

COMPANIES HOUSE

**25 JAN 2021**

EDINBURGH MAILBOX

# **BMO UK HIGH INCOME TRUST PLC**

**(Registered Number SC314671)**

## **INTERIM ACCOUNTS**

**in accordance with section 838 Companies Act 2006**

**FOR THE PERIOD FROM 1 APRIL 2020**

**TO 30 SEPTEMBER 2020**



# **BMO UK HIGH INCOME TRUST PLC**

## **Statement of Directors' Responsibilities in respect of the interim accounts**

Company Law requires the Directors to prepare interim accounts prior to making any distribution where the distribution would be found to contravene the relevant section of the Companies Act if reference were made only to the Company's last annual accounts. These accounts are required to be properly prepared under s838 of the Companies Act 2006 and must consist of:

- A balance sheet which gives a true and fair view of the state of the Company's affairs as at the balance sheet date; and
- A profit and loss account which gives a true and fair view of the Company's profit or loss for the period. This requirement is met by the presentation of the total column in the Income Statement.

In preparing these accounts the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim accounts; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business

The Directors are responsible for ensuring that proper accounting records are maintained, which enable them to ensure that the interim accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and, therefore, for taking reasonable steps for the prevention and detection of fraud and other irregularities. The accounts have been prepared on a going concern basis.

# BMO UK HIGH INCOME TRUST

## Statement of Comprehensive Income

	Notes	Period from 1 April 2020 to 30 September 2020			Year to 31 March 2020		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value	8	-	12,797	12,797	-	(27,431)	(27,431)
Exchange differences		-	(17)	(17)	-	-	-
Income	1	1,803	-	1,803	4,836	-	4,836
Investment management fee	2	(105)	(245)	(350)	(227)	(529)	(756)
Other expenses	3	(220)	-	(220)	(467)	-	(467)
<b>Profit/(loss) on ordinary activities before finance costs and taxation</b>		<b>1,478</b>	<b>12,535</b>	<b>14,013</b>	<b>4,142</b>	<b>(27,960)</b>	<b>(23,818)</b>
<b>Finance costs</b>							
Interest on bank loans	4	(32)	(74)	(106)	(62)	(144)	(206)
<b>Finance costs</b>		<b>(32)</b>	<b>(74)</b>	<b>(106)</b>	<b>(62)</b>	<b>(144)</b>	<b>(206)</b>
<b>Profit/(loss) before tax</b>		<b>1,446</b>	<b>12,461</b>	<b>13,907</b>	<b>4,080</b>	<b>(28,104)</b>	<b>(24,024)</b>
Tax	5	(7)	-	(7)	(27)	-	(27)
<b>Profit/(loss) for the period</b>		<b>1,439</b>	<b>12,461</b>	<b>13,900</b>	<b>4,053</b>	<b>(28,104)</b>	<b>(24,051)</b>
<b>Total comprehensive income for the period</b>		<b>1,439</b>	<b>12,461</b>	<b>13,900</b>	<b>4,053</b>	<b>(28,104)</b>	<b>(24,051)</b>
Return per Share	6	1.23p	10.67p	11.90p	3.46p	(23.99)p	(20.53)p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with International Financial Reporting Standards. 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.

The notes on pages 4 to 15 are an integral part of these statements.

# BMO UK HIGH INCOME TRUST PLC

## Statement of Financial Position

	Notes	As at 30 Sept 2020 £'000	As at 31 March 2020 £'000
<b>NON-CURRENT ASSETS</b>			
Investments held at fair value through profit or loss	8	109,398	92,587
		<u>109,398</u>	<u>92,587</u>
<b>CURRENT ASSETS</b>			
Receivables	9	300	938
Cash at bank and on deposit		552	4,003
		<u>852</u>	<u>4,941</u>
<b>TOTAL ASSETS</b>		<b><u>110,250</u></b>	<b><u>97,528</u></b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Payables	10	(2,519)	(507)
		<u>(2,519)</u>	<u>(507)</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank loan	11	(7,500)	(7,500)
		<u>(7,500)</u>	<u>(7,500)</u>
<b>TOTAL LIABILITIES</b>		<b><u>(10,019)</u></b>	<b><u>(8,007)</u></b>
<b>NET ASSETS</b>		<b><u>100,231</u></b>	<b><u>89,521</u></b>
<b>REPRESENTED BY:</b>			
Share Capital	12	134	134
Share Premium	13	153	153
Capital Redemption Reserve	14	5	5
Buy Back Reserve	14	81,038	81,157
Special Capital Reserve	14	14,133	14,945
Capital Reserves	14	(446)	(12,907)
Revenue Reserve	14	5,214	6,034
		<u>100,231</u>	<u>89,521</u>
Net Asset Value per Equity Share	15	85.94p	76.66p

