BMO Global Smaller Companies PLC

Report and Accounts
30 April 2021

Contents

2021-22 Financial year events	
Annual General Meeting	12 August 2021
Final dividend payable	16 August 2021
Half-yearly results for 2022 announced	December 2021
Interim dividend payable	January 2022
Final Results for 2022 announced	June 2022

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in BMO Global Smaller Companies 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 Global Smaller Companies PLC (the **'Company'**) was founded in 1889 with an initial capital of £1m. A sister company to the very first investment trust, in time it developed a policy of investing in smaller companies and the Company's net assets had a value of more than £1 billion as at 30 April 2021.

Our purpose is to provide an investment vehicle which meets the needs of investors, whether large or small, who seek long-term investment returns from global smaller companies in an accessible, cost effective way.

Our objective is to invest in smaller companies worldwide in order to secure a high total return and we remain one of only a few investment trusts to offer investors access to a broadly spread global smaller companies portfolio.

A recognised "AIC Dividend Hero", this will be the Company's 51st consecutive year of dividend growth.

While historically returns have been strong for investors in smaller companies, we do recognise the particular risks inherent in selecting stocks from this part of the market. Our approach is to invest in a wide range of smaller quoted companies and funds to offer a globally diversified portfolio, reducing the risk of overexposure to any one company, market, currency or industry.

The Company is suitable for retail investors in the UK, professionally advised private clients and institutional investors who seek growth over the long-term, and who understand and are willing to accept the risks, as well as the rewards, of exposure to smaller companies.

Visit our website at **bmoglobalsmallers.com**

The Company is registered in England and Wales with
company registration number 28264
Legal Entity Identifier: 2138008RRULYQP8VP386

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 year to 30 April 2021

47.9%

Net Asset Value with debt at fair value[1] ('NAV') total return[1] of 47.9% versus 54.1% from the Benchmark return.
The NAV rose to 174.90p from 119.70p.

54.0%

Share price total return[1] of 54.0%.
The share price ended the year at 168.6p.

1.75p

Total dividend[3] of 1.75 pence 51st consecutive annual increase, up by 3.0%.

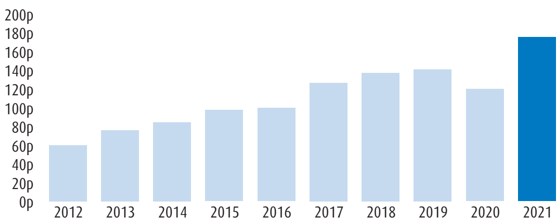
3.6%

Shares ended the year at a discount[1] to the NAV of 3.6%.

Delivering high total returns over the long term

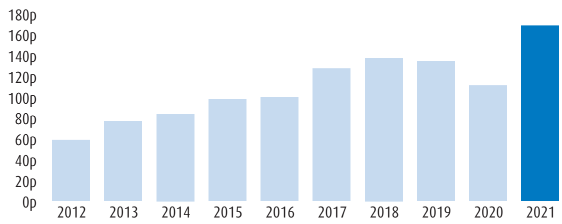
In the last ten years BMO Global Smaller Companies has turned a £1,000 investment, with dividends reinvested, into £3,205 compared with £2,938 from the Company's Benchmark.

NAV[1],[4] per share at 30 April – pence



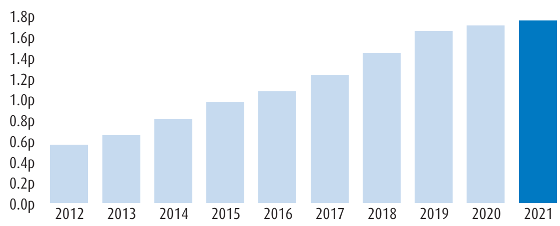
Source: BMO GAM

Mid-market price[4] per share at 30 April – pence



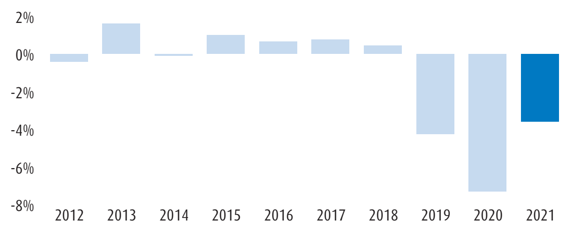
Source: BMO GAM

Dividends[3],[4] – pence per share



Source: BMO GAM

Share price premium/(discount)[1] at 30 April – %



Source: BMO GAM

The dividend has increased every year for the past 51 years and over the last ten years is up 13.1% compound per annum, compared with inflation of 2.5% compound per annum.

Potential investors are reminded that the value of investments and the income from dividends 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.

(1) See Alternative Performance Measures on pages 92 and 93.
(2) See Glossary of terms on page 94 for explanation of 'Benchmark'.
(3) Total dividend comprises an interim dividend (paid on 31 January 2021) of 0.55 pence and a final dividend for 2021 of 1.20 pence (payable on 16 August 2021), subject to shareholder approval at the AGM.
(4) Comparative figures for the years prior to 2020 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

Chairman's Statement

"Over the year, smaller stocks were the best performers in most markets and it is heartening to see that confidence in smaller companies returned so rapidly after such a severe economic shock."

Anja Balfour, Chairman

Dear Shareholder,
This is my first report to you as Chairman covering a year that has been a challenge for all of us. I do hope that you and your families are well and looking forward to a greater sense of normality in your daily life. It has certainly been a momentous period in the financial markets too.

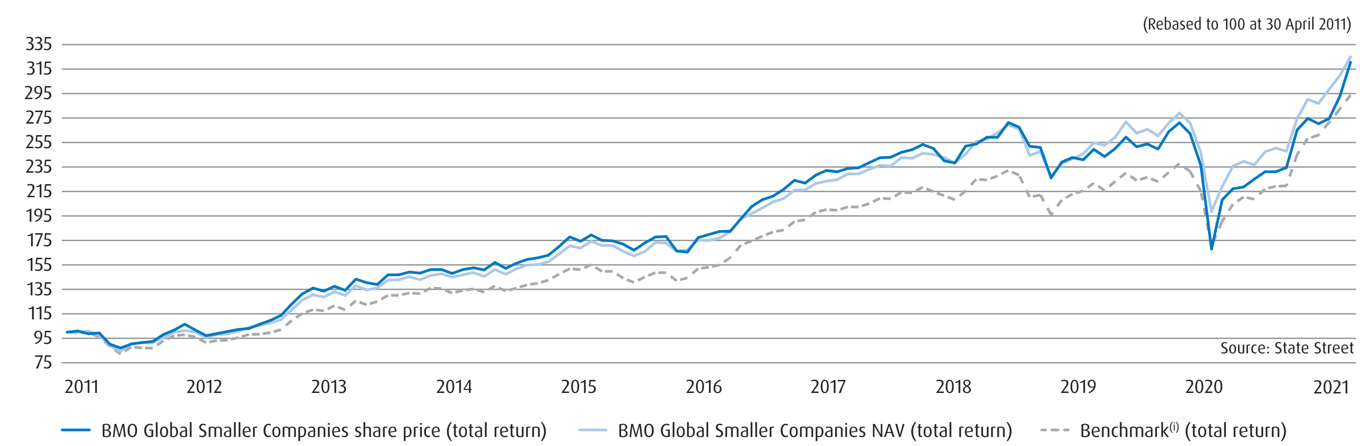
At the start of the year under review, global equity markets had begun to recover from their pandemic-driven collapse but the outlook was far from clear. However, massive fiscal and monetary policy stimulus measures drove share prices higher as the year progressed. The successful development of vaccines for COVID-19 led to a further material jump in stock markets in the second half of the year.

Our focus is on smaller companies; those at the lower end of market capitalisation ranges. Over the year, smaller stocks were the best performers in most markets and it is heartening to see that confidence in smaller companies returned so rapidly after such a severe economic shock.

The Company's Benchmark[(i)] was up by a remarkable 54.1% in total return terms. The Net Asset Value (**'NAV'**) total return, taking the value of the Company's debt at fair value, lagged this figure but was still up by 47.9% and ended the year at 174.9p. The share price closed at 168.6p, a record high, delivering a total return of 54.0%, virtually in-line with the Benchmark.

A number of factors influenced the NAV performance over the year and the Lead Manager's Review on pages 12 to 22 discusses the background in detail. Certain sectors more geared into the recovery led the markets higher and some of the more speculative and higher risk stocks, that the Manager's conservative investment process avoids, were among the best performers. While past performance should never be extrapolated into the future, shareholders who have invested in the Company over the long term have done well, as shown below and in the 25 year record on page 91.

Net asset value and share price performance vs Benchmark[(i)] over ten years



[(i)] See Glossary of terms on page 94 for explanation of 'Benchmark'

Performance: Total return over the long-term	1 year %	3 years %	5 years %	10 years %	25 years %
Company NAV total return	47.9	32.4	85.7	221.2	1,023.3
Benchmark total return	54.1	36.4	92.0	193.8	932.8
Company share price total return	54.0	27.2	78.3	220.5	1,154.1

Source: BMO GAM

The discount

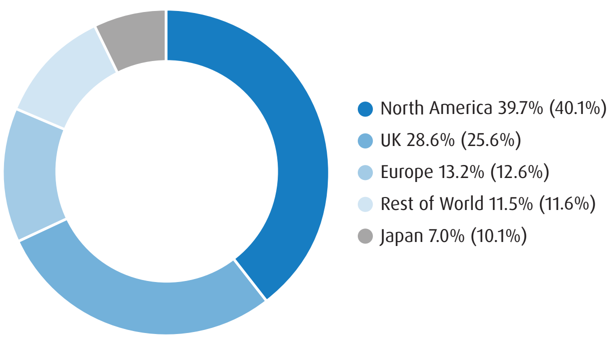
The Company's shares traded at a discount to the NAV throughout the year, starting at 7.3% but ending at a narrower 3.6% (with debt at fair value).

We undertook share buybacks on a regular basis where opportunities arose, with 28.5m repurchased shares placed into treasury for potential reissuance in the future, if the shares return to a premium to NAV. The Board believes that a consistent and proactive approach to share buybacks is the right policy and serves to protect the rating of the shares in the market. The aim continues to be a discount level below 5% in normal market conditions.

Costs

Ongoing Charges[i] for the year were slightly up at 0.78%, compared to 0.75% in the prior year. We hold a number of collective funds for exposure to Japan, Asia and Emerging Markets. The costs of these funds are included in the Ongoing Charges calculation (and are already reflected in the NAV) and were higher, reflecting the recovery in market levels. Our normal overhead expenses were lower in the year.

Geographical distribution of the investment portfolio as at 30 April 2021



The percentages in brackets are as at 30 April 2020

Source: BMO GAM

[i] See Alternative Performance Measures on page 93.

Dividends

As was flagged in last year's Report and Accounts and at the interim stage in the Lead Manager's Review, the Company's income from dividends has fallen sharply. Revenue return per share of 1.26p was down 27.2%, with many companies suspending or re-basing their dividend payments early in 2020. This made sense at a time of huge uncertainty at the start of the pandemic but, as time has passed and economic news improved, many companies have been in a position to recommence dividend payments and we have seen this come through in our portfolio.

With the outlook for income improving, and taking account of the strong revenue reserves in hand of some £15.2m at 30 April 2021, the Board has decided to extend the Company's record to 51 consecutive years of dividend growth. The proposed final dividend of 1.20p will be paid to shareholders on 16 August, making a total of 1.75p for the year, up by 3.0% compared to last year. While paying this level of dividend will necessitate use of a small proportion of the revenue reserve, the Company remains in a strong position looking forward in relation to dividend payments.

Market and portfolio performance

While the pandemic and its economic effects were the prime focus during the year, political developments were important too, most critically in the US. The ending of the Trump presidency was a far from smooth process but the initial stock market response to the Democrats assuming control of both legislative houses was positive on the basis that an already highly stimulatory fiscal approach was likely to be augmented.

US small cap equities delivered excellent returns in the year as the local economy bounced back quicker than Europe, the UK and Japan. A less stringent approach to lockdowns in some parts of the country plus the much larger extent of stimulus in the US were contributing factors towards the speedier rebound, as was an efficient rollout of vaccinations.

As regards the UK, a post Brexit trade deal with the EU was finally concluded last December, leading to a revival of interest in the domestic market and lifting sterling against other currencies. There have been a number of takeover approaches for UK listed companies from overseas in recent months, contributing to a better relative performance from the UK smaller company sector, again also helped by the success of the vaccination programme.

European economic performance was mixed, depending in part on the scale and effectiveness of the local fiscal support. The EU responded to the pandemic by loosening its own fiscal rules and eventually agreement was reached to set up a €750bn European recovery fund. While this was a positive move, the extent and pace of stimulus in Europe so far has been more modest in scale than that of the US or indeed the UK. Despite this, European small cap stocks enjoyed a strong year, with growth stocks doing particularly well.

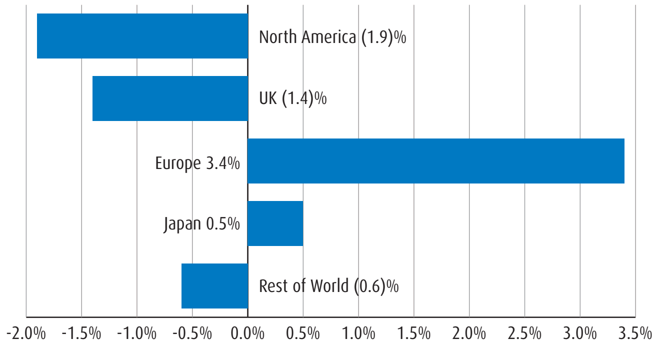
Asian countries felt varying levels of impact from the pandemic, with North Asia, including China, generally managing to control the level of infection much better than others, such as India or Indonesia. China's economy recovered particularly well, while technology orientated stock markets like Korea and Taiwan also benefited as the pandemic lifted demand for IT equipment. Japanese small caps had a relatively disappointing year in comparison with other markets, though they had performed better in the previous year.

The returns from the Company's regional portfolios and the local small cap indices are shown below. With so much going on in relation to the pandemic, it was a year when the Company's regional returns diverged significantly from their benchmarks. Relative performance in North America was impacted by not having enough exposure to some of the stronger recovery areas such as Industrials and some parts of the consumer sectors, while strength in higher risk areas such as biotechnology stocks also hurt. The UK portfolio was also not sufficiently exposed to some of the sectors that drove the rally, but it should be noted that this was the first year in 11 that it has underperformed. Performance of the Rest of World collectives portfolio was disappointing, with the funds held nearly all struggling to keep up with the Asian and Latin American small cap indices. As a reminder, we gain exposure to these markets by outsourcing the portfolios to other managers through collective vehicles. Our European portfolio performed well however, helped by strong returns from a number of purchases made early in 2020, and the fund holdings in Japan also outperformed by a good margin.

Asset Allocation

The impact of asset allocation positioning in the year was not material towards overall relative performance. Allocation between markets changed a little with the Manager adding to the UK weighting late in the year on the basis that the conclusion of Brexit was likely to be helpful. The Japanese weighting fell largely as a consequence of the weaker performance of the market compared to other parts of the world but the Manager also took some money out of the collectives holdings here as the year progressed.

Geographical weightings against Benchmark as at 30 April 2021

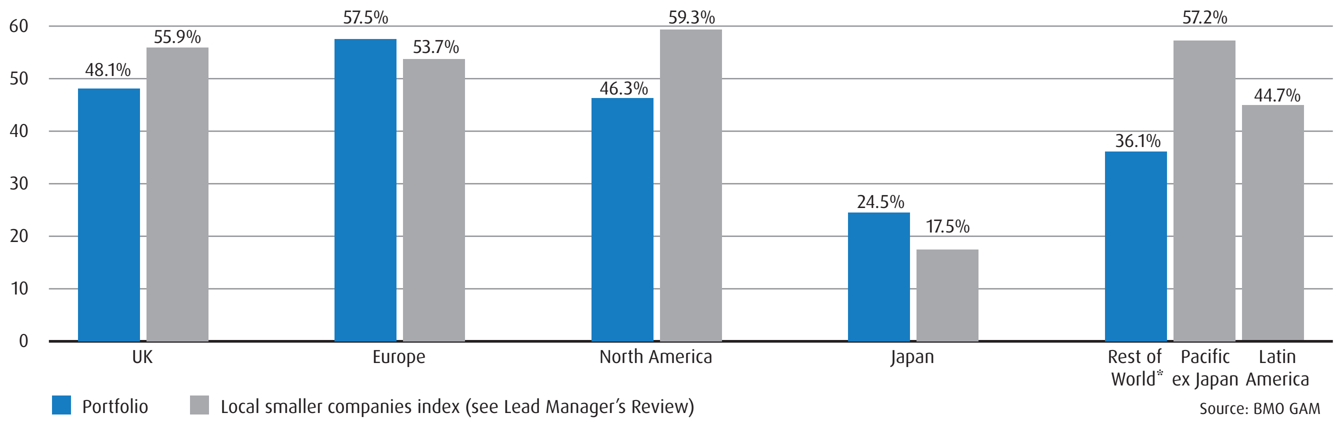


Source: BMO GAM & MSCI

Gearing Policy

Having started the year with no gearing, the Manager changed stance as the economic outlook improved and gradually employed more gearing after the positive news on vaccines. At the end of the year effective gearing was 3.8%. Borrowings are made up of a combination of long-term private placement notes and drawings from the Company's revolving credit facility. The blended cost of debt at the end of the year of approximately 1.9% is very low by historic standards.

