if the value of sterling had weakened against the Euro by 10 per cent the impact on the profit or loss and the net asset value would have been an increase of £1,213,000 (2018: £996,000). If the value of sterling had strengthened against the Euro by 10 per cent the effect would have been equal and opposite.

22. Related party and transactions with the Manager

The Directors of the Company are considered a related party. There are no transactions with the Board other than aggregated remuneration for services as Directors as disclosed in the Directors' Remuneration Report on pages 40 to 42 and as set out in note 6 to the financial statements. There are no outstanding balances with the Board at year end.

The beneficial interests of the Directors in the Ordinary shares and B shares of the Company are disclosed on page 41.

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

AIFM Disclosures

Alternative Investment Fund Managers ('AIFM') Directive

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

The Company's maximum and average actual leverage levels at 31 March 2019 are shown below:

| Leverage exposure | Gross method | Commitment method |
|-------------------|--------------|-------------------|
| Maximum limit | 260% | 260% |
| Actual | 104% | 105% |

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

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the twelfth Annual General Meeting of BMO UK High Income Trust PLC will be held at Exchange House, Primrose Street, London, EC2A 2NY, on Tuesday 9 July 2019 at 12 noon for the following purposes. To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 and 12 will be proposed as Ordinary Resolutions and Resolutions 10, 11, 13 and 14 as Special Resolutions:

Ordinary Business

Ordinary Resolutions

1. That the Annual Report and Financial Statements for the year to 31 March 2019 be received.
2. That the Annual Report on Directors' Remuneration for the year ended 31 March 2019 be approved.
3. That Mrs J Le Blan, who retires annually, be re-elected as a Director.
4. That Mr J M Evans, who retires annually, be re-elected as a Director.
5. That Mr A K Watkins, who retires annually, be re-elected as a Director.
6. That Mr J P Williams, who retires annually, be re-elected as a Director.
7. That Deloitte LLP be re-appointed as Auditor and the Directors be authorised to determine its remuneration.
8. That the Company's dividend/capital repayment policy with regard to quarterly payments as set out in the Annual Report and Financial Statements be approved.
9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £4,316 in respect of Ordinary shares of 0.1 pence each in the capital of the Company ("Ordinary Shares") and £1,548 in respect of B shares of 0.1 pence each in the capital of the Company ("B Shares"), such authority to expire at the conclusion of the Company's next Annual General Meeting or on 30 September

2020, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

Special Resolutions

10. That, subject to the passing of Resolution number 9 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act, provided that for the purposes of this resolution an allotment of equity securities shall be deemed not to include the sale of shares in the Company that immediately before the sale are held by the Company as treasury shares) for cash pursuant to the authority given by Resolution number 9 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
 - (a) expires at the conclusion of the Company's next Annual General Meeting or on 30 September 2020, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
 - (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,316 in respect of Ordinary Shares and £1,548 in respect of B Shares (being approximately 4.4 per cent of the total nominal value of the issued share capital of the Company (including treasury shares), as at 22 May 2019) at a price of not less than the net asset value per share of the existing Ordinary Shares (in the case of an allotment of Ordinary Shares) or B Shares (in the case of an allotment of B Shares).
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within

the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 0.1 pence each in the capital of the Company and fully paid B Shares of 0.1p each in the capital of the Company ("Ordinary and/or B Shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

- (a) the maximum aggregate number of Ordinary Shares and B Shares hereby authorised to be purchased is 14.99 per cent of the issued Ordinary Shares and 14.99 per cent of the issued B Shares (excluding Ordinary and B Shares held in treasury) immediately prior to the passing of this resolution (see note 13);
- (b) the minimum price (excluding expenses) which may be paid for an Ordinary Share or B Share is 0.1 pence;
- (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share or B Share shall not be more than the higher of:
 - i. 5 per cent. above the average of the middle market values (as derived from the Daily Official List of the London Stock Exchange) of an Ordinary Share or B Share over the five business days immediately preceding the date of purchase; and
 - ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
- (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or on 30 September 2020 whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares and/or B Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares and/or B Shares pursuant to any such contract.