The financial statements on pages 2 to 15 were approved by the Board and authorised for issue on 2 December 2020 and were signed on its behalf by:

John M. Evans, Director



# **BMO UK HIGH INCOME TRUST PLC**

## **Summary Accounting Policies**

### **BASIS OF PREPARATION**

The financial statements of the Company have been prepared on the basis of International Financial Reporting Standards ('IFRS') which comprise standards and interpretations approved by the International Accounting Standards Board ('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 disclosures within these financial statements have been limited to those required to meet the statutory requirements of s838 Companies Act 2006, requisite in respect of interim accounts prepared for a proposed distribution by a public company.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates.

### **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 Company's subsidiary, Investors Securities Company Limited, 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.

### **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.

# BMO UK HIGH INCOME TRUST PLC

## Summary Accounting Policies (Continued)

### CAPITAL AND RESERVES

(a) **Capital reserve – investments sold**

- gains and losses on realisation of investments, together with the proportion of management fees, interest and taxation allocated to capital, including losses on transactions in own shares, are dealt with in this reserve.

**Capital reserve – investments held**

- increases and decreases in the valuation of investments held are dealt with in this reserve.

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

(b) **Buyback reserve**

- created from the Court cancellation of the share premium account which had arisen from premiums paid on the Ordinary 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.

(c) **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.

(d) **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.

(e) **Revenue reserve**

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

### INCOME

- (a) Dividends are recognised as income on the date that the related investments are marked ex-dividend. 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.
- (b) Other investment income and deposit interest are included on an accruals basis.

# **BMO UK HIGH INCOME TRUST PLC**

## **Summary Accounting Policies (Continued)**

### **EXPENSES**

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

- Interest payable on the term bank loan is allocated 30 per cent. to the revenue column of the income statement and 70 per cent. to capital;
- Management fees have been allocated 30 per cent to revenue and 70 per cent to capital.

### **FOREIGN CURRENCY**

Transactions denominated in foreign currencies are recorded in the local currency 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. 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 income statement depending on whether the gain or loss is of a capital or revenue nature respectively.

### **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 income statement because it excludes items of income or expense that are taxable or deductible in other years 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.

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

	Period to 30 September 2020 £'000	Year to 31 March 2020 £'000
<b>1. INCOME</b>		
Listed equity investments	1,802	4,813
Deposit interest	1	23
	<u>1,803</u>	<u>4,836</u>
	—	—
<b>2. INVESTMENT MANAGEMENT FEE</b>		
	<b>£'000</b>	<b>£'000</b>
Investment management fee -revenue	105	227
-capital	245	529
	<u>350</u>	<u>756</u>
	—	—

The Company's investment manager BMO Investment Business Limited receives an investment management fee of 0.65 per cent per annum of the net asset value of the Company payable quarterly in arrears.

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 the aforementioned notice, BMO Investment Business Limited is entitled to compensation of an amount equal to the base management fee which the investment manager would have been entitled to receive if it had continued to supply services for the unexpired notice period.