Geographical performance (total return sterling adjusted) for the year ended 30 April 2021



Source: BMO GAM

*Performance of the Rest of World portfolio is shown here against both the Asian and Latin American smaller company indices.

ESG

While the importance of incorporating Environmental, Social and Governance (**'ESG'**) themes into investment is increasing, it is worth pointing out that our Manager has depth and longevity of expertise in relation to ESG matters. The fund managers incorporate ESG factors into their valuations of potential investments and the report on pages 23 to 26 provides further details on this, including a number of case studies. Maintaining a focus on the sustainability of investee companies' business models and the ESG credentials of the portfolio overall is becoming increasingly important. This is monitored closely by the Board.

The Board

There have been no further changes to the Board since the retirement of my predecessor as Chairman, Anthony Townsend, and Jane Tozer the former Senior Independent Director, at last year's AGM. I would personally like to thank both of them for their long and valuable contribution to the governance of the Company. At this stage we plan to maintain the Board at its current size, but we will keep this and its evolution under review.

Online Shareholder Meeting and Annual General Meeting

The Company's AGM will be held at the offices of BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, on Thursday, 12 August 2021 at 2.00 p.m. Under normal circumstances we enjoy meeting and talking to as many shareholders as possible in person at the AGM. However, we are mindful of the fact that the meeting is due to take place very soon after Government restrictions are due to be lifted and therefore shareholders may be reluctant to travel to the meeting. Therefore, to provide certainty over arrangements and to enable shareholders to engage with the Lead Manager and with the Board, we have decided to hold an interactive online shareholder meeting on Thursday, 29 July 2021 at 2.00 p.m. There will be a presentation by the Lead Manager, which will be followed by a question and answer session with him and the Board. This will allow shareholders time to cast their votes at the AGM on 12 August 2021 after having had the opportunity to see the Lead Manager's presentation and to ask questions of the Board. I encourage all shareholders to do so. Online access details for the presentation are included on your Form of Proxy or Form of Direction or can be obtained by sending an email to gscagm@bmogam.com. To help the online event run smoothly, we request that questions are sent in advance to this email address.

The formal business of the AGM will take place two weeks later, on 12 August 2021, with only two shareholders present in person, sufficient to form a quorum to enable the meeting to proceed and business to be conducted. It is strongly recommended that shareholders do not attend and entry will be restricted and/or refused in accordance with the Company's Articles of Association. Nevertheless, shareholders can be represented by the chairman of the meeting acting as their proxy. We therefore urge you to lodge your votes to arrive by the deadline stated in the notice of meeting, appointing the chairman of the meeting as your proxy. Voting on all resolutions will be held on a poll, the results of which will be announced via a regulatory announcement and will be shown on the Company's website following the meeting.

BMO/Columbia Threadneedle

You may be aware that the Bank of Montreal, the ultimate parent company of your Company's Manager, BMO Investment Business Limited, has announced an intention to sell its asset management business covering Europe, the Middle East and Africa to Ameriprise Financial Inc., the parent company of Columbia Threadneedle. Details have not yet been finalised and published but both companies have confirmed they expect little change for most clients. Your Board welcomes that assurance of continuity and will, of course, ensure that shareholders are kept informed as further details become available.

Outlook

While the battle against COVID-19 is far from won, as can be seen around the world with still tragic consequences, the markets have largely discounted that we are indeed heading back to normal. Corporate earnings are rebounding strongly and the remainder of 2021 looks promising on this front.

Of course, there remains a risk of a resurgence of the pandemic if vaccines prove ineffective against new strains but the near-term market focus has moved on to equity valuations, which have risen dramatically over the last year. At the same time inflationary pressures are stirring across a wide range of commodities as demand patterns have started to normalise. This is causing concern that there may be a need for monetary policy to be tightened, especially in the US given all the current and projected fiscal stimulus. Rising bond market rates could be expected to feed through to a de-rating of the more highly rated growth stocks, something that we have already seen in evidence in recent months.

The Manager will continue to seek to focus investment on stocks with proven and sustainable business models, with strong management teams and balance sheets, where valuations do not look too stretched. This approach, together with diversification across countries and sectors, should continue to deliver good returns over the medium term.

Anja Balfour
Chairman
18 June 2021

Strategic Report

Our purpose is to provide an investment vehicle which meets the needs of investors, whether large or small, who seek long-term investment returns from global smaller companies in an accessible, cost effective way. Our investment objective is to secure a high total return for our shareholders over the longer term.

Purpose, values and culture

In order to achieve our purpose we are steadfast in holding to our core values that centre around the merits of diversification, integrity and a longer term perspective while working within parameters that can deliver strong and sustainable investment returns.

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises Directors with a breadth of relevant skills and experience acting with professional integrity who contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Investment and business strategy

Our investment strategy is designed to produce outperformance of the Benchmark and increases in dividends over the longer term. We seek to deliver this by investing in a large number of stocks across sectors globally and by finding attractively valued investments wherever they may be, without constraint to specific sector or geographical exposure limits. We select well-managed publicly listed smaller companies with growth potential and market capitalisations that fall into the generally accepted local definition of a smaller company.

Business model

The Directors have a duty to promote the success of the Company. As an investment company with no employees, we believe that the best way to do this and to achieve our objective is to have an effective and strong working relationship with our appointed manager, BMO Investment Business Limited (the **'Manager'**). Within policies set and overseen by the Board of Directors, our Manager has been given overall responsibility for the management of the Company's assets, including asset allocation, gearing, stock and sector selection as well as risk management. Engagement on environmental, social and governance matters are undertaken through the Manager's sister company, BMO Global Asset Management Limited. Both BMO Investment Business Limited and BMO Global Asset Management Limited (together **'BMO GAM'**), are owned by Bank of Montreal (**'BMO'**). The Board remains responsible for the matters listed on page 41. In April 2021, it was announced that BMO GAM's business in Europe, the Middle East and Africa is to be acquired by Ameriprise Inc.. More information is given in the Chairman's Statement on page 7.

In most parts of the world, smaller company equities have historically delivered strong longer term returns to investors ahead of overall equity market returns. As an investment trust company, the Company is particularly well suited to long-term investment in these smaller, less liquid companies.

Our Manager places particular focus on fundamental analysis of the opportunities in the North American, UK and European stock markets. The emphasis is on meeting individual companies and understanding the quality of their management, their position in their targeted market and their strategy for growth. Importantly, assessment is made on each individual company's financial strength and cash flow dynamics. The aim is to invest in high quality companies at attractive prices with the potential to deliver strong returns. We use funds to gain exposure to companies in areas where our Manager has historically lacked dedicated smaller company investment management resource, such as in Japan, Asia, Latin America and Africa. Exposure to the different geographic markets is adjusted within specific ranges in light of the attraction of local valuations and the outlook for currencies, but stock selection is generally the main driver of the Company's overall returns. A full list of investments appears on pages 34 to 36.

Furthermore, as a closed-ended listed investment company we are not constrained by asset sales to meet redemptions. Our share capital structure gives us the flexibility to take a longer term view and stay invested while taking advantage of volatile market conditions. Having the ability to borrow to invest gives us a significant advantage over a number of other investment fund structures.

Overview
Chairman's Statement
Strategic Report
Governance Report
Auditor's Report
Financial Report
Notice of Meeting
Other Information

Alignment of values and culture

It is important that the values, expectations and aspirations of those charged with managing the assets align with those of our own. The Board has reviewed the Manager's culture and values as part of the annual assessment of its performance and in determining whether its reappointment is in the interests of shareholders. BMO is an organisation committed to helping establish a more sustainable financial system. A founding signatory to the United Nations Principles for Responsible Investment (**'UNPRI'**), it has achieved the maximum rating of A+ for key areas of its responsible investment approach, including strategy and governance, and Environmental, Social and Governance (**'ESG'**) incorporation and active ownership in listed equities. BMO has a culture of diversity and inclusion anchored by shared values and industry-leading employee engagement in keeping with the Board's own expectations and beliefs.

ESG impact

Our ESG policies are set out on page 23 and are aligned towards the delivery of sustainable investment performance over the longer term. The direct impact of the Company's activities is minimal as it has no employees, premises, physical assets or operations either as a producer or a provider of goods or services, while its shareholders are effectively its customers. In consequence, it does not directly generate any greenhouse gas or other emissions or pollution. The Company's indirect impact occurs through the investments that it makes and this is mitigated by BMO GAM's Responsible Investment Approach as explained on pages 23 to 26.

Manager evaluation

Investment performance and responsible ownership are fundamental to delivering a sustainable high total return for our shareholders over the longer term and therefore an important responsibility of the Directors is exercising a robust annual evaluation of our Manager's performance capabilities and resources. This is an essential element in the mitigation of risk, as outlined under Principal Risks on page 30, and the strong governance that is carried out by the Board of Directors, all of whom are independent and non-executive.

The process for the evaluation of our Manager for the year under review and the basis on which the reappointment decision was made are set out on page 46. The management fee is based on the value of the Company's net assets, thus aligning the Manager's interests with shareholders.

Managing risks and opportunities

We look to make good use of our corporate structure and the investment opportunities that produce a high total return for our shareholders over the longer term. Like all businesses, these opportunities do not come without risks and so the performance of our Manager is monitored at each Board meeting on a number of levels. In addition to managing the investments, the ancillary functions of administration, company secretarial, accounting and marketing services are all carried out by the Manager. It reports on the investment portfolios; the wider portfolio structure; risks; compliance with borrowing covenants; income, dividend and expense forecasts; errors; internal control procedures; marketing; shareholder and other stakeholder issues, including the Company's share price discount or premium to NAV; and accounting and regulatory updates.

Shareholders can assess our financial performance from the Key Performance Indicators that are set out on page 11 and, on page 30, can see what the Directors consider to be the Principal Risks that we face. The risk of not achieving the Company's objective of delivering a high total return for our shareholders over the longer term, or of consistently under-performing its Benchmark or competitors, may arise from any or all of poor stock selection, inappropriate asset allocation, weak market conditions, badly timed employment of gearing, poor cost control, loss of assets and service provider governance issues.

In addition to monitoring our Manager's performance, capabilities, available resources and its systems and controls, the Directors also review the services provided by other principal suppliers. These include the Custodian and Depositary in their duties towards the safeguarding of the assets.

The principal policies that support our investment and business strategy are set out on page 37, whilst the Lead Manager's review of activity in the year can be found on page 12. In the light of the Company's strategy, investment processes and control environment (relating to both the oversight of its service providers and the effectiveness of the risk mitigation activities), we have set out on page 31 our reasonable expectation that the Company will continue in operation for at least the next five years.

Lead Manager and the management of the assets

As Lead Manager on behalf of our Manager, Peter Ewins is responsible for the allocation of the assets on a regional basis and for the construction of the investment portfolio including the selection of any smaller company investment funds utilised. Our Manager has a team of smaller company investment managers that support the Lead Manager in the selection of stocks for the North American, UK and European stock markets. The Lead Manager is also assisted by other colleagues within BMO GAM in relation to the selection of managed funds used to gain exposure to other global markets.

Marketing

With a large proportion of our shareholders being retail investors and savings or execution-only platforms representing a significant and growing element of our shareholder base, we remain focused with our Manager on the optimal delivery of the Company's investment proposition. In recent months we have been working with the Manager in order to provide more content on the Company's website. An increasing proportion of shareholders hold their investment via third party platforms, as well as the BMO Savings Plans, which continue to be a cost effective and flexible way to invest.

Key stakeholders

Whilst we hold our Manager to account in the management of our assets, we also recognise that relationship as being fundamental from a stakeholder perspective and as a working partnership in forming and developing our strategy. Our own engagement with our Manager is continuous, particularly through our regular Board meetings and not least the annual meeting that we dedicate to the review of strategic matters. The debate at our strategy meeting in February included a review of the areas critical to the future success of the Company such as consideration of ESG matters, where much work continues to be carried out by the Manager's Responsible Investment team. The relationships that our Manager has with the companies in which we invest are of key importance and we outline our approach on pages 23 to 26.

Albeit not in the traditional sense, we see our shareholders as customers who we hope will stay with us and reap the benefits of investing over the longer term. Many of our underlying shareholders are young and hold their shares through their parents in BMO's Child Trust Funds and Junior ISAs. September 2020 saw the maturity of the first set of Child Trust Funds, meaning that, as each child turns 18, they will have full control over their holdings. Our hope is that these young investors will remain with us either by switching into other BMO savings products or retaining their shares on other platforms. For that purpose, BMO has been writing to parents ahead of their account maturity dates explaining the options and opportunities available to them for continuing their investment journey with us. It is clearly too soon to report on the outcome of this exercise, but we will report as to its success in the future.

With regard to our shareholders more generally, we engage by reporting our activities and performance through the publication of our financial statements. Most shareholders and BMO Savings Plan investors prefer not to receive such detailed information. To avoid then losing this essential line of communication, we instead make available a short notification summary covering the main highlights of our half-yearly and annual results. Shareholders and savings plan investors can access the full information on our website at bmoglobalsmallers.com. Through BMO GAM, we also ensure that savings plan investors are encouraged to participate at shareholder meetings in addition to those members who hold their shares directly on the main shareholder register. However, in light of the ongoing impact of COVID-19 the Board has again made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement on page 7. Details of the proxy voting results on each resolution are published on the website where there is also a link to the daily publication of our NAV and our monthly factsheet.

BMO GAM seeks to foster good relations with wealth managers and underlying investors in promoting the Company's investment proposition and over the year a number of virtual meetings were held with existing and prospective investors. These meetings are reported on regularly to the Board. The Chairman and Senior Independent Director are always available to meet with major shareholders, although no such meetings were held in the year under review.

Our lenders are important stakeholders who we keep informed through our monthly covenant compliance reporting in the first instance. Despite the extreme volatility in markets as a result of COVID-19, none of the financial covenants has been threatened and we had no issues over liquidity or cause to engage with the lenders in this regard.

Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against four key measures; Performance, Premium/Discount, Ongoing Charges and Dividend Growth, as well as regional performance against local benchmarks set out on page 13. Detailed commentary on these measures can be found in the Chairman's Statement and Lead Manager's Review. A 25 year historical record of these indicators (excluding ongoing charges) is shown on pages 90 and 91.

Performance: Total return(1)

	1 Year %	3 Years %	5 Years %	The Board's policy is to secure a high total return
NAV total return	47.9	32.4	85.7	This measures the Company's NAV and share price total returns, which assume dividends paid by the Company have been reinvested, relative to the Company's Benchmark.
Benchmark(2) total return	54.1	36.4	92.0	
Share price total return	54.0	27.2	78.3	

Source: BMO GAM and Refinitiv Eikon

Premium/(discount)(1) (including current period income)

At 30 April	%	The Board's premium/discount policies are to moderate the level of share price premium/discount and related volatility
2021	(3.6)	This is a measure of the divergence between the share price and the NAV per share. The Company issues shares whilst the share price is at a premium and buys back shares when it is at a discount, in the latter case with the aim that it does not exceed 5% in normal market conditions.
2020	(7.3)	
2019	(4.3)	
2018	0.5	
2017	0.8	

Source: BMO GAM and Refinitiv Eikon

Ongoing charges(1) (as a percentage of average net assets)

At 30 April	% (excluding performance fees)	% (including performance fees)	The Board's policy is to control the costs of running the Company
2021	0.78	0.78	This measures the running costs of the Company (including where applicable the performance fees incurred in underlying funds) as a percentage of the average net assets.
2020	0.75	0.75	
2019	0.79	0.79	
2018	0.83	0.83	
2017	0.84	0.86	

Source: BMO GAM

Dividend growth

	1 Year %	3 Years %	5 Years %	The Board aims to continue its progressive dividend policy
Dividends	3.0	21.5	63.6	This compares the Company's dividend growth rate to the rate of inflation.
Retail Prices Index	2.9	7.7	15.2	

Source: BMO GAM and Refinitiv Eikon

(1) See Alternative Performance Measures on pages 92 and 93
(2) See Glossary of terms on page 94 for explanation of Benchmark

Lead Manager's Review

"This is the second best share price return delivered by your Company in the last 25 years and the compounded share price annual returns over all of the 5, 10 and 25 year periods are comfortably over 10%."