Ordinary Resolution

12. That, subject to the passing of Resolution 13 to be proposed at the Annual General Meeting of the Company convened for 9 July 2019 ('Resolution 13'), the Directors of the Company be authorised, for the purposes of paragraph 15.4.11 of the Listing Rules of the United Kingdom Listing Authority, to sell Ordinary Shares and/or B Shares in the capital of the Company held in treasury for cash at a price below the net asset value per share of the existing Ordinary Shares and/or B Shares in issue pursuant to the authority conferred by Resolution 13, provided always that

Ordinary Shares and/or B Shares will only be resold from treasury at a price representing a discount of not more than 5 per cent to net asset value at the time of resale, subject to the conditions that, first, the discount at which such Ordinary Shares and/or B Shares are to be resold must be less than the average discount at which Ordinary Shares and/or B Shares held in treasury have been repurchased and, second, the net asset value dilution associated with the sale of treasury shares in any one financial year must not exceed 0.5 per cent of net assets.

Special Resolutions

13. That, the Directors of the Company be and they are hereby empowered pursuant to section 573 of the Companies Act 2006 (as amended) (the "Act") to sell equity securities (within the meanings of sections 560(1) and 560(2) of the Act) wholly for cash as if section 561 of the Act did not apply to any such sale, provided that this power shall be limited to the sale of equity securities for cash out of treasury up to an aggregate nominal amount of £8,632 in respect of Ordinary Shares and £3,097 in respect of B Shares, representing approximately 8.5 per cent of the Company's Ordinary share capital in issue (including treasury shares) as at the date of the passing of this resolution and approximately 9.7 per cent of the Company's B share capital in issue (including treasury shares) as at the date of the passing of this resolution and shall expire on the earlier of 30 September 2020 or at the conclusion of the Company's next Annual General Meeting, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.
14. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or 30 September 2020, whichever is the earlier (all dates inclusive).

By order of the Board

For BMO Investment Business Limited
Company Secretary
Quartermile 4,
7a Nightingale Way
Edinburgh EH3 9EG