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

	Period to 30 September 2020 £'000	Year to 31 March 2020 £'000
<b>3. OTHER EXPENSES</b>		
Directors' fees	70	116
Auditors remuneration for - statutory audit	16	31
Other	134	320
	<u>220</u>	<u>467</u>
	—	—
<b>4. FINANCE COSTS</b>	<b>£'000</b>	<b>£'000</b>
Interest on bank loans	106	206
	<u>106</u>	<u>206</u>
	—	—
<b>5a. TAXATION</b>	<b>£'000</b>	<b>£'000</b>
Overseas Withholding Tax	7	27
	<u>7</u>	<u>27</u>
	—	—
<b>5b. FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD</b>		
	Period to 30 September 2020 £'000	Year to 31 March 2020 £'000
Profit/(loss) on ordinary activities before tax	13,907	(24,024)
	—	—
Taxation at the UK standard rate of corporation tax of 19% (31 March 2020: 19%)	2,642	(4,565)
Effects of:		
- non taxable dividend income	(342)	(901)
- non taxable capital gains	(2,428)	5,212
- excess management expenses	128	27
- overseas Withholding Tax	7	254
	<u>7</u>	<u>27</u>
Current period tax charge	—	—

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

### 6. RETURN PER ORDINARY SHARE

Period to 30 September 2020	Year to 31 March 2020 £'000
--------------------------------------	--------------------------------------

The return per ordinary share is based on the following figures:

Revenue return	£1,439,000	£4,053,000
Capital return	£12,461,000	£(28,104,000)
Total return	£13,900,000	£(24,051,000)
Weighted average number of shares in issue during the period	116,765,010	117,123,368

### 7. DISTRIBUTIONS

Period to 30 September 2020 £'000	Year to 31 March 2020 £'000
--	--------------------------------------

#### Amounts recognised as distributions to equity holders in the period:

Fourth interim dividend of 1.34p (2019: 1.29p) per Ordinary share	1,151	1,114
Fourth capital repayment of 1.34p (2019: 1.29p) per B share	414	399
First interim dividend of 1.29p (2020: 1.29p) per Ordinary share	1,108	1,114
First capital repayment of 1.29p (2020: 1.29p) per B share	398	399
Second interim dividend (2020: 1.29p) per Ordinary share	-	1,114
Second capital repayment (2020: 1.29p) per B share	-	399
Third interim dividend (2020: 1.29p) per Ordinary share	-	1,110
Third capital repayment (2020: 1.29p) per B share	-	398
	<u>3,071</u>	<u>6,047</u>

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

	Period to 30 Sept 2020 £'000	Year to 31 March 2020 £'000
<b>8. FIXED ASSETS – INVESTMENTS</b>		
Opening book cost	107,313	110,033
Opening unrealised gains	(14,726)	15,226
Opening valuation	<u>92,587</u>	<u>125,259</u>
	-----	-----
Additions at cost	11,665	19,784
Disposals - proceeds	(7,651)	(25,025)
- realised (losses) / gains on sales	(1,043)	2,521
Increase/(decrease) in unrealised gains	13,840	(29,952)
Closing valuation	<u>109,398</u>	<u>92,587</u>
	-----	-----
Closing book cost	110,284	107,313
Closing unrealised gains / (losses)	(886)	(14,726)
Closing valuation	<u>109,398</u>	<u>92,587</u>
	-----	-----
Listed investments	109,148	92,337
Subsidiary Undertaking	250	250
	<u>109,398</u>	<u>92,587</u>
	-----	-----
Realised (losses / gains) on investments	(1,043)	2,521
Increase/(decrease) in unrealised gains	13,840	(29,952)
Total gains on investments held at fair value through profit and loss	<u>12,797</u>	<u>(27,431)</u>
	-----	-----

## BMO UK HIGH INCOME TRUST PLC

### Notes to the Accounts

<b>9. OTHER RECEIVABLES</b>	<b>30 September 2020 £'000</b>	<b>31 March 2020 £'000</b>
Accrued income	162	714
Due from brokers in settlement of sales of investment	-	93
Other debtors	138	131
	<u>300</u>	<u>938</u>

  

<b>10. OTHER PAYABLES</b>	<b>30 September 2020 £'000</b>	<b>31 March 2020 £'000</b>
Management fee	179	144
Loan from subsidiary undertaking	250	250
Revolving credit facility	2,000	-
Due to brokers	-	-
Accrued expenses	90	113
	<u>2,519</u>	<u>507</u>

  

<b>11. BANK LOAN</b>	<b>30 September 2020 £'000</b>	<b>31 March 2020 £'000</b>
£7.5 million term loan maturing 28 September 2022	7,500	7,500
	<u>7,500</u>	<u>7,500</u>

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 with Scotiabank (Ireland) Designated Activity Company available until 28 September 2022. £2.0 million was drawn down at 30 September 2020.