Peter Ewins, Lead Manager

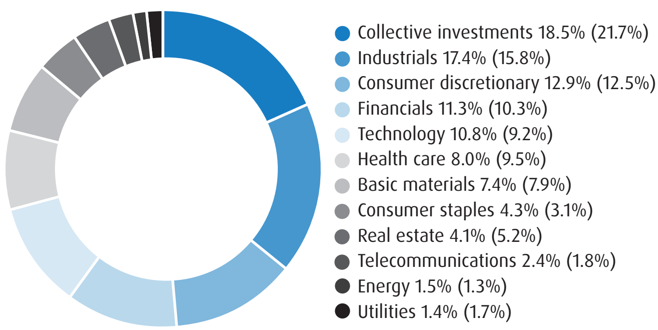
This has been a testing year to say the least for everyone in their daily lives. As a team, we have spent the entire year working from home, communicating with each other and companies or attending the Board meetings of the Company, via the now all too familiar mediums of Microsoft Teams or Zoom. Working from home has its upsides but we are all looking forward to returning to work together again in the office in the coming months.

As you will have gathered from the Chairman's Statement, this was an amazing year for equity market performance especially at the smaller cap end of the spectrum. Despite the economic turmoil created by the pandemic, the NAV and the share price delivered 47.9% and 54.0% total returns respectively, with no fewer than 31 stocks that we held more than doubling in local currency terms. This is the second best share price return delivered by your Company in the last 25 years, and the compounded share price annual returns over all of the 5, 10 and 25 year periods are comfortably over 10%. While these long-term numbers are pleasing, we are disappointed that the NAV gain this year lagged the Benchmark's 54.1% return.

As we look back, with the benefit of hindsight, we were too cautious around the potential for a rapid recovery in the markets. While this was understandable given the uncertainty around the ultimate impact of the pandemic a year ago, government policies around the world were successful in preventing the global economy from heading towards complete implosion. State funded payments to employees put on furlough, or, in some countries, enhanced unemployment benefit payments, meant that family finances were protected, supporting consumer spending. Central banks lifted financial markets by employing aggressive quantitative easing and maintained ultra-low interest rates. The markets ground higher through the summer as hopes grew that the lockdowns were containing the spread of the virus and a partial re-opening of economies was possible. The real game changer however was the positive news in relation to the Pfizer/Biontech vaccine to protect against COVID-19, swiftly followed by good trial results from a number of other alternative vaccines. This led to a major surge in November of "re-opening plays", such as travel, leisure and hospitality stocks. The messy, to say the least, US election result, once ratified, led to a further surge in equity prices as investors anticipated even more economic stimulus policies from the new administration.

We had insufficient exposure to some of the best performing areas of the markets, in particular in the US and UK markets, during the year and probably in contrast had too much exposure to more defensive stocks. The other thing that impacted our relative performance however was the strength of performance of more speculative investments in the markets. With interest rates remaining low and markets very much in "risk on" mode as the pandemic news improved, there was lot of interest in early-stage companies in areas

Industrial classification of the investment portfolio as at 30 April 2021



The percentages in brackets are as at 30 April 2020
Source: BMO GAM

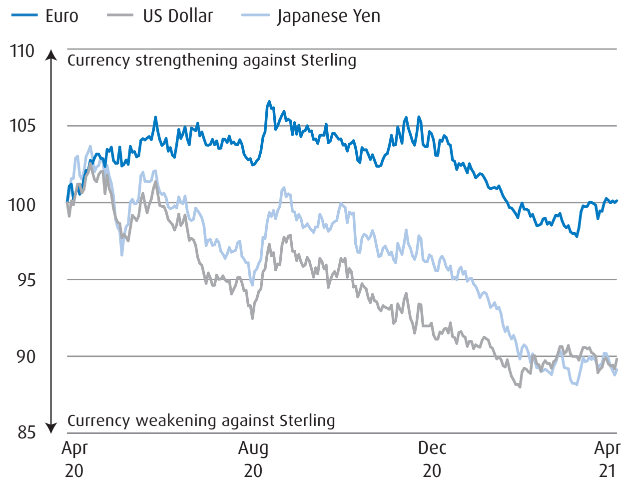
like technology, healthcare or green energy. Many came with "a story" in terms of long term growth potential but little in the way of short term profitability. Valuations of these types of stocks were supported by optimistic future projections by analysts also assuming low cost of capital numbers incorporating depressed government bond yields in their models. A lack of exposure to these types of stocks hurt our relative performance this year, though with concern over inflation now re-surfacing, there has been more of a focus on valuation metrics of late, with the very highly rated growth stocks and the more speculative names giving back some of their gains, which is in overall terms a better environment for our investment style.

I should say that we are in no way blind to the transformation of the global economy that new technologies are bringing and we benefitted from a number of strong performers in the technology and healthcare sectors. It is clear that the pandemic has accelerated the transition to online consumption away from the more traditional channels. This trend will persist in the medium term due to the greater convenience of transacting online, especially in mainland Europe and indeed Japan, where penetration of digital commerce lags the US and UK at present. At our meetings with companies across the sector spectrum therefore, where online is a relevant consideration (which today is nearly all the time especially in the consumer field) we are keen to understand how management teams are evolving their digital service proposition versus competitors.

Our weighting to technology rose in the year but we also increased exposure to industrial and financial stocks where recovery potential was good. We took selective profits in healthcare stocks where valuations became extended and also cut back our real estate positions given uncertainties around the potential impact of the pandemic on demand for some types of property.

With the market environment being so unique as a result of the pandemic, it is perhaps not that surprising that the extent of our regional performance last year deviated from the market indices by

Currency movements relative to sterling in the year ended 30 April 2021



Source: BMO GAM

more than usual, as shown in the table of returns below. While we were comfortably ahead in Europe and Japan, we were well behind in the other parts of the portfolio where we collectively had a greater exposure. It is pleasing however that over 10 years, we remain ahead of the local small cap indices in all areas apart from the Rest of World segment.

As the pie chart on page 5 shows, our exposure to UK listed companies rose in the year. UK returns have lagged those delivered in Europe and North America in recent years, not least due to the uncertainty created by Brexit. We expected the UK market to do better once a trade deal with the EU was concluded and there has indeed been a recovery in the UK smaller company relative performance in the last few months, albeit this has mainly been as a result of a rise in sterling. While we are still a little below the 30% UK weighting within the Benchmark, the 28.6% weighting represents the highest

Table of total returns (sterling)

	1 year		3 years		5 years		10 years	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
UK	48.1%	55.9%	19.5%	20.3%	76.3%	57.3%	265.6%	160.1%
Europe	57.5%	53.7%	49.6%	37.6%	100.6%	103.6%	244.1%	169.4%
North America	46.3%	59.4%	49.8%	52.2%	109.3%	126.8%	283.0%	262.4%
Japan	24.6%	17.5%	5.3%	7.2%	62.2%	61.2%	214.5%	177.6%
Rest of World*	36.1%	57.2%	18.8%	30.4%	61.9%	82.9%	82.1%	88.7%

*Rest of World performance is compared against the MSCI All Countries Asia Pacific ex Japan Small Cap Index
Source: BMO GAM

UK exposure for some time and we feel there is some more room for a catch-up by UK stocks. We maintained an overweight stance to Europe, picking up some attractive new holdings early in the year at depressed prices. I would repeat the usual observation that the geographic weightings of the portfolio are not an accurate depiction of ultimate end-market exposure of the investment portfolio.

Shareholders may recall that we removed gearing when the pandemic struck last spring given the unprecedented nature of the event. As the situation improved through the year, we gradually increased gearing and this ended the year at 3.8%. The blended cost of our borrowings is currently around 1.9%. We would hope, based on previous experience, to be able to deliver returns higher than this over the medium term, making the use of gearing accretive to shareholder returns.

We have always spent time taking account of Environmental, Social and Governance (**'ESG'**) issues in our individual stock deliberations. It is becoming increasingly evident that share prices really are being impacted by ESG aspects, indeed many of our best performers over the last year have been companies with a strong story to tell on this front. As the report on pages 23 to 26 outlines, the investment team is able to benefit from interacting with one of the largest and most experienced Responsible Investment teams in London. This helps us to put into proper context the performance of individual companies from an ESG perspective and we are not just relying on third party research which can often prove misleading in the case of smaller companies. We are determined to continue to engage actively on ESG matters with companies in the portfolio as a part of our regular interaction with them, with the aim being to influence positive change in their approach to all three elements.

In the regional reviews that follow, the portfolio and Index performance data are shown in sterling total returns, although individual share price performances are capital only and in local currency terms.

UK Review	One year
Portfolio Performance	+48.1%
Numis UK Smaller Companies (excluding investment companies) Index	+55.9%
FTSE All-Share Index	+25.9%

UK smaller company shares enjoyed an excellent rebound in the year under review, performing particularly well in the second half as the Brexit trade deal was finally signed off and investors took a positive view on the speed of the UK's vaccination roll-out. Smaller stocks did much better than the FTSE All-Share Index, with investors seeking out stocks with greater recovery potential. Our portfolio ended the year some way behind the Numis UK Smaller Companies (excluding investment companies) Index, the first time in 11 years that we have underperformed in the UK market.

Enforced lockdowns and social distancing requirements had a major impact on the UK economy in the year but government policies to support business through this period were successful in averting a surge in unemployment, albeit with millions of workers put on furlough. The Bank of England, in common with other central banks, kept interest rates close to zero and continued to buy financial market assets. The UK's GDP 9.9% fall in 2020 looked larger than that of the main European peers, though comparisons are distorted by the different treatment of health sector spending in the statistics, and the economy was recovering before restrictions were stepped up again in January 2021.

One of the sectors contributing to the overall underperformance during the year was travel and leisure. This sector contained a number of gambling businesses, an area to which we had no exposure. Gambling carries regulatory risk and we have always been concerned about consumer protection issues in this sphere. Following reforms in the US, there was a spate of takeover activity in the space. A holding in **Go-Ahead Group** lagged as travel restrictions continued to take their toll and the company's German rail unit disappointed. One stock in the sector that starred however was **Loungers**, which was up by a remarkable 224.2%. This is an all-day operator acting as café/bar and restaurant. While it was shut for a good part of the year, when it was allowed to open, it traded strongly and better than peers, with its high street focus as opposed to city centres, proving far more resilient.

A limited exposure to retailers in 2020 was also detrimental to performance, as a number of the larger stocks in the sector did well. Our stock selection in technology was disappointing in aggregate, with cloud services supplier **Iomart**, a particular laggard, as the company unfortunately failed to win much new business. **Alfa Financial Software** however, did secure new contracts with leasing companies and a strong balance sheet position meant the company was able to pay out a special dividend. Real estate has tended to be a good area for us over the years, but we were too exposed to office names such as **CLS Holdings** and **McKay Securities**. We continue to see these companies as owning attractive assets, demonstrated by strong rent collection over the last year, but the jury is out on the ultimate impact on the office market from the pandemic. Development company **U&I Group** fell as the company saw the value of its investment portfolio drop again and took further development project write-downs, culminating in changes to the senior management team. Among other stocks which struggled in the year, air leasing company **Avation** was hurt by falling aircraft values and the financial problems of some of its airline customers. Marine services company **James Fisher and Son's** shares fell 23.2% as forecasts were impacted by pandemic driven

Zotefoam's innovative foam technology is critical to the performance of Nike's premium running shoes.

project delays. **Shanta Gold** shares dropped with most of the gold stocks as higher US bond rates led to a weaker gold price.

More pleasingly, stock selection in financials was strong. Buy to let lender **OSB Group's** shares rose 96.4% as the loan book grew and credit losses stayed low, raising the prospect of capital returns to shareholders. Venture capital business **Draper Esprit's** shares were up 127.2% as the valuation of the company's portfolio surged, helped by the IPOs of two of its larger investments, consumer reviews business Trustpilot Group and automation software company UiPath. **Arrow Global**, the debt purchasing and asset management business, was the best contributor in the sector however, rising 201.5%, with the company agreeing to a bid in the spring from a US based private equity company. **AFH Financial Group**, the IFA consolidation business, was also acquired by a US private equity operator. Losing holdings in this way is sometimes a pity, as we were optimistic that there could have been more upside if the businesses had remained independent for longer.

Chemicals stocks helped performance in the year. Shares in both **Treatt**, the specialist ingredients supplier to consumer products markets and **Elementis**, the speciality chemical additives business, more than doubled. We had highlighted Treatt's expertise in last year's review and the company's positive ESG credentials and strong underlying trading led to a further re-rating of the shares. Elementis had done badly last year with its end markets depressed, but good cost control allowed the company to avoid a dilutive equity raise and trading has more recently shown signs of improvement. The company turned down two bid approaches from US based peers, which created further interest in the shares.

Other companies where the share price at least doubled came from a range of different sectors. **Clipper Logistics** rose 223% as the company benefited from the shift to online retail as a result of the pandemic, having long been focused on logistics services for online orders. Several new retail accounts were won and the company also provided logistics support to PPE supplies to the health service and to food retailers at times during the year. **Watches of Switzerland** shares also nearly trebled as sales of luxury watches surpassed expectations despite store closures. The good results illustrated the strength of the company's relationships with the major premium brands like Rolex. Building supplies business **Tyman Group's** exposure to a more rapid than expected recovery in the US housing market, combined with operational management improvements, fed through to a succession of earnings upgrades. The Company also further advanced its ESG initiatives as outlined on page 26. **Next Fifteen Communications**, a media services company involved in the digital marketing sphere benefited from a strong exposure to technology company customers, while marketing budgets started to recover as the year progressed.

Over the year we increased exposure to a number of industrial recovery plays, starting new holdings in **Morgan Advanced Materials** and **TT Electronics**. Both companies have repositioned their businesses over the last few years, focusing on more attractive business segments, and their valuations looked low in a global context. We have also taken holdings in **Mercia Asset Management** and **Clarkson**. Mercia, like Draper Esprit is an investor in the venture capital market, though it focuses on smaller, private companies based in the regions. The company is starting to build a record of delivery in selling investments for strong returns like Draper, and it is also has a growing earnings stream from managing a range of VCT, EIS and regional investment funds. As the global leader in shipbroking, capital markets and research services for shipping companies, Clarkson appears well placed to benefit from the recent resurgence of shipping rates and activity in the sector. We also added another hospitality holding in early 2021; **Restaurant Group**. We had successfully owned this stock a few years ago but it had lost its way amid a period of expanding competition in the casual dining market. New management has taken advantage of the lockdown to secure exits from onerous leases and to focus more on the stronger portfolio brands such as Wagamama, while debt has been refinanced. With competition dropping away the company should be able to take market share in the recovery, and the shares bounced strongly after our purchase.

Evidence from the recent easing of lockdown conditions across the UK indicates that consumers are keen to spend some of the money that they have saved, having stayed at home for so much of the last year. We are optimistic therefore for a strong year for the UK economy in 2021 which should feed through into the more domestically orientated holdings in our portfolio.

There have also been a number of takeover approaches for UK smaller companies from overseas in recent weeks which is helping the market at the start of the new financial year.

European Review	One year
Portfolio Performance	+57.5%
Euromoney Smaller Europe Ex UK Index	+53.7%
FTSE All-World Developed Europe ex UK Index	+34.9%

Our European holdings had a strong year both in absolute and relative terms as the market recovered from the depths of the pandemic. Despite lagging international peers in the roll out of vaccinations, Europe is perceived as a cheaper, cyclical market, and has benefitted as market leadership has transitioned from quality, growth stocks to those areas that are expected to gain from a recovery in economic activity. As was the case in most other places, small caps comfortably beat the wider market.