22 May 2019

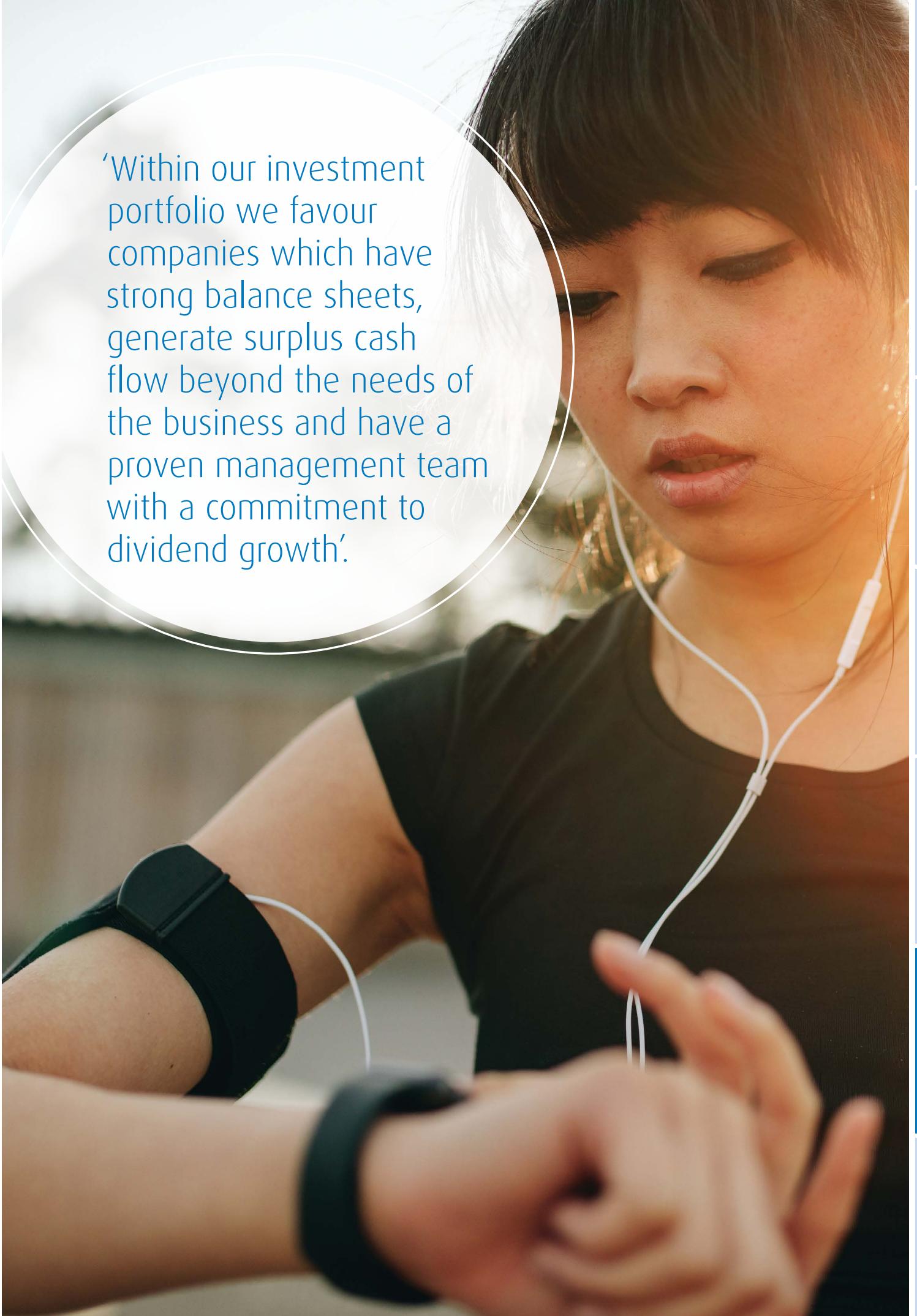
Notice of Annual General Meeting

Notes

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the duly executed enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the address shown on the proxy form not later than 48 hours before the time of the meeting or, in the case of an adjourned meeting, no later than 48 hours before the holding of that adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll). In the calculation of these time periods, no account is taken of any part of a day that is not a working day. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder. Any power of attorney or any other authority under which this proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. On a poll each Ordinary shareholder is entitled to one vote per Ordinary share held and each B shareholder is entitled to one vote per B share held.
 2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual and by logging on to www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 3. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
 4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 5. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- The statements of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of shares entered on the Register of Members of the Company as at 6.30 p.m. on 5 July 2019 or, in the event that

the meeting is adjourned, on the Register of Members as at 6.30 pm on the day two days (excluding non-working days) prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.30 p.m. on 5 July 2019 or, in the event that the meeting is adjourned, in the Register of Members as at 6.30 pm on the day two days prior to any adjourned meeting (excluding non-working days), shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

7. As at 22 May 2019 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 86,328,144 Ordinary Shares carrying one vote each and 30,976,703 B Shares carrying one vote each. The Company holds 15,739,000 Ordinary Shares and 1,100,000 B shares in treasury which do not carry voting rights. Therefore the total voting rights in the Company as at 22 May 2019 were 117,304,847 votes. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his/her proxy will need to ensure that both he/she and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
8. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and for 15 minutes prior to, and during, the Annual General Meeting.
9. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from [www.bmoukhigincome.com](http://bmoukhigincome.com).
10. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditor) setting out any matter relating to the audit of the Company's accounts including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.
12. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.
13. Following Resolution 11 becoming effective, the maximum aggregate number of shares hereby authorised to be purchased shall be 12,940,588 Ordinary shares and 4,643,407 B shares (or, if less, 14.99 per cent. of the number of Ordinary shares and 14.99 per cent. of the number of B shares in issue (excluding treasury shares) immediately prior to the passing of the resolution).



'Within our investment portfolio we favour companies which have strong balance sheets, generate surplus cash flow beyond the needs of the business and have a proven management team with a commitment to dividend growth'.

Overview

Strategic Report

Governance Report

Auditor's Report

Financial Report

Notice of Meeting

Other Information

Capital Structure At 31 March 2019

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

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

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

Only Ordinary shares carry a right to participate in dividends paid by the Company. B shares are not entitled to dividends but each B share instead carries the right to receive a capital repayment at the same time as, and in an amount equal to, each dividend paid in respect of Ordinary shares.