The fair values of the £7.5 million term loan and the £2.0 drawn down from the RCF are not materially different from the values reflected in the Balance Sheet.

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

### 12. SHARE CAPITAL

As at 30 September 2020

#### Allotted, Issued and Fully Paid

	Listed		Held in Treasury		In Issue	
	Number	Par value £	Number	Par value £	Number	Par value £
<b>Ordinary Shares of 0.1p each</b>						
Balance at 1 April 2020	102,067,144	102,067	(16,144,491)	(16,144)	85,922,653	85,923
Repurchased to be held in treasury	-	-	(100,000)	(100)	(100,000)	(100)
Balance at 30 September 2020	102,067,144	102,067	(16,244,491)	(16,244)	85,822,653	85,823
<b>B Shares of 0.1p each</b>						
Balance at 1 April 2020	32,076,703	32,077	(1,217,953)	(1,218)	30,858,750	30,859
Repurchased to be held in treasury	-	-	(50,000)	(50)	(50,000)	(50)
Balance at 30 September 2020	32,076,703	32,077	(1,267,953)	(1,268)	30,808,750	30,809
Total at 30 September 2020	131,143,847	134,144	(17,512,444)	(17,512)	116,631,403	116,632

During the period the Company bought back 100,000 Ordinary shares at a cost of £79,000 and bought back 50,000 B shares at a cost of £40,000 to hold in treasury.

At 30 September 2020 the Company held 16,244,491 Ordinary shares and 1,267,953 B shares in treasury.

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.

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

<b>13. SHARE PREMIUM ACCOUNT</b>	<b>£'000</b>
As at 1 April 2020	153
As at 30 September 2020	<u>153</u>

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 two distinct reserves. The first reserve relating to that part of the cancelled share premium account arising from premiums paid on the Ordinary 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 returns on the B Shares.

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.

## 14. RESERVES

<b>Capital Redemption Reserve</b>	<b>£'000</b>
As at 1 April 2020	5
As at 30 September 2020	<u>5</u>
<b>Buy Back Reserve</b>	<b>£'000</b>
As at 1 April 2020	81,157
Shares bought back for Treasury	(119)
As at 30 September 2020	<u>81,038</u>

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

### 14. RESERVES (CONTINUED)

<b>Special Capital Reserve</b>	<b>£'000</b>
As at 1 April 2020	14,945
Capital returns paid on B shares	(812)
As at 30 September 2020	<u>14,133</u>
<b>Capital Reserve – investments sold</b>	<b>£'000</b>
As at 1 April 2020	1,819
Losses on sale of investments during the period	(1,043)
Exchange differences	(17)
Management fees charged to capital	(245)
Finance cost charged to capital	(74)
As at 30 September 2020	<u>440</u>
<b>Capital Reserve – investments held</b>	<b>£'000</b>
As at 1 April 2020	(14,726)
Increase in unrealised gains on investments during the period	13,840
As at 30 September 2020	<u>(886)</u>
<b>Revenue Reserve</b>	<b>£'000</b>
As at 1 April 2020	6,034
Transfer from revenue column of income statement	1,439
Dividends paid on Ordinary shares	(2,259)
As at 30 September 2020	<u>5,214</u>

# BMO UK HIGH INCOME TRUST PLC

## Notes to the Accounts

### 15. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per equity share and the net assets attributable to the equity shares were as follows:

	<b>30 September 2020 £'000</b>	<b>31 March 2020 £'000</b>
Net assets attributable	£100,231,000	£89,521,000
Total number of Ordinary and B shares in issue	116,631,403	116,781,403
Net asset value per equity share	85.94p	76.66p