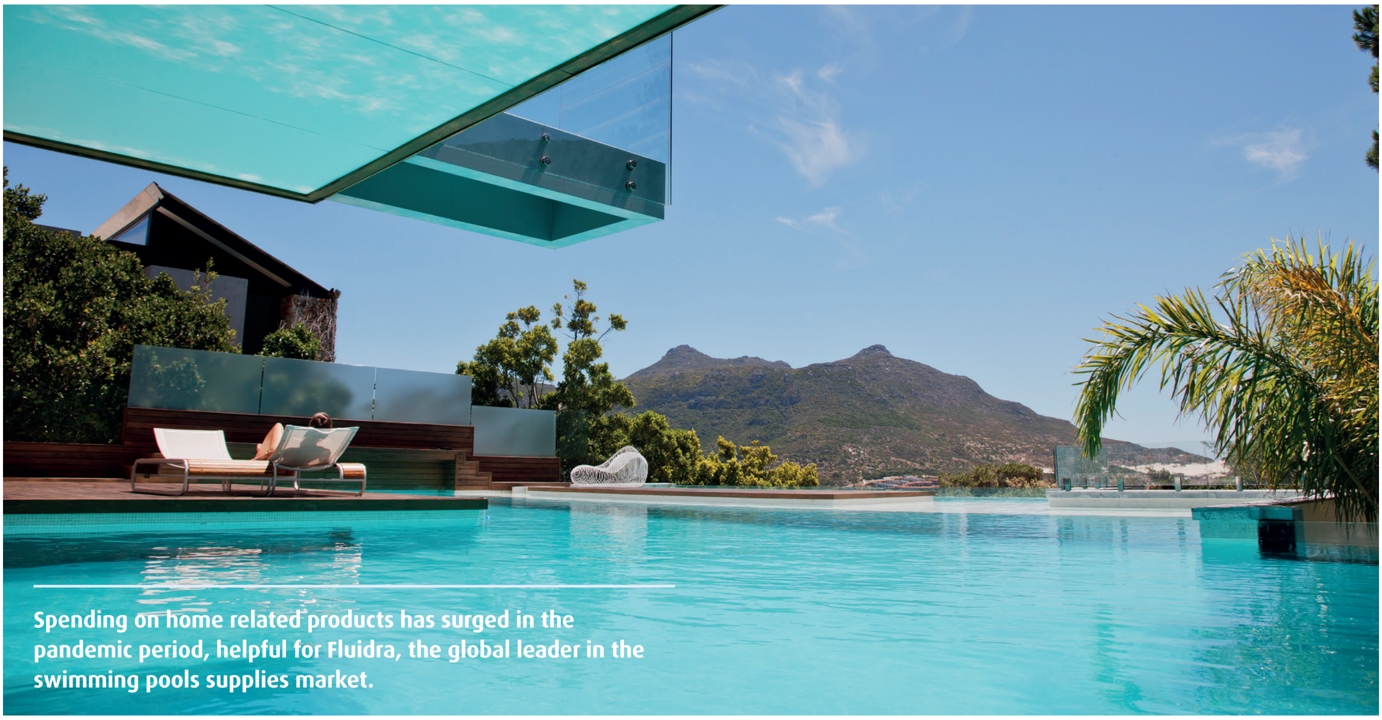
Our portfolio benefitted from a combination of judicious stock picking and portfolio positioning. Portfolio activity was particularly high early in the year, during the depths of the crisis, as we took advantage of some depressed share prices to add some new positions to the portfolio. In terms of portfolio positioning, our decision later in the year, to take some money out of strong performers that looked richly valued and recycle capital into areas that had yet to recover, also proved fruitful.

Our strongest contributing sector, financials, illustrates this well. The best performers here were new additions to the portfolio. **FlatexDeGiro** and **Avanza** are both online brokers that had exceptionally strong years. A combination of high volatility and rising markets encouraged more trading activity then usual from their customer base. They also were able to take market share from the traditional providers of savings products, namely banks, who are not nimble enough to offer attractive platforms for trading. These market share gains were accelerated last year as consumers became more adept at interacting remotely with their service providers. Following the strong initial market recovery, we took the decision to add a bit more balance to the portfolio. We added to **Storebrand**, the Norwegian life insurer and asset manager, and **Sparebank** the Norwegian regional bank. Both shares subsequently performed strongly, helped in part by rising inflation expectations and bond yields.

Our holdings in consumer stocks also had a strong year. **Hellofresh**, the world's largest at home meal kit supplier, harnessed the opportunity presented by social restrictions to grow their customer base dramatically, and the shares rose 113.1%. Even as restrictions on restaurants ease, the customer trends still look encouraging. Meal kit penetration is still very low, and we think that the opportunity remains large. The company also benefits from good sustainability credentials. The short supply chain means less energy and lower food and packaging waste then the traditional providers of at home food consumption. Another strong performer within the sector was **Sligro Food Group**, the leading Dutch foodservices company, which we bought late in 2020. While the company is presently still facing a difficult demand environment, they have used the crisis well. They have reduced costs, integrated an acquisition, and taken market share.

It is perhaps no surprise that our technology holdings performed well as the pace of digital transformation accelerated. Our best performers were **Nordic Semiconductor** (up a remarkable 241.1%), the leading designer of low power Bluetooth microchips, and **ASM International** (up 151.8%), the Dutch listed semiconductor equipment supplier. An acceleration in demand for connected devices is driving huge demand in this area and exceptional operating results from both businesses were reported. **Lectra**, the French supplier of material cutting technology, also had a strong year as they announced the acquisition of their main rival, as did another new holding, **Carasent**, the Norwegian listed provider of cloud based electronic patient records.

Other strong performers of note were **Global Fashion Group**, the German listed online fashion platform that operates in emerging



Spending on home related products has surged in the pandemic period, helpful for Fluidra, the global leader in the swimming pools supplies market.

markets, and **MIPS**, the Swedish listed helmet technology company. Some of our industrial holdings also performed well as investors looked towards economic recovery including **Norma Group**, the automotive supplier, **Indutrade**, the Swedish industrial consolidator, and **Dometic Group**, the caravan components supplier.

Turning to the more disappointing aspects of our performance, whilst we did not have any significant fallers, our worst relative contributions came from stocks that failed to keep up with such a strong market. Our holdings in the materials sector collectively lagged that sector and the wider market. **SIG Combibloc**, the Swiss listed aseptic packaging company, **Corticeira Amorim**, the leading Portuguese cork producer, and **Vidrala**, the Spanish bottling producer, all rose in absolute terms but were well behind the sector's return which was ultimately dominated by more cyclical stocks in the space. While this is disappointing, we can take some comfort in the fact that they had all held their values well during the COVID related sell-off in the months leading into this reporting year.

Our worse contributor within industrials was **Coor Service Management**, the Scandinavian provider of integrated service management. Most of their revenues are on long term contracts so are reasonably predictable, however, a significant proportion of their client base operate in offices which have obviously seen a decline in occupancy during the crisis. The main reason that the shares struggled to eke out just an 11% rise though, was the announcement of a loss of a large contract. Another company that struggled was **Irish Continental Group**, which was one of our few holdings to fall in absolute terms. The company operates freight and passenger services between the UK and Ireland and was impacted by a significant reduction in volumes in both segments. We sold the position as we were concerned that the expansive capital allocation strategy added too much to the company's risk profile.

One other weak performer was **Stratec**, the German manufacturer of diagnostic equipment. We have fared well with diagnostics investments in recent years. As shareholders may recall, **Tecan** and **Diasorin**, both operators in this field, were two of the best contributors to returns last year. Following strong performance, these shares reached valuation levels where the margin of safety had disappeared. We therefore sold these positions and recycled some of the capital into Stratec, as a better value company with similar long-term prospects. While we believe this decision will pay off in the long term, it coincided with the vaccine related rally, a time when healthcare stocks have tended to lag.

Portfolio activity has been high in the portfolio over the last 18 months as we have taken advantage of market volatility to add some high-quality businesses at good prices. Activity has normalised in 2021, though we have made some recent changes. We sold the Austrian real estate business, **CA Immobilien Anlagen**, following a bid from one of their main shareholders, and **Cerved Group**, the Italian credit information company, due to concerns over their growth prospects. We replaced them with two new positions. Firstly **Atea**, the leading Scandinavian value-added IT reseller. The pace of technological transformation is accelerating in their geographies, which provides an attractive tailwind for growth. We also expect profitability to improve as they turn around the losses in their Danish division following a restructuring. We have also bought a position in **Sdiptech**, a Scandinavian industrial consolidator focusing on acquiring sustainable businesses. The ex-CEO of another of our long-standing holdings **Indutrade**, is on the board, and we would hope that the business would follow a similarly positive trajectory.

2021 has started strongly as investors are increasingly confident of a global economic recovery. Europe sits well in this context, having greater relative exposure to economically sensitive sectors. Our portfolio is a focused collection of high-quality growth companies that are augmented with companies that should benefit from social and economic normality. We therefore look forward with confidence.

North American Review	One year
Portfolio Performance	+46.3%
Russell 2000 Index	+59.3%
S&P 500 Index	+32.8%

The Russell 2000 Index of smaller companies surged 59.3% over the financial year and outperformed the larger cap orientated S&P 500 Index. Smaller companies benefitted as investors became optimistic for a sharp recovery in US GDP following the deep COVID-19 induced recession. With higher risk and more volatile names doing best, our conservatively managed US portfolio underperformed.

The first half of the financial year was characterised by a steadily rising market as large scale monetary and fiscal stimulus protected businesses and consumers from the economic impact of lockdowns. Perceived beneficiaries of COVID-19, for example technology and healthcare, performed well and housing related industries saw good demand as consumers refurbished their homes, while some moved to suburban locations. News of the successful trials of vaccines in November caused the market to rocket. A rotation from growth stocks to value stocks then ensued. Despite clear signs of inflation picking up, the Federal Reserve maintained their stance of keeping interest rates very low and continued with their asset purchase program. Fiscal stimulus of almost three trillion dollars (15% of GDP) has been provided so far and there will likely be more to come.

Over the year the best performing sectors within the market were consumer discretionary, energy and basic materials, while the laggards were utilities, telecom and real estate. In addition to the trend for riskier names to do best, adverse stock selection in basic materials, consumer discretionary and industrials, plus lower than ideal exposure to the latter two sectors were contributors to the portfolio lagging the Russell 2000 Index. Another undermining factor for us was Exchange Traded Funds (**'ETF'**) driven flows into Russell 2000 constituents which drove up the share prices of some of the very small stocks in the index that we tend to avoid on liquidity grounds.

Within materials, our holdings in **Wheaton Precious Metals** and **SSR Mining** suffered as the gold price fell approximately 15% from its August 2020 high as yields in the US treasury market moved up in the second half of the financial year. More positively however in the same sector, a new holding in copper miner **Lundin Mining** did much better; copper is a critical ingredient in the global path towards electrification. In consumer discretionary, our holdings failed to keep pace with a buoyant sector. We did have two consumer stocks that doubled however; **Sonos** and **Boot Barn Holdings**, the former benefiting from increased demand for high quality audio equipment as part of the trend towards more money being spent on home improvements. Boot Barn Holdings, the boots and workwear retailer, delivered better than expected sales performance, winning market share from weaker rivals. Within industrials, it was more a case of what we did not hold that was the problem for us.

As usual a number of holdings struggled. **Alleghany** faced elevated insurance claims costs in the year, mostly related to the pandemic and an active hurricane season. On a more positive note these higher industry wide losses are leading to a better insurance rate environment. The portfolio's REIT holdings struggled as US bond rates climbed sharply over the year. **CyrusOne**, a data centre REIT, also suffered from quarterly volatility in new lease signings as well as extensive senior management turnover, while **Healthcare Trust of America** fell out of favour as intense competition from private equity for medical property deals crimped its growth story. Within healthcare, **ICON**, a provider of clinical research services, was impacted by COVID-19, in that it was unable to conduct several clinical trials, furthermore its large acquisition of PRA Health Sciences somewhat took the market by surprise. **Encompass Health's** inpatient volumes subsided during the pandemic as fewer elective surgeries were performed. **Amdocs**, a provider of information systems to telecommunications customers, was hit by short selling, sales growth was sluggish in the year, but longer-term prospects remain good because of upcoming 5G related business. Finally, tank barge operator **Kirby** suffered from lower production and subsequent movement of fuel and petrochemical products.

Technology was a happier hunting ground for us in the year, with the largest individual positive stock contribution coming from **Cerence**, a developer of voice activated software/systems for cars. The share price surged 355.6% as new business exceeded expectations and investors re-rated the earnings. **Nuance Communications** provides conversational artificial intelligence software and during the pandemic it reported strong performance in its core healthcare business and the company's shares more than doubled. Two financial stocks also helped us. **Jefferies Financial Group** (up 137.0%) produced strong earnings

Houses built by MDC Holdings have been selling fast in a buoyant US housing market.

in the year as the company benefitted from an active investment banking deal environment, higher capital markets volatility and market share gains. **Sterling Bancorp**, a New York based bank, managed the pandemic well, helped by a steeper yield curve and low loan losses. Just before the end of the financial year it was acquired by Webster Financial.

Some of portfolio's more cyclical holdings also performed well from November onwards as vaccine related news buoyed markets. **Eagle Materials** saw good gypsum wallboard volume growth because of a recovering US housing market, while **Martin Marietta Materials** was also lifted by positive sentiment around future infrastructure spending in the US. Nursing and care services company, **The Ensign Group** was up 129.5% with forecasts rising for the company as it successfully addressed Covid-19 related challenges and benefitted from a rise in patient acuity and higher fees. **Spectrum Brands**, which produces a diversified range of branded consumer products, saw good demand during the lockdowns and is beginning to be rewarded in its share price rating from more focus on product innovation, cost cutting and astute capital allocation.

This was a busy year for us in the portfolio, with new holdings taken across the sector spectrum: **Infinera**, which produces semiconductors for broadband communications equipment, should see sales accelerate as product cycles mature in 5G and data centre connectivity. In common with activity on the UK and European portfolios, we sought out value in the hospitality sector and bought **Dine Brands Global**. This is a franchisor of restaurant brands, whose sales should come back as social distancing measures ease and consumer spending picks up. We think that the recovery in the US housing market still has some way to go and we started a holding in **MDC Holdings**, a conservatively managed home builder based in Colorado. It focuses on entry level houses where demand is currently very strong. In healthcare we bought **Hill-Rom Holdings**, a manufacturer of equipment for the healthcare sector (e.g. hospital beds). Earnings should compound over the long term through continued growth in spending on healthcare and market share gains because of the company's focus on new product innovation. The most recent addition **Stericycle**, is a provider of waste management services with a particular focus on regulated medical waste and secure documents. The company's new management team is implementing several initiatives including improvements to the sales culture, cost cutting and debt reduction.

Following the rally in equity markets, the average market capitalisation of the portfolio rose significantly, with several companies no longer considered 'smaller'. We sold or trimmed positions in some of the portfolio's larger companies. Reductions included logistics company **C.H. Robinson Worldwide**, **ICON**, **Catalent** and **Vail Resorts**. We also took profits in **WSP Global**, **Brown & Brown** and **Dolby Laboratories**. A long standing winner **STERIS** and the earlier mentioned Sonos were sold, realising strong gains, while **Hallmark Financial**, **Monro** and **UGI** were also exited.

The US economy appears to be gathering momentum. The ISM manufacturing survey is at elevated levels, jobless claims continue to fall, vaccination programs are progressing well and monetary and fiscal policies look set to remain stimulative even if the budget deficit is a concern for the medium term. Risks remain as elsewhere in relation to the potential mutation of the virus, while equity valuations in some sectors look high and there are clear signs of speculation in the market. The path of the US inflation data will be an important driver for the market and sector performances in the year ahead.

Japanese Review	One year
Portfolio Performance	+24.5%
MSCI Japan Small Cap Index	+17.5%
Topix Index	+17.8%

In normal circumstances, the return delivered by Japanese smaller company stocks over the last year would be regarded as being healthy, but compared to the small cap performance elsewhere, this was a relatively disappointing period. Pleasingly however, our portfolio did comfortably better than the MSCI Japan Small Cap Index, with all three of the funds that we own ahead.

Japan's economy was, unsurprisingly, held back by the pandemic, though to a lesser extent than most developed western markets, helped by the fact that the virus did not get the same level of traction. Japanese people were already accustomed to using masks in their daily lives; and this may have played a part in suppressing the extent of the spread of COVID-19 in the country. The fact that the number of cases did not balloon meant that although there were some restrictions placed on activity, there was not the same degree of lockdown impact as elsewhere, with for example, most workers continuing to attend their normal work-place. Consumer spending remained lacklustre on the whole however, as people spent more time at home outside of work and collapsing tourist numbers took their toll.

The government had moved early to provide support to employers tackling the downturn and to provide loans to companies in need of help. The Bank of Japan maintained its support to markets, with heavy purchasing of financial assets continuing alongside the negative interest rates. Asset purchases continued to include equities through ETFs, with buying concentrating on the larger cap end of the market. The economic weakness, however, once again dashed hopes of the country hitting the 2% inflation target which the Bank of Japan has long been targeting, and while inflation has picked up in other countries of late, it remains close to zero in Japan for now.

In relation to political developments, the resignation of Prime Minister Abe last August, did not lead to great volatility in the markets. His successor had been a close colleague and the main change of emphasis appears to be a greater desire to revamp the telecom and IT infrastructure in the country which has lagged others in the region.

Corporate governance continues to evolve for the better in Japan, even if there is still a long way to go on this front. Next year, for example, qualification for some indices will depend on the number of independent directors on company boards and this is likely to lead to a welcome acceleration of the re-freshment of some boardrooms. Activist investors in the country are now having more in the way of success with their attempts to drive companies to reform for the better, with domestic institutions also taking more of a role in voting against poor practices. We are also now seeing more overseas backed takeovers in the country.