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

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

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

Bank Loan Facility

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

Further information on the B Shares

What is different about the B shares

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

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

Further details are available on the website:
www.bmoukhighincome.com

A summary of the tax treatment.

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

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

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

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

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

Shareholder Information

Dividends

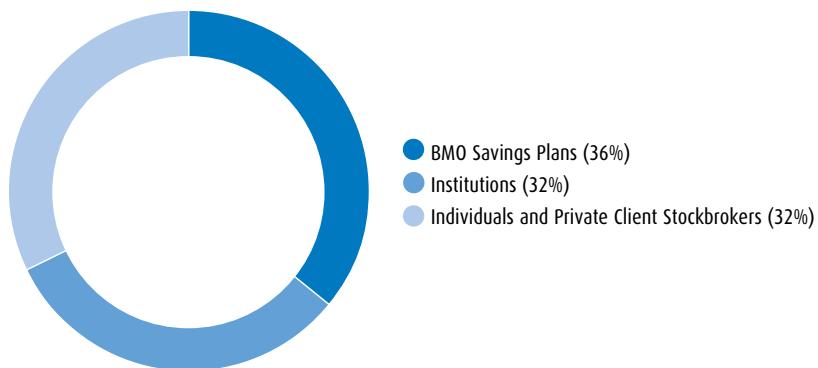
Dividends on Ordinary shares and capital repayments on B shares are paid quarterly in August, November, February and May each year. Shareholders who wish to have distributions paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose.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

Reinvestment of Returns

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

Profile of the Company's Ownership

% of Shares held at 31 March 2019



Warning to shareholders – Boiler Room Scams

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

If you receive unsolicited investment advice or requests:

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

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

Shareholder Information

Capital Gains Tax

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

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

| | |
|-------------------------|----------------------------------|
| Ordinary Shares | 25 ⁷ / ₈ p |
| 4% Debenture Stock | 23 ¹ / ₄ p |
| 3.675% Preference Stock | 34 ¹ / ₂ p |
| 71/4% Debenture Stock | 55 ¹ / ₄ p |

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

| | First day of dealing value | Apportionment factor |
|-----------------------|----------------------------------|----------------------|
| Growth Shares | 84 ¹ / ₄ p | 0.6844 |
| Income Annuity Shares | 36 ¹ / ₄ p | 0.2912 |
| Warrants | 15p | 0.0244 |

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

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

| | First day of dealing value | Apportionment factor |
|---------------------------------|----------------------------------|----------------------|
| Zero Dividend Preference Shares | 35 ³ / ₄ p | 0.3488 |
| Income Shares | 53 ³ / ₄ p | 0.5244 |
| Capital Shares | 13p | 0.1268 |

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

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

| | First day of dealing value |
|-----------------------|----------------------------|
| A Shares [†] | 95.875p |
| B Shares | 95.875p |

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

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

How to Invest

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

BMO Investment Trust ISA

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

BMO Junior ISA (JISA)*

You can invest up to £4,368 for the tax year 2019/20 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

BMO Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,368 for the 2019/20 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to 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.



BMO Asset Management Limited

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

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. L56_04/19_CM11982

Charges

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

Annual account charge

ISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

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

Dealing charges

ISA: 0.2%

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

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

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

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

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

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

How to Invest

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

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

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)

Email: info@bmogam.com

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)

Email: investor.enquiries@bmogam.com

By post: BMO Asset Management Limited

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: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre**

Historic Record

Assets

at 31 March

| £'000s | 2007† | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total assets less current liabilities | 167,141 | 149,468 | 112,974 | 142,685 | 144,369 | 143,158 | 139,498 | 144,552 | 144,886 | 134,528 | 149,649 | 129,825 | 127,605 |
| Bank loan at fair value* | 33,500 | 34,213 | 36,888 | 36,642 | 35,509 | 34,245 | 18,186 | 17,692 | 18,103 | 18,156 | 18,078 | 7,500 | 7,500 |
| Net assets, debt at fair value | 133,641 | 115,255 | 76,086 | 106,043 | 108,860 | 108,913 | 121,312 | 126,860 | 126,783 | 116,372 | 131,571 | 122,325 | 120,105 |