Japanese equities followed the general trend in other markets, with growth stocks tending to do well in the early part of the period, while value names returned to favour later on, especially after the positive news on vaccines. The funds that we hold, managed by Aberdeen, Baillie Gifford and Eastspring, have different investment approaches. Aberdeen select stocks with a quality and high return on equity bias, Baillie Gifford look for companies with dynamic medium to long-term growth potential, often focusing on those with some kind of disruptive technological advantage, while Eastspring seek to invest in undervalued, un-loved stocks where they expect a re-rating in time. Unsurprisingly these different approaches mean that the structure of their portfolios are very different. Aberdeen and Baillie Gifford performed well in the first half of the year as growth themes led the market up, while Eastspring lagged. As we entered 2021, Eastspring's portfolio started to perform much better, with some of the more value skewed cyclical sectors and financial stocks doing well again. Perhaps surprisingly the performance of the Baillie Gifford and Eastspring funds were almost identical in the year as a whole, both being well ahead of the MSCI Japan Small Cap Index, with Aberdeen also outperforming, though to a lesser extent. This was an encouraging performance and indicates that the stock selection skills of the managers in their own spheres came through this year.

A recent increase in COVID-19 case numbers has led to the re-imposition of some of the restrictions in part of the country at the same time that other countries are opening up again. Japan has made less progress than peers with vaccinations and this does create more of a risk around the future path of the pandemic. The hosting of the Olympics, while in theory still scheduled for July, is not going to be the boon for tourism that it was hoped to be. Nevertheless, with Japanese small caps having lagged their international peers by such a wide margin in 2020/21, we are hopeful that they can do better in the coming year.

Rest of World Review	One year
Portfolio Performance	+36.1%
MSCI All Country Asia Pacific ex Japan Small Cap Index	+57.2%
MSCI EM Latin American Small Cap Index	+44.7%

Asian and Latin American small caps rode the general global equity wave of optimism in the year, keeping pace in the case of the former with western markets. Smaller stocks in these parts of the world did better than the broader regional markets too. This was unquestionably a poor year for our portfolio by comparison, with nearly all of our fund holdings unable to keep up with the rally.

Covering such a wide area of the world and with so many individual markets, it can sometimes be hard to encapsulate what the main drivers of performance in any period are in our "Rest of World" portfolio context. This year however, as in other parts of the world, the pandemic had a major part to play in determining which countries and sectors did well.

In the half year report, I outlined how Asian market performance had been bifurcated between markets in the north of the region such as China, Taiwan and Korea, which had been doing well, while others such as India, Indonesia and the Phillipines had been struggling. Market performance had been determined to a fair degree by the extent to which COVID-19 had been controlled, while countries with a high exposure to technology related growth were also in favour. In the second half of the year, the direct link to the pandemic in terms of stock market performance started to weaken, with, for example, Indian equities managing to do quite well in 2021 to date in spite of the shocking new wave of the coronavirus.

Macro-economic news continued to be mixed in the year, though some countries, including China, were able to demonstrate a strong recovery. Here the authorities had provided significant financial support to the local economy and the strong measures to tackle the virus proved effective in curbing the spread. The Chinese market was probably also helped at the margin by the US election result, though the political relationship here remains strained, with the unrest in Hong Kong and human rights issues in focus. Some countries in the region suffered more from lockdowns and were less able to introduce fiscal stimulus policies. In these markets, some of the stocks which are essentially plays on the strength of local consumer spending were under pressure for most of the period and have not yet delivered the rally that "re-opening" stocks have seen in the western markets.

Latin American markets also posted gains, but in overall terms the small caps there did less well than those in Asia. Political unrest in a number of countries took its toll upon some markets, with Brazil's President faced by multiple setbacks as the country's health service struggled to handle the surge in virus infections, and he replaced several key members of his governing team. There was also unrest elsewhere, but higher commodity prices and improved demand for agricultural products helped as an offset.

As stated above, this was a poor year for our funds. Only one of the seven funds we held managed to deliver better gains than both the Asian and Latin American small cap indices shown above. This was the **HSBC GIF Asia ex Japan Smaller Companies Fund**, which benefitted from good stock selection and got its allocation between Asian markets right too. We added to our holding in this fund during the second half, while we also continued to build up the holding in the **Schroder ISF Global Emerging Markets Smaller Companies Fund**; this was relatively close to keeping up with the overall emerging market small cap returns in the year. The smaller holding in the **Australian New Horizons Fund** had a good first half of the year but lagged more recently as the technology and healthcare stocks that dominate in its portfolio gave back ground.

The other four funds that we hold had a very tough year. The common feature was country allocation being wrong in the case of the **Scottish Oriental Smaller Companies Trust** and the **Aberdeen Standard SICAV I Asian Smaller Companies Fund**, with not enough exposure to the better performing countries like China and Korea and too much, especially in the case of Scottish Oriental, to India and Indonesia. The performance of the **Pinebridge Asia ex Japan Small Cap Fund** also lagged after a very strong run in the previous few years. The fund has become popular and grown to a size where it is becoming harder for the manager to add value, so we reduced the size of our holding. The **Utilico Emerging Markets Trust** also lagged the emerging markets small cap return, with infrastructure and utility-like investments not recovering as much as the broader investment universe. We retain confidence in the team here to pick well within their niche universe of stocks, accepting that there will be times when its performance diverges from the overall emerging markets indices.

We have been spending more time of late again considering the options in terms of alternative collective funds. The challenge is always to try to avoid selling a fund where the investment style has been out of favour, which is about to come back into vogue, and vice versa. However, we need to see early evidence from some of our existing funds that stock selection is on the turn for the better.

For now, we are broadly neutral in terms of our exposure to these markets. We expect growth across developed markets will be comparable with emerging markets, as the world comes out of the pandemic, not least because developed markets are rolling out their vaccination programmes faster. Emerging markets, as is usually the case, will remain sensitive to news from the US in terms of monetary policy and we hope that most countries in the Rest of World segment can avoid significant interest rate increases.

Outlook

The past year has demonstrated the powerful impact of concerted central bank and fiscal policy actions for the value of financial market assets, with a quite remarkable turnaround in equities delivered. The success of the pharmaceutical and biotechnology sector in developing so many effective vaccines for COVID-19 so quickly, is something that we should all be grateful for. While we certainly need to remain cautious in relation to the state of the pandemic, we should see more easing of restrictions in the coming months, with positive repercussions for the global economy, especially in the west where vaccination programs have been most readily deployed.

We see many of the trends which picked up pace last year persisting. Increasing use of technology in our daily lives is a given. The transition to more renewable energy in the power mix, alongside wider efforts to reduce carbon emissions, more effective recycling and a greater focus on biodiversity and ethical sourcing, appear well set now. Politicians are now actively seeking to address these and other sustainability aspects in their plans to "build back better". At the corporate level, we are seeing individual companies with good stories to tell on ESG being rewarded by investors with higher share prices, allowing them to raise capital at a lower cost. The ESG laggards are increasingly also now recognising that they need to make progress with initiatives of their own.

With the global economy now in recovery mode, we and other investors are now starting to wonder whether the combination of accommodative monetary and fiscal policy, especially in the US, is too loose and in danger of creating longer term inflation, as opposed to a short term blip. Commodity prices have surged as demand has snapped back up after the pandemic driven slump, creating bottlenecks in some parts of global supply chains. At this stage, it is hard to predict definitively which way this debate will go, not least because commodity prices are notoriously difficult to forecast. Our suspicion is that equities may have to adjust to higher bond market yields, especially if present indications that central banks will soon be cutting back their quantitative easing come to fruition. This could well put some pressure on the ratings of the most highly rated and popular growth stocks, and we have taken some action to reflect this on the portfolio. It could also lead to a moderation in the current frenetic state of the IPO market, as well as deflate the valuations of the more speculative, unprofitable stocks which have done well over the last year. This latter potential development would be welcome from our perspective.

In the early weeks of our new financial year, the news coming out from companies continues to be encouraging and we are seeing takeover activity increase especially in the UK market, from overseas companies seeking to augment their earnings growth and private equity funds awash with liquidity. While there certainly will be challenges as a result of higher costs in the year ahead, those companies well placed in their markets should benefit from a better demand backdrop and may be able to take share from weaker rivals that have not had the capital in hand to keep on investing through the pandemic. One other issue to watch, however, will be potential moves to raise corporate profit taxes around the world following the recent G7 summit, which could impact upon the earnings outlook for companies.

We will continue with our long-term approach, to hold a diversified list of quality smaller companies with solid balance sheets and attractive medium-term growth potential. I should conclude by saying thanks to the management teams of our holdings for all their hard work over the last uniquely challenging year.

Peter Ewins
18 June 2021

Sustainability and ESG

As stewards of more than £1bn of assets, we support our Manager as a leader in responsible investment and in bringing about positive change.

Our approach

Environmental, Social and Governance (**'ESG'**) issues are the three central factors in measuring sustainability and can present both opportunities and threats to the long-term investment performance we aim to deliver to shareholders. The Board is therefore committed to taking a responsible approach to ESG matters, for which there are two strands. Firstly, there are the Board's own responsibilities on matters such as governance. The Company's compliance with the AIC Code of Corporate Governance is detailed in the Corporate Governance Statement on page 39. Secondly, there is the more material impact the Company can have through the investments that are made on its behalf by the Manager, which has long been at the forefront of responsible investment. It has one of the longest established and largest teams within the asset management industry focused on ESG and engages actively with the management of investee companies to encourage the application of the highest standards of ESG practice.

Responsible ownership

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

The Manager's Corporate Governance Guidelines set out its expectations of the management of investee companies in terms of good corporate governance. This includes the affirmation of responsibility for reviewing internal business ethics policies and ensuring that there is an effective mechanism for the internal reporting of wrongdoing, whether within the investee company itself, or involving other parties, such as suppliers, customers, contractors or business partners. The Manager is also a signatory to the United Nations Principles for Responsible Investment (**'UNPRI'**) under which signatories contribute to the development of a more sustainable global financial system.

ESG and the investment process

BMO GAM's Responsible Investment team works closely with the Global Small Cap team to ensure that those performing the work on individual investment opportunities for the Company are well informed in what to look for in relation to the ESG aspects of their analysis. Specialism within the Responsible Investment team allows the fund managers to talk to those who understand the key ESG issues relating to a particular sector. Where possible, internal research is cross-referenced against external sources, for example MSCI ESG research, though smaller companies are often not covered in depth by external ESG ratings services.

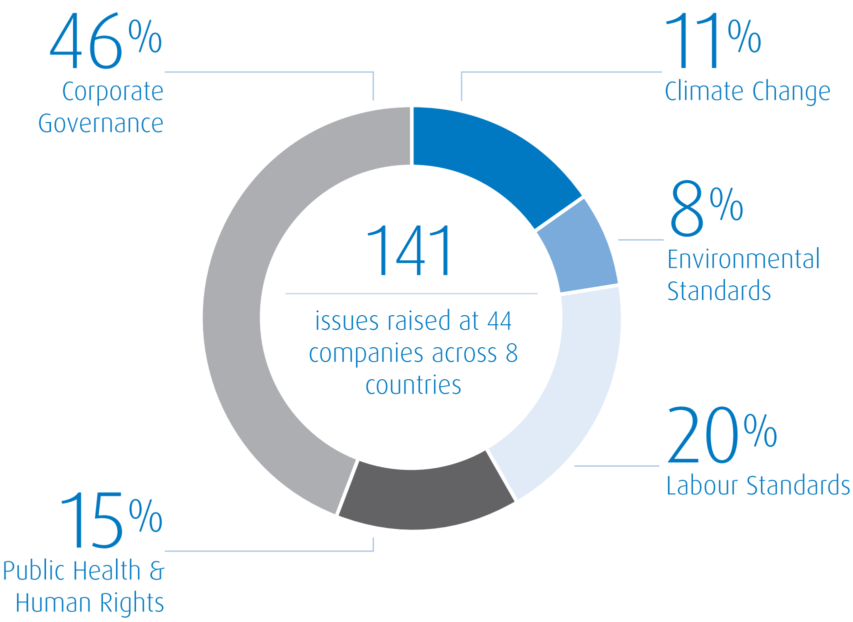
The Responsible Investment team once again over the last year hosted many internal seminars and workshops for the investment teams, covering new developments across a wide range of topics to ensure that the fund managers were aware of the key issues. The Global Small Cap investment process was further developed in the last year, to incorporate the assessment of sustainability issues, while scores for the E, S and G performance elements of potential investments are taken into account in the derivation of the fair value of existing and potential new holdings for the Company. ESG analysis is therefore a key part of our quality scoring of companies and overall risk assessment.

In relation to sustainability, the fund management team will note if individual investments are aligned explicitly with any of the UN Sustainable Development Goals. Details of these goals can be found at www.un.org/sustainabledevelopment/sustainable-development-goals/. The Fund Manager and Responsible Investment team's research work is used to: initiate discussions with companies; clarify the Fund Manager's understanding of the issues involved; create a dialogue; and encourage higher standards where appropriate. In this the Manager may occasionally join with other major investors in order to be a yet more powerful force to drive change.

Portfolio case study: SIG Combibloc

SIG Combibloc is a systems and solutions provider for aseptic (contamination free) packaging. We were attracted to invest in the company due to its strong competitive market position in a growing part of the packaging sector, but also due to its positive sustainability characteristics. They manufacture filling lines used by food and beverage companies as well as providing consumables, services and ongoing product innovation. The sleeves sold by the company are 100% recyclable and account for the lowest carbon footprint in manufacturing versus other packaging alternatives. The company has been commended for its procurement of materials from sustainability-certified sources and actively promotes return for recycling in emerging markets where national infrastructure is not in place.

Engagement



During the year ended 30 April 2021, the Responsible Investment team engaged with the management of 44 companies in the Company's portfolio, across 8 countries. The most common topics for discussion were corporate governance, labour and environmental standards. Examples of this engagement follow.

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

Kristi Mitchem, CEO BMO Global Asset Management

Engagement examples in the reporting period:	
Topic	**Engagement**
Cyber Security	**Symrise** BMO GAM held a meeting with Symrise, a major producer of flavours and fragrances, to discuss a cyber-attack on them that took place in December 2020. The company suffered an almost complete shutdown and loss of communication with the outside world, though production systems were not directly affected. 2020 saw a significant increase in cyber-attacks on companies and it is important that the focus on security does not diminish. Whilst the investigation was ongoing, BMO GAM urged the company to improve disclosure on the issue and to meet with them again in 2021, once the attack was better understood.
CESG Disclosure and Executive Pay	**CatchMark Timber Trust** BMO GAM met with a member of the board to discuss the company's overall ESG performance as well as to share concerns regarding the structure of executive pay. Several areas of disclosure were flagged for improvement, including their approach to health and safety and deforestation. Their board has been asked to consider completing the CDP Forest survey in 2021 as a mechanism to improve disclosure. On remuneration, BMO GAM had previously voted against their "say-on-pay" resolution due to the generous severance package paid to their former CEO. Following a high level of dissent at the 2020 AGM a clawback policy was introduced. Whilst this is an improvement to the pay structure, BMO GAM was disappointed to learn that it did not cover conduct. Pressure was also applied for clearer disclosure of the targets attached to their long-term incentive plans.
Sustainability Strategy	**ICON** ICON is a global provider of outsourced development and commercialisation services to the pharmaceutical, biotechnology and medical device industries. BMO GAM has engaged with the company for several years on ESG issues and has highlighted areas of disclosure considered as needing improvement, particularly around human capital management initiatives and diversity. Disclosure on the company's environmental impact was also an area highlighted. During the year ICON published its inaugural Sustainability Report which has significantly improved transparency relating to relevant sustainability issues. BMO GAM has urged the company to continue its focus on waste reduction and has welcomed the target set of using 100% renewable energy by 2025.

Voting on portfolio investments

As noted previously, the Manager's Corporate Governance Guidelines set out your Company's expectations of the boards of investee companies in terms of good corporate governance. The Board expects to be informed by the Manager of any sensitive voting issues involving the Company's investments and receives an annual record of votes against, or abstentions on, management resolutions at investee annual meetings. In the absence of explicit instructions from the Board, the Manager is empowered to exercise discretion in the use of the Company's voting rights and votes on all investee company resolutions. The Manager's statement of compliance with the UK Stewardship Code has been awarded Tier 1 status by the Financial Reporting Council, the highest possible ranking. The Manager is a signatory to the UK Stewardship Code 2020 and, as required by the FRC, has reported on how it has applied the Code in its Responsible Investment Annual Review in 2021. This report is available at bmogam.com. We expect the Company's shares to be voted on all holdings where possible.