* includes interest rate swap, where applicable

Net Asset Value (NAV)*

at 31 March

| | 2007† | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|--------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| NAV per A/Ordinary share and per B share | 96.3p | 89.6p | 60.5p | 83.1p | 85.6p | 85.9p | 97.9p | 102.8p | 103.6p | 96.3p | 111.1p | 103.7p | 102.4p |
| NAV High | - | 103.8p | 95.4p | 83.4p | 87.1p | 88.7p | 98.5p | 105.8p | 107.5p | 107.3p | 112.3p | 116.3p | 115.3p |
| NAV Low | - | 84.7p | 58.5p | 59.5p | 72.3p | 74.5p | 78.9p | 93.0p | 95.0p | 87.3p | 92.6p | 101.1p | 91.1p |
| NAV total return on 100p - 5 years | | | | | | | | | | | | | 124.8p |
| NAV total return on 100p - since launch | | | | | | | | | | | | | 195.6p |

* includes debt at fair value

Share Price – A/Ordinary Shares

at 31 March

| | 2007† | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Middle market price per share | 98.4p | 83.0p | 59.5p | 80.0p | 82.0p | 82.0p | 93.5p | 95.0p | 100.8p | 89.8p | 104.0p | 96.5p | 95.0p |
| Premium/(discount) to NAV % | 2.2% | (7.4)% | (1.7)% | (3.7)% | (4.2)% | (4.5)% | (4.5)% | (7.6)% | (2.7)% | (6.7)% | (6.4)% | (7.0)% | (7.2)% |
| Share price High | - | 98.5p | 86.7p | 82.0p | 85.5p | 83.5p | 93.5p | 97.5p | 101.0p | 100.0p | 104.5p | 108.0p | 106.0p |
| Share price Low | - | 82.0p | 58.0p | 59.0p | 74.0p | 70.5p | 76.5p | 90.0p | 87.5p | 84.0p | 87.5p | 96.0p | 86.3p |
| Share price total return on 100p - 5 years | | | | | | | | | | | | | 127.7p |
| Share price total return on 100p - since launch | | | | | | | | | | | | | 183.4p |

Share Price – B Shares

at 31 March

| | 2007† | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| Middle market price per share | 98.4p | 83.0p | 59.5p | 89.5p | 91.5p | 86.5p | 94.5p | 102.3p | 100.8p | 91.5p | 104.3p | 95.8p | 95.0p |
| Premium/(discount) to NAV % | 2.2% | (7.4)% | (1.6)% | 7.7% | 6.9% | 0.7% | (3.5)% | (0.5)% | (2.7)% | (5.0)% | (6.1)% | (7.7)% | (7.2)% |
| Share price High | - | 98.5p | 86.5p | 89.5p | 93.5p | 91.5p | 94.5p | 103.5p | 102.3p | 102.0p | 104.3p | 107.0p | 107.0p |
| Share price Low | - | 82.0p | 58.0p | 59.0p | 77.0p | 78.0p | 79.0p | 90.5p | 88.5p | 84.5p | 86.5p | 95.8p | 86.0p |
| Share price total return on 100p - 5 years | | | | | | | | | | | | | 118.3p |
| Share price total return on 100p - since launch | | | | | | | | | | | | | 180.9p |

Share Price – Units

at 31 March

| | 2007 [†] | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Middle market price per share | 393.6p | 327.0p | 237.0p | 317.0p | 328.0p | 322.5p | 369.0p | 375.0p | 402.5p | 354.0p | 409.5p | 397.0p | 373.0p |
| Premium/(discount) to NAV % | 2.2% | (8.8)% | (2.0)% | (4.6)% | (4.2)% | (6.2)% | (5.7)% | (8.8)% | (2.9)% | (8.1)% | (7.9)% | (4.3)% | (8.9)% |
| Share price High | – | 393.5p | 337.5p | 317.0p | 337.0p | 334.5p | 369.0p | 375.0p | 402.5p | 400.5p | 409.5p | 425.0p | 418.0p |
| Share price Low | – | 327.0p | 233.0p | 236.0p | 317.0p | 300.0p | 300.0p | 358.0p | 349.5p | 335.0p | 336.5p | 397.0p | 335.0p |
| Share price total return on 100p – 5 years | | | | | | | | | | | | | 127.3p |
| Share price total return on 100p – since launch | | | | | | | | | | | | | 181.3p |