During the year, the Manager voted at 206 meetings of investee companies held in the Company's portfolio. The Manager did not support management's recommendations on at least one resolution at approximately 60% of all meetings. With respect to all items voted, the Manager supported over 89% of all management resolutions. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, the Manager did not support approximately 40% of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance.

Climate change

Of all the ESG issues, climate change is one of the most important, both in terms of the scale of potential impact and in how widespread this could be across sectors and regions. It is important that considerations around climate change risks and opportunities are incorporated into the investment management process.

For the second year, we are disclosing, as best we can, the portfolio-weighted carbon intensity[(1)] of the Company's investments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (**'TCFD'**). This is based on the greenhouse gas emissions produced by each investee company, per US$1m of revenue, and aggregated for the Company as a whole. We aim to use the information for analysis and for benchmark comparisons, but do not set targets based on it.

There are constraints on the analysis of the carbon intensity[(1)] of the total portfolio as data sources are limited, especially for smaller companies. MSCI provide the data for individual companies, but not all the stocks held on the UK, European and North American portfolios are covered or assessed by that source. Neither are many that are held within our collective investment fund holdings and it is hard to get full and timely visibility of the complete list of companies held within these collectives. As such we are not able to provide a single carbon intensity figure that is representative of the total portfolio. Nevertheless, it is possible to look at the UK, European and North American companies that are held and covered by MSCI and compare the overall carbon intensity of these stocks versus the regional small cap benchmark stocks which are also researched by MSCI, with the data used in the analysis measured at the end of March 2021. For these regions, the carbon intensity of the holdings was 13% less, 72% less and 38% more respectively against the relevant benchmark. The variation across region is influenced to a degree by the stocks excluded by the analysis, but also by the nature of the holdings and sector positioning. The Company's UK and European portfolios have relatively limited exposure to sectors which have a high emissions intensity. However, the North American portfolio's carbon intensity score is much higher, mainly due to the high emissions from one particular stock, our largest individual holding; Eagle Materials. This company is a leading provider of building materials, with products including cement, gypsum wallboard, concrete and aggregates. Given the energy intensity of producing cement, 95% of the company's carbon emissions relate to cement production. The company is mindful of the need to reduce emissions and various initiatives are underway to achieve this with a net zero goal by 2050 having been set. The main contributions to this are likely to be the use of carbon capture related technology and core operational improvements, plus the use of additives and different blends of cement and recycled inputs. Much of the rest of the North American portfolio has low emissions and we are pleased to see a number of companies in the region making good progress on this front.

We hope to see better coverage of smaller companies in the future in carbon intensity analysis, so that we can provide a fuller picture of the Company's total portfolio in relation to climate change in future years.

Another reason why the data does not provide a full picture of climate risks is that it does not capture the innovation that companies may be undertaking to find solutions and to enhance their future emissions. As an example, most of the significant contributors to portfolio emissions, outside the energy related holdings, come from the Company's investments in the industrials sector. However, many of these companies, whilst high emitters themselves, also offer climate solutions, or are making major investments to reduce their emissions. For example, Tyman Group produces a range of energy saving seals for windows and doors along with thermally insulated roof hatches and adaptation solutions such as extreme weather protection products. These improve the energy efficiency of buildings and help mitigate the effects of climate change. Tyman aims to become carbon neutral for its operational emissions by the end of 2030. Having signed up to the Science Based Target initiative to fully quantify its carbon footprint across its value chain, it is aiming to publish these targets by 2023.

Ibstock, the brick manufacturer, is a good example of an energy intensive company embracing sustainability initiatives. It has become the first building products manufacturer to procure 100% of its electricity from renewable sources. The company has also invested in its own solar park at its head office in Leicestershire, producing 20-30% of the site's normal electricity demand since early 2020.

Company engagement is a key pillar of BMO GAM's approach, which sets a clear expectation for companies to align their business strategies with the Paris Agreement. BMO GAM is also actively working on scenario analysis methodologies which would provide an understanding of the alignment of investments with the Paris goals.

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

2021

In 2021 the Manager will continue its engagement on climate change and step up its efforts on social issues in light of Covid-19 and the inequalities in society on which the pandemic has shone a spotlight.

Ethnic diversity and inclusion will be another focus area for engagement, alongside ongoing emphasis on corporate governance matters, including board accountability and executive remuneration.

(1) See Glossary of terms for on page 94 for an explanation of Carbon Intensity.

Ten Year Record (unaudited)

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

Assets
at 30 April

£'000s	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assets	251,604	256,776	350,090	441,086	555,092	591,602	767,979	872,704	904,220	761,515	**1,051,029**
Debenture and loans	10,000	10,000	10,000	10,000	–	–	–	24,000	34,052	35,000	**43,521**
CULS	–	–	–	–	38,129	38,410	34,697	21,873	15,549	-	**-**
Net assets	241,604	246,776	340,090	431,086	516,963	553,192	733,282	826,831	854,619	726,515	**1,007,508**

NAV per share (i)
at 30 April

pence	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV with debt at par per share (i)	60.3	59.6	75.6	84.2	97.3	99.8	128.3	138.4	141.7	120.3	**175.0**
NAV with debt at fair value per share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	119.7	**174.9**
NAV (diluted) per share (i)	n/a	n/a	n/a	n/a	97.0	99.5	126.4	136.9	140.6	n/a	**n/a**
NAV total return % – 5 years											**85.7**
NAV total return % – 10 years											**221.2**

Share Price
at 30 April

pence	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Middle market price per share (i)	58.4	58.8	76.5	84.0	98.0	100.1	127.3	137.5	134.6	111.0	**168.6**
Share price high (i)	58.7	61.8	77.9	88.0	102.5	102.4	129.9	141.5	149.5	150.0	**168.6**
Share price low (i)	40.5	48.5	55.4	74.5	78.5	85.9	94.7	126.5	122.0	78.8	**104.2**
Share price total return % – 5 years											**78.3**
Share price total return % – 10 years											**220.5**

Revenue
for the year ended 30 April

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Available for ordinary shares – £'000s	2,039	2,799	3,044	4,461	5,659	6,452	7,839	9,448	10,623	10,493	**7,416**
Return per share (i)	0.51p	0.69p	0.71p	0.93p	1.09p*	1.18p*	1.38p*	1.59p*	1.76p*	1.73p	**1.26p**
Dividends per share (i)	0.51p	0.56p	0.65p	0.80p	0.97p	1.07p	1.23p	1.44p	1.65p	1.70p	**1.75p** (2)

* diluted
(i) Comparative figures for the years prior to 2020 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.
(2) Subject to approval of the final dividend of 1.20p at the 2021 AGM.

Performance

(rebased to 100 at 30 April 2011)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NAV per share	100	98.8	125.4	139.6	160.9*	165.0*	209.6*	227.0*	233.2*	198.5**	**290.0****
Middle market price per share	100	100.7	131.0	143.8	167.8	171.4	218.0	235.4	230.5	190.1	**288.7**
Earnings per share	100	135.3	139.2	182.4	213.7	231.4	270.6	311.8	345.1	339.2	**247.1**
Dividends per share	100	110.4	127.5	156.9	189.2	209.8	240.2	282.4	323.5	333.3	**343.1(1)**
RPI	100	103.5	106.4	109.1	110.1	111.5	115.4	119.3	123.0	124.8	**128.5**

* diluted

** NAV with debt at market value

(1) Subject to approval of the final dividend of 1.20p at the 2021 AGM.

Costs of running the Company (ongoing charges/TER)

for the year ended 30 April

Expressed as a percentage of average net assets	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Ongoing charges											
excluding performance fees	1.00%	1.08%	0.85%	0.76%	0.79%	0.85%	0.84%	0.83%	0.79%	0.75%	**0.78%**
including performance fees	1.02%	1.56%	1.49%	0.78%	1.08%	0.85%	0.86%	0.83%	0.79%	0.75%	**0.78%**
Total expense ratio											
excluding performance fees	0.76%	0.79%	0.71%	0.50%	0.53%	0.51%	0.62%	0.60%	0.59%	0.59%	**0.58%**
including performance fees	0.76%	1.17%	1.22%	0.50%	0.74%	0.76%	0.62%	0.60%	0.59%	0.59%	**0.58%**

Gearing

at 30 April	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Effective gearing	2.7%	1.7%	(2.3%)	(1.3%)	4.8%	4.7%	3.4%	5.1%	4.6%	(0.6%)	**3.8%**
Fully invested gearing	4.1%	4.1%	2.9%	2.2%	7.4%	6.9%	4.7%	5.6%	5.8%	4.8%	**4.3%**

Note: definitions of Alternative Performance Measures and a Glossary of Terms are provided on pages 92 to 95.

Promoting Success

Section 172 Statement

The Directors continued to act to promote the success of the Company for the benefit of its shareholders as a whole. In so doing, the Directors had regard to the matters set out in section 172(1) of the Companies Act 2006 (the **'Act'**). This includes the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' needs into account.

As noted on page 9, we have no employees, premises, assets or operations. Details of our key stakeholders are noted on page 10. Our main working relationship is with BMO GAM, through our Manager. Recognising that sustainability is fundamental to achieving longer term success, we have continued to work closely with our Manager to develop further our investment strategy and underlying policies. This is not simply to achieve the Company's investment objective but to make sure it is done in an effective, responsible and sustainable way in the interests of shareholders, future investors and society at large. The portfolio activities undertaken by our Manager and the impact of decisions taken are set out in the Lead Manager's Review on pages 12 to 22. On pages 23 to 26 we have again reported in greater detail on our approach towards responsible investment. We are very supportive of BMO GAM's approach, which focuses on engagement with the investee companies on ESG issues and how these link with the United Nations Sustainable Development Goals (**'SDGs'**).

We use gearing to enhance returns, but this will have a negative impact at times of market shocks and we started the year ungeared. We reintroduced gearing as the economic outlook improved and gradually increased it after the positive news on vaccines. By the end of the year we had drawn down €9.8m of our £35m multi-currency revolving credit facility. The blended rate on this facility and the £35m private placement notes 2039 is 1.9%, which leaves us very well placed to continue to enhance investment returns and build on our longer term performance record.

One of our Key Performance Indicators is dividend growth. As a result of the COVID-19 pandemic, many companies cut or cancelled their dividend payments and therefore our revenue has fallen. However, the Company has strong revenue reserves which it can draw on to fund the shortfall between the income received from our portfolio and the amount required to fund the dividend for the year. We are therefore pleased to be able to pay another increased annual dividend, which extends our record to 51 years of consecutive annual increases. A number of companies are now returning to paying dividends, albeit some at lower than pre-pandemic levels, and we hope to return to a covered dividend in the coming years.

We bought back shares when the discount to NAV was wider than 5%, with a view to reissuing them from treasury if the share price returns to a premium to NAV. This policy is not only accretive to the NAV per share, it also helps moderate the absolute level and volatility of the discount and provides liquidity in the shares.

As long-term investors we always look to the future and to the success of the Company in that context. We believe that the Company provides a clear investment choice, not only for investors large or small but also for those starting their investment journey. We continue to promote the Company through marketing, including the enhancement of the web-site, and work towards the optimal delivery of the Company's investment proposition and to promote the success of the Company for the benefit of all shareholders, stakeholders and, through its valuable role as an investment vehicle, the community at large.

"We reintroduced gearing as the economic outlook improved and gradually increased it after the positive news on vaccines."

Principal Risks and Future Prospects

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

The Board's processes for monitoring the principal risks and identifying emerging risks are set out on page 54 and in note 25 to the Accounts. Any emerging risks that are identified and that are considered to be of significance are included on the Company's risk schedule together with any mitigations. These principal and emerging risks are reviewed regularly by the Audit and Management Engagement Committee and by the Board. Most recently, consideration has been given to the ongoing impact from COVID-19 and this is referred to in the Chairman's Statement, the Lead Manager's Review and in the table below. The principal risks are largely unchanged from those reported in the prior year. Those identified as most relevant to the assessment of the Company's future prospects and viability were those relating to the potential impact from COVID-19, inappropriate business strategy, potential investment portfolio under-performance and its effect on the Company's share price discount/ premium and dividends, as well as threats to security over the Company's assets. Our risk evaluation forms an inherent part of our strategy determination described on page 8.

Principal Risks	Mitigation by strategy
Service providers and systems security – **Errors, fraud or control failures at service providers or loss of data through business continuity failure or cyber attacks could damage reputation or investors' interests or result in loss. Cyber risks remain heightened.** **Unchanged throughout the year.**	The ancillary functions of administration, company secretarial, accounting and marketing services are all carried out by the Manager. Custody and depositary services are provided by third party suppliers. **The Board monitors the effectiveness and efficiency of service providers' processes through internal efficiency KPIs.**
Investment performance – **Inappropriate business strategy or policy, or ineffective implementation, could result in poor returns for shareholders. Failure to access the targeted market or meet investor needs or expectations, including ESG and climate change in particular, leading to significant pressure on the share price. Political risk factors could also impact performance as could market shocks such as those experienced in relation to COVID-19.** **Unchanged throughout the year.**	Under our Business Model, a manager is appointed with the capability and resource to manage the Company's assets, asset allocation, gearing, stock and sector selection and risk. The individual regional investment portfolios are managed to provide in combination a well-diversified, lower volatility and lower risk overall portfolio structure. The Board holds a separate strategy meeting each year and considers investment policy review reports from the Manager at each Board meeting. **The performance of the Company relative to its Benchmark, its peers and inflation is a KPI measured by the Board on an ongoing basis and is reported on page 11.**
Discount/premium – **A significant share price discount or premium to the Company's NAV per share, or related volatility, could lead to high levels of uncertainty or speculation and the potential to reduce investor confidence. Increased uncertainty in markets due to the effect of COVID-19 could lead to falls and volatility in the Company's NAV.** **Unchanged throughout the year.**	The Board has established share buyback and share issue policies, together with a dividend policy, which aim to moderate the level of share price discount or premium to the NAV per share and related volatility and it seeks shareholder approval each year for the necessary powers to implement those policies. **The Company's discount/premium is a KPI measured by the Board on an ongoing basis and is reported on page 11.**

Through a series of stress tests ranging from moderate to extreme scenarios, including the impact of market shocks and based on historical information, but forward looking over the five years commencing 1 May 2021, the Board assessed the risks of:

- The impact of COVID-19.
- Potential illiquidity of the Company's portfolio.
- Substantial falls in investment values on the ability to meet loan covenant requirements and to repay and re-negotiate funding.
- Significant falls in income on the ability to continue paying steadily-rising dividends and maintaining adequate revenue reserves.

The Board also took into consideration the operational robustness of its principal service providers and the effectiveness of business continuity plans in place, in particular given the impact of COVID-19, potential effects of anticipated regulatory changes and the potential threat from competition. The Board's conclusions are set out under 'Five Year Horizon' on the facing page.

Resilience

The Board is cognisant of the Brydon Report's proposal for companies to make a resilience statement, which will address resilience to risks over the short, medium and long term. The Department for Business, Energy & Industrial Strategy has taken forward this proposal, amongst others, with a consultation that will result in changes in regulation. As a result, it is likely that the Board will be required to include a resilience statement, encompassing the Company's ability to continue as a going concern, its medium term viability and what it considers to be its key long-term challenges, and how those are being addressed, in future. It is likely that the Company will also be required to adopt and publish an "Audit and Assurance Policy" which will include, amongst other things, an explanation of the independent assurance it proposes to obtain for the resilience statement and the effectiveness of the internal controls framework. It is proposed that the policy should cover a three-year period and be subject to an annual advisory vote by shareholders.

Actions taken on Principal Risks in the year

The Audit and Management Engagement Committee and the Board have regularly reviewed the Company's risk management framework with the assistance of the Manager. Regular control reports are provided by the Manager which cover risk, compliance and oversight of third-party service providers, including IT security and cyber-threats. Reports from the Depositary, which is liable for the loss of any of the Company's securities and cash held in custody unless resulting from an external event beyond its reasonable control, were reviewed. The Board is satisfied that the continuity arrangements of all key suppliers including the registrar, depositary, custodian and auditor have continued to work well during the restrictions imposed as a result of COVID-19. As such, this risk is unchanged.

BMO GAM has been retained as Manager and continues to deliver on the Company's objective. It operates within a responsible investment culture under a corporate commitment to four key Sustainability Principles: Social Change, Financial Resilience, Community Building and Environmental Impact. Through the Manager, the Company has the flexibility to innovate, adapt and evolve as ESG necessities and expectations change. Marketing and investor relations campaigns continued throughout the year, including presentations by the Lead Manager to wealth managers across the country. Detailed reports provided by the Lead Manager have been reviewed by the Board at each of its meetings. As reported in the Key Performance Indicators on page 11, long-term performance remains in line with expectations and the dividend for the year, although not fully covered, has increased. This risk is considered unchanged.

The Company's shares traded on a discount during the year and a total of 28,455,955 shares were bought back in line with the Company's buyback policy. Economic and market uncertainty remains, but this risk is considered unchanged.

Five Year Horizon

Based on its assessment and evaluation of the Company's future prospects, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming five years. This period has been chosen because it is consistent with the advice provided by many investment advisers, that investors should invest in equities for a minimum of five years. The Company's business model, strategy and the embedded characteristics listed below have helped define and maintain the stability of the Company over many decades. The Board expects this to continue and will continue to assess viability over subsequent five year rolling periods.

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- The Company's business model and strategy are not time limited and, as a global investment trust company, are unlikely to be adversely impacted as a direct result of Brexit and other political uncertainties.
- The Company is inherently structured for long-term outperformance, rather than short-term opportunities, with five years considered as a sensible time-frame for measuring and assessing long-term investment performance.
- The Company is able to take advantage of its closed-end investment trust structure, such as having borrowing arrangements in place and the ability to secure additional finance in excess of five years.
- There is rigid monitoring of the headroom under the Company's bank borrowing financial covenants.
- Regular and robust review of revenue and expenditure forecasts is undertaken throughout the year against a backdrop of large revenue and capital reserves.
- The Company retains title to all assets held by the Custodian which are subject to further safeguards imposed on the Depositary.
- The Board expects there to be no change to the way in which the Company's assets are managed, including its commitment to responsible investment, as a result of the proposed acquisition of BMO GAM's EMEA business by Ameriprise Financial Inc.

Thirty Largest Holdings

30 April 2021	30 April 2020		% of total investments	Value £m
1	1	**Aberdeen Standard SICAV I Japanese Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	3.1	32.0
2	3	**Pinebridge Asia ex Japan Small Cap Fund** Rest of World Fund providing exposure to Asian smaller companies.	3.0	31.8
3	2	**Eastspring Investments Japan Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	3.0	31.5
4	4	**The Scottish Oriental Smaller Companies Trust** Rest of World Investment company providing exposure to Asian smaller companies.	2.5	26.0
5	5	**Utilico Emerging Markets Trust** Rest of World Investment company focusing on utility and infrastructure companies in emerging markets.	1.8	18.4
6	25	**Schroder ISF Global Emerging Markets Smaller Companies Fund** Rest of World Fund providing exposure to emerging markets smaller companies.	1.6	17.2
7	52	**Eagle Materials** United States A US producer of construction materials, including cement, aggregates, concrete, gypsum wallboard and recycled paperboard.	1.4	14.7
8	24	**HSBC GIF Asia ex Japan Equity Smaller Companies Fund** Rest of World Fund providing exposure to Asian smaller companies.	1.3	13.5
9	30	**Jefferies Financial Group** United States Diversified financial services company engaged in investment banking, asset management and direct investment services.	1.2	12.1
10	8	**ICON** United States Clinical research provider to the global pharmaceutical industry.	1.1	12.0
11	14	**LKQ Corp** United States A distributor of alternative car parts.	1.1	11.6
12	10	**Alleghany** United States Specialist insurance and reinsurance provider also owning and managing a portfolio of non-financial middle market businesses.	1.1	11.2
13	13	**Molina Healthcare** United States This is a managed care business providing health insurance in the US under government programmes.	1.0	10.9
14	44	**The Ensign Group** United States Operator of skilled nursing facilities, rehabilitative care facilities, also provides home health and assisted living services mainly for post-acute care.	1.0	10.8
15	-	**Lundin Mining** Canada Diversified base metals mining company with its largest exposure being to copper.	1.0	10.7

30 April 2021	30 April 2020		% of total investments	Value £m
16	33	**Spectrum Brands** United States A global consumer products company that through its subsidiaries sells residential locks, personal care items, household appliances, specialty pet supplies and lawn and garden products.	1.0	10.0
17	-	**Avnet** United States Distributor of computer products, semiconductors and electronic components.	0.9	9.9
18	6	**Wheaton Precious Metals** United States A precious metals company receiving production royalties from mines operated by third parties.	0.9	9.5
19	7	**Baillie Gifford Japanese Smaller Companies Fund** Japan Fund providing exposure to Japanese smaller companies.	0.9	9.4
20	20	**Aberdeen Standard SICAV I Asian Smaller Companies Fund** Rest of World Fund providing exposure to Asian smaller companies.	0.9	9.1
21	-	**MaxLinear** United States High performance broadband and networking semiconductor supplier.	0.9	9.1
22	56	**Treatt** United Kingdom Supplier of flavouring ingredients, with a focus on the beverage industry.	0.9	9.1
23	23	**WEX** United States An operator of a fuel card payment network.	0.8	8.7
24	48	**Sterling Bancorp** United States A New York based bank that provides clients with a full range of services including deposits, cash management, working capital lines and commercial and residential mortgages.	0.8	8.6
25	16	**Graphic Packaging** United States A vertically integrated producer of printed paperboard cartons for food and beverage products.	0.8	8.3
26	21	**Dolby Laboratories** United States Sound and vision technology company. Provides technology solutions for mobile devices, television and cinemas.	0.8	8.3
27	40	**Kirby** United States Operator of a fleet of inland barges in the US, also a provider of repair services to marine and other end markets.	0.8	8.3
28	12	**Martin Marietta Materials** United States Aggregates and cement producer serving the construction industry.	0.8	8.2
29	15	**Brown & Brown** United States Insurance broker, now the fifth largest global independent company in the market.	0.8	8.2
30	42	**GrafTech International** United States A vertically integrated producer of high performance graphite electrodes that are used to manufacture steel.	0.8	8.1

The value of the thirty largest equity holdings represents 38.0% (30 April 2020: 42.5%) of the Company's total investments.

List of Investments

Quoted investments	Holding	30 April 2021 Value £'000s
UNITED KINGDOM		
4Imprint Group	113,398	2,665
AFH Financial Group	1,374,233	6,459
Alfa Financial Software	2,175,626	2,959
Alliance Pharma	3,792,141	3,621
Anpario	670,373	3,955
Arrow Global Group	1,295,435	3,938
Ascential	705,018	2,459
Augean	1,034,996	2,173
Avation	690,681	739
Begbies Traynor Group	2,715,640	3,215
Biffa	1,794,558	4,953
Boku	1,508,391	2,640
Breedon Group	5,365,722	5,505
Brewin Dolphin	1,520,140	5,138
Bytes Technology	606,761	2,989
C&C Group	890,000	2,634
Cairn Energy	1,110,220	1,884
Caretech	557,617	3,134
Centamin	2,718,397	2,920
Clarkson	88,659	2,691
Clinigen Group	556,400	4,746
Clipper Logistics	861,903	5,921
CLS Holdings	2,154,741	5,344
Countryside Properties	576,956	2,992
Dalata Hotel Group	590,969	2,091
Dixons Carphone	1,663,297	2,317
Draper Esprit	578,887	4,868
Elementis	4,031,137	6,031
Energean	410,891	3,404
Essentra	885,866	2,813
Euromoney Institutional Investor	423,480	4,192
FDM Group	276,813	2,829
Genuit Group	932,903	5,271
Go-Ahead Group	469,999	5,743
Gresham House	298,440	2,477
Helios Towers	1,330,857	2,278
Hollywood Bowl Group	1,303,507	3,083
Ibstock	1,110,534	2,452
IG Design Group	476,239	2,810
In The Style Group	1,254,300	2,910
iomart	131,847	364

Quoted investments	Holding	30 April 2021 Value £'000s
James Fisher and Sons	310,089	3,225
Keller Group	354,662	2,933
Knights Group	1,117,439	4,872
Loungers	1,840,328	5,337
McKay Securities	1,082,185	2,457
Mercia Asset Management	6,803,236	2,313
Moneysupermarket	1,227,526	3,349
Morgan Advanced Materials	1,592,042	4,704
Next Fifteen Communications	842,438	7,295
On The Beach Group	714,293	2,964
Orchard Funding Group	1,777,151	853
OSB Group	1,169,110	5,600
Pebble Group	2,350,623	3,173
Quixant	2,362,383	3,307
Redde Northgate	1,289,169	4,686
Restaurant Group	5,193,192	6,232
RPS Group	3,546,052	3,121
RWS Holdings	678,465	4,658
Sanne Group	684,576	4,409
Shanta Gold	14,017,746	2,172
Sirius Real Estate	5,323,667	5,388
Stock Spirits Group	1,285,511	3,484
Team17 Group	847,427	6,568
Telecom Plus	236,434	3,069
The Gym Group	1,666,887	4,367
TI Fluid Systems	1,104,146	3,290
Tinybuild	393,756	1,142
TP ICAP	881,291	2,095
Treatt	804,146	9,087
Trifast	2,225,393	3,561
TT Electronics	1,461,272	3,471
Tyman Group	1,139,353	4,814
U & I Group	1,981,358	1,827
Ultra Electronics Holdings	106,030	2,142
Vectura Group	3,055,681	3,441
Vesuvius	637,720	3,431
Vivo Energy	2,306,719	2,307
Warehouse REIT	2,313,477	3,105
Watches of Switzerland	768,451	5,625
XP Power	91,179	4,605
Zotefoams	704,682	2,889
TOTAL UNITED KINGDOM		298,975

Quoted investments	Holding	30 April 2021 Value £'000s
EUROPE		
DENMARK		
Ringkjoebing Landbobank	59,126	4,348
Royal Unibrew	25,286	2,229
Simcorp	29,071	2,780
Total Denmark		9,357
FRANCE		
Alten	32,269	2,918
Lectra	156,825	4,084
Remy Cointreau	11,084	1,602
Total France		8,604
GERMANY		
Cancom	76,335	3,417
CTS Eventim	38,078	1,904
FlatexDeGiro	50,866	4,723
Gerresheimer	48,425	3,760
Global Fashion Group	253,464	2,893
Hellofresh	51,879	3,108
Norma Group	93,676	3,787
Patrizia	96,289	1,917
Rational	1,850	1,112
Scout24	44,359	2,670
Stratec	29,100	2,970
Symrise	21,405	2,001
Total Germany		34,262
ITALY		
Azimut Holding	158,217	2,742
Interpump Group	79,458	3,065
Marr	193,926	3,153
Total Italy		8,960
NETHERLANDS		
ASM International	17,226	3,786
IMCD Group	30,488	3,206
Just Eat Takeaway.com	38,286	2,863
Marel	691,776	3,585
Sligro Food Group	137,302	3,152
Total Netherlands		16,592
NORWAY		
Atea	223,760	3,085
Carasent	578,163	2,061
Fjordkraft Holding	487,426	2,642
Nordic Semiconductor	246,258	4,410

Quoted investments	Holding	30 April 2021 Value £'000s
Sparebank	338,142	3,169
Storebrand	516,469	3,581
Total Norway		18,948
PORTUGAL		
Corticeira Amorim	241,223	2,127
Total Portugal		2,127
SPAIN		
Fluidra	129,289	3,243
Vidrala	53,431	4,344
Total Spain		7,587
SWEDEN		
Avanza	94,142	2,454
Coor Service Management	503,945	3,060
Dometic Group	272,104	3,100
Elekta	288,066	2,780
Indutrade	121,788	2,310
Karnov Group	707,495	2,994
MIPS	48,504	2,813
Sdiptech	90,724	2,945
Total Sweden		22,456
SWITZERLAND		
Forbo Holdings	2,567	3,553
SIG Combibloc Group	199,536	3,533
V Zug	17,532	1,749
Total Switzerland		8,835
TOTAL EUROPE		137,728
NORTH AMERICA		
CANADA		
Lundin Mining	1,233,400	10,717
SSR Mining	497,073	5,679
WSP Global	84,200	6,293
Total Canada		22,689
UNITED STATES		
Alleghany	22,906	11,237
Amdocs	126,451	7,009
American Vanguard	470,517	6,722
Avnet	312,462	9,896
Boot Barn Holdings	130,253	6,635
Bristow	160,753	3,066
Brown & Brown	212,071	8,146
C.H. Robinson Worldwide	88,342	6,194
Catalent	74,950	6,088

List of Investments (continued)

Quoted investments	Holding	30 April 2021 Value £'000s
Catchmark Timber Trust	487,863	4,094
CDW	54,766	7,053
Cerence	78,918	5,478
Columbia Sportswear	50,489	3,970
Commvault Systems	103,179	5,179
CyrusOne	85,445	4,491
Dine Brands Global	52,509	3,670
Dolby Laboratories	113,460	8,316
Eagle Materials	146,927	14,658
Encompass Health	124,516	7,639
Essential Properties Realty Trust	375,000	7,091
FB Financial	147,042	4,456
Fireeye	313,415	4,498
Genpact	185,984	6,366
Graftech International	884,385	8,125
Grand Canyon Education	63,046	4,931
Graphic Packaging	621,268	8,324
Haynes International	237,922	5,049
Healthcare Trust of America	321,284	6,813
Hill-Rom Holdings	77,595	6,178
ICON	76,717	12,004
Infinera	1,190,462	7,919
Jefferies Financial Group	517,283	12,135
Kirby	179,702	8,275
LKQ Corp	344,162	11,613
Martin Marietta Materials	32,077	8,181
MaxLinear	350,338	9,097
MDC Holdings	115,857	4,909
Molina Healthcare	59,161	10,900
MSC Industrial Direct	50,970	3,318
Netgear	179,992	4,832
Nomad Foods	267,700	5,638
Ollie's Bargain Outlet	63,232	4,211
PRA	230,301	6,268
QAD	149,207	7,586
Spectrum Brands	156,469	9,965
Stericycle	80,370	4,428
Sterling Bancorp	472,292	8,576
The Andersons	350,714	7,275
The Ensign Group	174,615	10,812
United Bankshares	184,275	5,220
Vail Resorts	22,736	5,339

Quoted investments	Holding	30 April 2021 Value £'000s
Viavi Solutions	616,391	7,279
WEX	58,788	8,706
Wheaton Precious Metals	319,679	9,540
World Fuel Services	340,521	7,605
Total United States		393,003
TOTAL NORTH AMERICA		415,692
JAPAN		
Aberdeen Standard SICAV I Japanese Smaller Companies Fund	2,482,554	31,986
Baillie Gifford Japanese Smaller Companies Fund	172,137	9,414
Eastspring Investments Japan Smaller Companies Fund	1,987,510	31,510
TOTAL JAPAN		72,910
REST OF WORLD		
Aberdeen Standard SICAV I Asian Smaller Companies Fund	223,757	9,113
HSBC GIF Asia ex Japan Equity Smaller Companies Fund	1,170,000	13,535
Pinebridge Asia ex Japan Small Cap Fund	45,745	31,791
Schroder ISF Global Emerging Markets Smaller Companies Fund	130,200	17,215
The Scottish Oriental Smaller Companies Trust	2,618,586	26,029
Utilico Emerging Markets Trust	9,081,596	18,436
TOTAL REST OF WORLD		116,119
TOTAL QUOTED INVESTMENTS		**1,041,424**

Unquoted investments	Holding	Value £'000s
AUSTRALIA		
Australian New Horizons Fund	2,650,017	3,831
TOTAL UNQUOTED INVESTMENTS		**3,831**
TOTAL INVESTMENTS		**1,045,255**

The number of investments in the portfolio is 196 (2020: 188).

Principal Policies

The Board has overall responsibility for the Company's principal policies, which support its investment and business strategies in securing a high total return for our shareholders.

Investment

Our publicly stated Investment Policy is designed to help shareholders, prospective investors and stakeholders understand the scope of our investment remit and constraints imposed under it. Any material changes to the stated policy can only be made with shareholder approval.

Our remit is global. Risk diversification is achieved through geographic asset allocation and industry sector and stock selection across a wide range of markets. Within the general policy of maintaining a diversified portfolio, there are no specific geographic or industry sector exposure limits for the publicly listed equities.

Investment is made mainly in publicly listed equities, including those on the Alternative Investment Market. Investment can also be made in other types of securities or assets, including collective investment funds. Under the Financial Conduct Authority's Listing Rules, no more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies, unless such investment companies have themselves published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%. Investments in unlisted securities require prior Board approval. No transaction can be made which would increase the value of any holding of the Company to exceed 10% of the value of the total portfolio.

Derivative instruments, such as futures, options, and warrants, may be used for efficient portfolio management up to a maximum of 10% of the NAV at any one time. The Board, with advice from the Manager, considers the foreign exchange outlook, as this can affect both the asset allocation and borrowing strategy, and can hedge the portfolio against currency movements. No such hedging has been undertaken in the year under review.

Due diligence with regard to the Investment Policy and underlying policies is carried out at each Board meeting, with regular reporting from the Lead Manager. Confirmation of adherence to the investment restrictions and limitations set by the Board are required at each meeting. The Lead Manager's Review on pages 12 to 22 provides an overview of the outcome from the application of the Investment Policy and the underlying policies during the course of the year under review.