Revenue

For the year ended 31 March

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

Performance

(rebased at 100 at 1 March 2007)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-------|-------|-------|------|------|------|-------|-------|-------|-------|-------|-------|-------|
| NAV per A/Ordinary share, B share and Unit | 100.0 | 93.1 | 62.8 | 86.3 | 88.9 | 89.2 | 101.7 | 106.8 | 107.6 | 100.0 | 115.4 | 107.7 | 106.4 |
| Mid Market price per A/Ordinary share | 100.0 | 84.3 | 60.5 | 81.3 | 83.3 | 83.3 | 95.0 | 96.5 | 102.4 | 91.3 | 105.7 | 98.1 | 96.5 |
| Mid Market price per B share | 100.0 | 84.3 | 60.5 | 91.0 | 93.0 | 87.9 | 96.0 | 104.0 | 102.4 | 93.0 | 106.0 | 97.4 | 96.5 |
| Mid Market price per Unit | 100.0 | 83.1 | 60.2 | 80.5 | 83.3 | 81.9 | 93.8 | 95.3 | 102.3 | 89.9 | 104.0 | 100.9 | 94.8 |
| Dividends per A/Ordinary share | 100.0 | 100.0 | 100.0 | 80.0 | 80.0 | 80.0 | 80.0 | 81.7 | 83.7 | 86.0 | 88.2 | 91.2 | 94.2 |
| Capital repayments per B share | 100.0 | 100.0 | 100.0 | 80.0 | 80.0 | 80.0 | 80.0 | 81.7 | 83.7 | 86.0 | 88.2 | 91.2 | 94.2 |

Ongoing Charges

For the year ended 31 March

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

Gearing

at 31 March

| | 2007 [†] | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------|-------------------|------|-------|-------|-------|-------|-------|-------|------|------|------|------|------|
| Net gearing | (2.8)% | 3.6% | 15.2% | 24.6% | 25.4% | 20.1% | 10.1% | 10.0% | 7.9% | 9.7% | 3.5% | 4.4% | 4.3% |

[†] Balance sheet figures shown for 2007 are as at the Company's launch on 1 March 2007, performance figures shown for 2008 are for the 13 month period from launch on 1 March 2007 to 31 March 2008.

Alternative Performance Measures (“APMs”)

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

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

| | | 31 March 2019 | | | 31 March 2018 | | |
|---------------------------|-----|-----------------|----------------|----------------|-----------------|----------|---------|
| | | Ordinary shares | B shares | Units | Ordinary shares | B shares | Units |
| Net asset value per share | (a) | 102.39p | 102.39p | 409.56p | 103.75p | 103.75p | 415.00p |
| Share price | (b) | 95.0p | 95.0p | 373.0p | 96.5p | 95.8p | 397.0p |
| (Discount) (c=(b-a)/(a)) | (c) | (7.2%) | (7.2%) | (8.9%) | (7.0%) | (7.7%) | (4.3%) |

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

Ongoing charges calculation

| | | 31 March 2019 | 31 March 2018 |
|--|------|------------------|------------------|
| | Page | £'000 | £'000 |
| Total expenditure | | | |
| Less credit facility commitment fee | (52) | 1,262 | 1,404 |
| Less actual management fee charged at rate of 0.65% (2018: 0.75%) of net asset value | (62) | (42) | (21) |
| Add management fee at a rate of 0.65% of net asset value at 31 March | | (793) | (980) |
| Total | (a) | 781 | 795 |
| Average daily net assets | (b) | 1,208 | 1,198 |
| Ongoing charges (c = a/b) | (c) | 0.98% | 0.91% |

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

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

| | 31 March 2019 | | 31 March 2018 | |
|---|------------------------------|---------|------------------------------|---------|
| | Ordinary shares/ B shares | Units | Ordinary shares/ B shares | Units |
| NAV per share at start of financial year | 103.75p | 415.00p | 111.12p | 444.48p |
| NAV per share at end of financial year | 102.39p | 409.56p | 103.75p | 415.00p |
| Change in the year | -1.3% | -1.3% | -6.6% | -6.6% |
| Impact of dividend reinvestments [†] | 4.8% | 4.8% | 4.1% | 4.1% |
| NAV total return for the year | 3.5% | 3.5% | -2.5% | -2.5% |

[†] During the year to 31 March 2019 dividends/capital repayments totalling 5.0p (Ordinary shares/B shares) and 20.0p (units) went ex dividend. During the year to 31 March 2018 the equivalent figures were 4.84p (Ordinary shares/B shares) and 19.36p (units).

| | 31 March 2019 | | | 31 March 2018 | | |
|--|--------------------|----------|--------|--------------------|----------|--------|
| | Ordinary shares | B shares | Units | Ordinary shares | B shares | Units |
| Share price per share at start of financial year | 96.5p | 95.8p | 397.0p | 104.0p | 104.3p | 409.5p |
| Share price per share at end of financial year | 95.0p | 95.0p | 373.0p | 96.5p | 95.8p | 397.0p |
| Change in the year | -1.6% | -0.8% | -6.0% | -7.2% | -8.1% | -3.1% |
| Impact of dividend reinvestment [†] | 5.3% | 5.3% | 5.0% | 4.4% | 4.3% | 4.4% |
| Share price total return for the year | 3.7% | 4.5% | -1.0% | -2.8% | -3.8% | 1.3% |

[†] During the year to 31 March 2019 dividends/capital repayments totalling 5.0p (Ordinary shares/B shares) and 20.0p (units) went ex dividend. During the year to 31 March 2018 the equivalent figures were 4.84p (Ordinary shares/B shares) and 19.36p (units).

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

| | 31 March 2019 | | | 31 March 2018 | | |
|-----------------|--------------------|----------|-------|--------------------|----------|-------|
| | Ordinary shares | B shares | Units | Ordinary shares | B shares | Units |
| Annual dividend | (a) | 5.04p | 5.04p | 20.16p | 4.88p | 4.88 |
| Share price | (b) | 95.0p | 95.0p | 373.0p | 96.5p | 95.8p |
| Yield = (c=a/b) | (c) | 5.3% | 5.3% | 5.4% | 5.1% | 4.9% |

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

prior to the record date. The “payment” date is the date that dividends are credited to shareholders’ bank accounts. This may be several weeks or even months after the record date.

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

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

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

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

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

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

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

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

Net asset value (NAV), Debt at fair value – the fair value of the Company’s debt is the price that would be paid to transfer the liability in an orderly transaction between market participants at the transaction date. As the Company’s bank loan carries interest at a fixed rate, the fair value of its loan liability will increase as market interest rates fall or decrease as market rates increase. The NAV restated to include the loan liability at its fair value is referred to as “NAV, Debt at fair value”. A reconciliation between the NAV, debt at par and NAV, debt at fair value is shown in note 3 to the financial statements.

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 Statement of Corporate Governance.

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

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

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

Corporate Information

Directors

I A McLaren (Chairman)
J Le Blan
J M Evans
A K Watkins
J P Williams

Alternative Investment Fund Manager ('AIFM'), Investment Manager and Company Secretary

BMO Investment Business Limited
6th Floor, Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

Brokers

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

Auditor

Deloitte LLP, Statutory Auditor
110 Queen Street
Glasgow G1 3BX

Depository

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

Principal Bankers and Custodian

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

Bankers

Scotiabank Europe
201 Bishopsgate
London EC2M 3NS

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Company Number

SC314671

Website

www.bmoukhighincome.com

BMO UK High Income Trust PLC

Annual Report and Financial Statements 31 March 2019

Registered office:

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-  Tel: 0207 628 8000 Fax: 0131 718 1280
-  bmoukhighincome.com

Registrars:

-  Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
-  Registrars' Shareholder Helpline: 0371 384 2470*
-  Registrars' Broker Helpline: 0906 559 6025†
-  Registrars' Overseas Helpline: +44 121 415 7047**
-  shareview.co.uk

* Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

† Calls to this number are charged at £1 per minute from a BT landline. Other telephony providers' costs may vary.

Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.

** Local overseas call rates will apply.