Borrowing

The Company has the flexibility to borrow over the longer term and to use short-term borrowings by way of loans. Borrowings, which can be taken out in either sterling or foreign currency, would normally be expected to fall within a range of 0-20% of shareholders' funds. In normal circumstances, the Board believes that structural gearing through the investment cycle is appropriate for the enhancement of shareholder returns. Borrowing levels and covenant headroom are monitored on an ongoing basis and reported on at each Board meeting.

Dividend

Our revenue account is managed with a view to delivering a rising income stream in real terms for shareholders. Prudent use of revenue reserves established over many decades is made whenever necessary to help meet any revenue shortfall, as is the case in the year under review.

The Board applies due diligence and determines dividend payments by taking account of income forecasts, brought forward distributable reserves, prevailing inflation rates, the Company's dividend payment record and Corporation Tax rules governing investment trust status. Risks to the Company's dividend policy have been considered as part of the Principal Risks and Future Prospects reviews noted on page 30.

The consistent application of this policy has enabled the payment of an increased dividend every year for the past 51 years. The total proposed payment for the year ended 30 April 2021 is not fully covered by earnings and therefore the Company's revenue reserve will be utilised to support this policy.

Discount/Premium

The Board operates a share buyback policy under an authority given by shareholders. Under this policy the Company buys back shares for the benefit of shareholders when it sees value and, importantly, with a view to moderating discount volatility and to keeping the discount at no more than 5%, in normal market conditions. Shares are bought back at a discount to the NAV per share and are either cancelled or held in treasury, the effect of which is an accretion to NAV per share. The levels within which the policy operates are kept under constant review.

Shareholders have also authorised the Board to issue shares when trading at a premium to the NAV per share, with a view to moderating the premium and any associated volatility. As with share buybacks, such issues are only made when accretive to the NAV.

The Board reviews the premium and discount levels at each meeting. Information on the outcomes from this policy can be found on pages 5 and 11.

Board diversity

Our policy towards the appointment of non-executive directors to the Board is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including gender and contributions from an international perspective. The policy is always to appoint the best person for the job and, by way of this policy statement, we confirm that there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or disabilities.

The overriding aim of the policy is to ensure that the Board is composed of the best combination of people to deliver the Company's objective. We apply the policy for the purpose of appointing individuals that, together as a Board, will continue to achieve that aim as well as ensuring optimal promotion of the Company's investment proposition in the marketplace. The gender balance of three men and two women Directors exceeds the target of 33% of women on FTSE 350 company boards by 2020 set under The Hampton-Alexander Review[1]. We also note the recommendations of the Parker Review Committee[2].

Taxation

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

Modern Slavery Act 2015

Our own supply chain consists predominately of professional advisers and service providers in the financial services industry, which is highly regulated. We therefore believe that the potential for acts of modern slavery or human trafficking in our own working environment is extremely low.

The values that we hold, our culture and the rationale for the appointment of BMO GAM are explained on page 8. BMO GAM is an organisation committed to respecting human rights and stands against all forms of slavery and human trafficking. It is recognised as a leading pioneer in responsible investment and works with policymakers worldwide to deliver market-wide improvements in standards and regulations. In the year under review, over 34% of engagements across the companies in which BMO GAM invests for its clients raised social themes, including human rights, public health and labour standards. There was a continued focus on labour standards in the supply chain as well as on inclusion and diversity in the workforce. BMO GAM is an investor signatory to the Workforce Disclosure Initiative (**'WDI'**), which aims at enhancing relevant and material workforce related disclosure on a wide range of workforce issues, covering companies' direct operations and supply chains. We are very supportive of BMO GAM's approach and whose formal statement can be found on its website at bmogam.com.

Integrity and business ethics

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

On behalf of the Board
Anja Balfour
Chairman
18 June 2021

[1] [2] See Glossary on pages 95 and 96

Chairman's Statement
on corporate governance

Dear Shareholder,
On the next page you will find brief details of the Directors responsible for the governance of your Company, including mine as your Chairman. Details are also available at bmoglobalsmallers.com. The Company invests in a wide range of companies and, as a Board, we believe that good governance creates value and expect the companies in which we invest to apply high standards. In maintaining the confidence and trust of our own investors, we set out to adhere to the very highest standards of corporate governance, business and ethics transparency. We remain committed to doing so.

Governance overview

The Board has established an Audit and Management Engagement Committee and a Nomination Committee. The role and responsibilities of these committees are set out in their respective reports which follow. As the Board has no executive directors and no employees, and is composed entirely of non-executive directors, it does not have a Remuneration Committee. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Remuneration Report on pages 50 to 52 and in note 5 to the Accounts.

The Company has appointed the Manager to manage the investment portfolios as well as to carry out the day to day management and administrative functions. An explanation of the reporting arrangements from the Manager is set out in the Strategic Report on page 9 and in the Report of the Audit and Management Engagement Committee in respect of risk management and internal control on page 54. Explanations concerning the Board's appointment of the Manager, including reference to the strength of their resources, measurement of performance and alignment with the values of the Board can be found on page 8.

The Board has direct access to the company secretarial advice and services of the Manager which, through the Company Secretary, is responsible for ensuring that Board and committee procedures are followed and applicable regulations are complied with. The proceedings at all Board and other meetings are fully recorded through a process that allows any Director's concerns to be recorded by the Company Secretary in the minutes. The Board has the power to appoint or remove the Company Secretary in accordance with the terms of the investment management agreement.

Composition of the committees

All Directors are members of the Audit and Management Engagement Committee and the Nomination Committee and this is noted under the Directors' biographies on the following page, while the respective terms of reference can be found on the Company's website at bmoglobalsmallers.com. Further detail is given in respect of the composition of the Audit and Management Engagement Committee on page 54.

Compliance with the AIC Code of Corporate Governance (the 'AIC Code')

We have considered and support the principles and recommendations of the AIC Code published in 2019. The AIC Code mirrors the UK Corporate Governance Code (the **'UK Code'**) apart from two significant departures, namely the removal of the nine year limit on chair tenure and the restriction on the chairman of the board being a member of the audit committee. The tenure policy relating to the Directors, including the Chairmanship, is set out on page 49.

We believe that the Company has complied with the recommendations of the AIC Code during the year under review and up to the date of this report and, except as regards the provisions of the UK Code set out below, has thereby complied with the relevant provisions of that Code:

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

The Board considers these provisions as not relevant to the position of the Company, being an externally managed investment trust company. In particular, all of the Company's day to day management and administrative functions have been delegated to the Manager. As a result, the Company has no executive directors, employees or internal operations. Therefore, with the exception of the need for an internal audit function, which is addressed on pages 54 and 55, we have not reported further in respect of these provisions. Copies of the UK Code and AIC Code can be found on their respective websites: www.frc.org.uk and www.theaic.co.uk.

Anja Balfour
Chairman
18 June 2021

Directors

Anja Balfour

Chairman

Appointed to the Board on 1 June 2015 and as Chairman on 30 July 2020. She is also chairman of the Nomination Committee.

Experience and contribution:

Anja brings in-depth investment knowledge, expertise and experience in international investment management as well as leadership skills, most notably from her other non-executive director and chairmanship roles. Previously she spent over 20 years as a fund manager, running Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and latterly, Axa Framlington.

Other appointments:

Anja is chairman of Schroder Japan Growth Fund PLC and a non-executive director of AVI Global Trust PLC. She also sits on the board of mutual Scottish Friendly Assurance and is a member of the Finance & Corporate Services Committee of Carnegie UK Trust.

Nick Bannerman

Appointed to the Board on 1 October 2019.

Experience and contribution:

Nick brings a combination of investment, operational and management experience as well as a wider business perspective from his current and past business roles across multiple geographies. He is a qualified accountant and was chairman of Baillie Gifford Japan Trust PLC until December 2019.

Other appointments:

Nick is an executive director of James Johnston & Co of Elgin Ltd and Johnston GmBH.

Josephine (Jo) Dixon

Senior Independent Director and Chairman of the Audit and Management Engagement Committee.

Appointed to the Board on 11 February 2015 and as Senior Independent Director on 30 July 2020.

Experience and contribution:

Jo is a qualified accountant and has a strong accounting and financial background. She also brings leadership skills from her other non-executive director and chairmanship roles. Jo took over as Senior Independent Director following Jane Tozer's retirement on 30 July 2020.

Other appointments:

Jo is chairman of JPMorgan European Investment Trust PLC and a non-executive director of Strategic Equity Capital PLC, Alliance Trust PLC, BB Healthcare Trust PLC and Ventus VCT PLC.

Graham Oldroyd

Appointed to the Board on 1 October 2019.

Experience and contribution:

Graham brings to the Board in-depth investment knowledge, expertise and experience in international investment management from his listed and unlisted European businesses across multiple sectors and geographies.

Other appointments:

Graham is chairman of Ideal Standard International NV (Belgium) and MCF Limited and a non-executive director of Tunstall Integrated Healthcare Holdings Limited and Nobina AB (Sweden).

David Stileman

Appointed to the Board on 1 June 2015.

Experience and contribution:

David brings a wider business perspective to the Board both from his current and past business and advisory roles as well as his extensive knowledge in international banking and specialty finance.

Other appointments:

David is an operating partner of Corsair Capital LLP and an executive director of Stileman Consulting Limited and Honorary Trustee of the Royal Academy of Arts.

All the Directors are members of the Audit and Management Engagement Committee and the Nomination Committee. No Director has a shared directorship elsewhere with other Directors.

Applying the principles of the AIC code

Company purpose

Information relating to the Company's purpose, values and culture can be found on page 8.

Board leadership

The Board is responsible for the effective stewardship of the Company's affairs and has in place a schedule of matters that it has reserved for its decision, which are reviewed periodically. These are categorised and reviewed under strategy, policy, finance, risk, investment restrictions, performance, marketing, appointments, the Board and public documents. It has responsibility for all corporate strategic issues, principal policies (set out on pages 23, 37 and 38) and corporate governance matters which are all reviewed regularly.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting investment and gearing limits within which the Lead Manager has discretion to act, and thus supervises the management of the investment portfolio which is contractually delegated to the Manager. The Board has responsibility for the approval of any unlisted investments.

Division of Board responsibilities

As an externally managed investment trust company, there are no executive Directors; all Directors are non-executive. The Chairman is responsible for the leadership and management of the Board and promotes a culture of openness, challenge and debate. The Chairman sets the agenda for all Board meetings under a regular programme of items in conjunction with the Company Secretary.

The Board has a strong working relationship with the management company, whose personnel, including the Lead Manager, attend and report to the Board at every meeting. Discussions at all levels are held in a constructive and supportive manner with appropriate challenge and strategic guidance and advice from the Board whenever necessary, consistent with the culture and values.

Jo Dixon, as Senior Independent Director, acts as an experienced sounding board for the Chairman and an intermediary for other Directors and shareholders. She leads the annual evaluation of the Chairman.

In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. Directors are able to seek independent professional advice at the Company's expense in relation to their duties. No such advice was taken during the year under review.

Composition and succession

The Report of the Nomination Committee sets out on page 49 its role and key responsibilities. The composition of the Board and Committee members is set out in the Directors' details on page 40. The Company's diversity policy is set out on page 38.

Board evaluation and effectiveness

Each year the Board undertakes an evaluation of the effectiveness of individual Directors, the Board and its Committees. The Board and Committee evaluation for the year under review was carried out using an online questionnaire and was followed by one-to-one discussions between the Chairman and each of the Directors. The performance of the Chairman was included as part of the process and led separately by the Senior Independent Director. The findings of the evaluations were reviewed and discussed by the Board.

There were no significant issues arising from the evaluation process and it was agreed that the Board and its Committees continued to function effectively. All Directors make an effective contribution to the Board commensurate with their experience and skills. The main priorities for the Board over the coming year will be investment performance, especially in light of the proposed acquisition of BMO GAM EMEA by Ameriprise Inc, the continuing development of the Company's responsible investment/ESG policies and its marketing strategy. It is intended to maintain the Board at its current size, but keep that and its evolution under review.

Audit, risk management and internal control

The Board has established an Audit and Management Engagement Committee, the report of which is set out on pages 53 to 56. The report includes the rationale for the Company not having established its own internal audit function; how the independence and effectiveness of the external auditor is assessed; and how the Board satisfies itself on the integrity of the Company's financial statements. The report covers the process under which the Board satisfied itself that the Report and Accounts presents a fair, balanced and understandable assessment of the Company's position and prospects. There is an explanation of the procedures under which risk is managed and how the Board oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Further information on the Company's risk and control framework can be found on page 54.

Relations with shareholders and stakeholders

The Company's stakeholders, and the engagement undertaken with them in the year under review, are set out on page 10.

Remuneration

The Board's remuneration policy is explained on page 50. As non-executive Directors, fees are set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the contribution towards the delivery of the investment objective. The Company has no executive Directors or employees. The fees paid to the Manager are charged at a competitive rate on the Company's net assets and are therefore aligned with the Company's purpose, its values, the successful delivery of its long-term strategy and the interests of its shareholders.

By order of the Board
BMO Investment Business Limited
Company Secretary
18 June 2021

Directors' Report

The Directors submit the Report and Accounts of the Company for the year ended 30 April 2021. Applying the principles of the AIC Code, the Chairman's Statement on corporate governance, Directors' biographies, the Reports of Nomination and Audit and Management Engagement Committees and the Remuneration Report all form part of this Directors' Report.

Statement regarding the Report and Accounts

The Directors consider that, following advice from the Audit and Management Engagement Committee, the Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Audit and Management Engagement Committee has reviewed the draft Report and Accounts for the purposes of this assessment. The market outlook for the Company can be found on pages 7 and 22. Principal risks can be found on page 30 with further information on financial risks in note 25 to the Accounts. There are no instances where the Company is required to make disclosures in respect of Listing Rule 9.8.4R.

Results and dividends

The results for the year are set out in the attached accounts. Subject to shareholder approval at the AGM **(Resolution 4)**, the recommended final dividend of 1.20 pence per share is payable on 16 August 2021 to shareholders on the register as at the close of business on 16 July 2021. This, together with the interim dividend of 0.55 pence per share, makes a total dividend of 1.75 pence per share and represents an increase of 3.0% over the comparable 1.70 pence per share paid in respect of the previous year. See note 9 to the Accounts.

Company status

The Company is registered as a public limited company and an investment company as defined by Section 833 of the Act. The Company is registered in England and Wales with company registration number 28264 and is subject to the Financial Conduct Authority's (**'FCA'**) Listing Rules, Disclosure Guidance and Transparency Rules (**'DTRs'**) and other applicable legislation and regulations including company law, financial reporting standards, taxation law and its own articles of association.

Taxation

As set out on page 38 and in note 7 to the Accounts, the Company is exempt from UK Corporation Tax on its worldwide dividend income and from UK Corporation Tax on any capital gains arising from the portfolio of investments, provided it complies at all times with Section 1158. Dividends received from investee companies domiciled outside the UK are subject to taxation in those countries in accordance with relevant double taxation treaties.

Prevention of the facilitation of tax evasion

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

Greenhouse Gas Emissions

The Company is managed by BMO GAM, it has no employees and all of its Directors are non-executive, with the day to day activities being carried out by third parties. The Company has no premises, consumes no electricity, gas or diesel fuel directly and consequently does not have a measurable carbon footprint. Therefore, it qualifies as a low energy user and is exempt from reporting under the Streamlined Energy & Carbon Reporting requirements.

Accounting and going concern

The financial statements, starting on page 63, comply with current UK Financial Reporting Standards, supplemented by the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (**'SORP'**). The significant accounting policies of the Company are set out in note 2 to the Accounts. The unqualified auditors' opinion on the Financial Statements appears on page 58. Shareholders will be asked to approve the adoption of the Report and Accounts at the AGM **(Resolution 1)**.

The Directors believe that, in light of the controls and monitoring processes that are in place, the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. In considering this, the Directors took into account the diversified portfolio of readily realisable securities which can be used to meet short-term funding commitments and the ability of the Company to meet all of its liabilities and ongoing expenses. The Directors have also considered the risks and consequences of the ongoing COVID-19 pandemic on the Company and have concluded that it has the ability to continue in operation and meet its objectives in the year ahead. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement as to disclosure of information to the auditors

Each of the Directors confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which BDO LLP (**'BDO'** or the **'auditors'**) is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that BDO is aware of that information.

Reappointment of auditors

BDO have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their reappointment and authorising the Audit and Management Engagement Committee to determine their remuneration for the ensuing year will be put to shareholders at the AGM **(Resolutions 10 and 11)**. Further information in relation to their reappointment can be found on page 56.

Capital structure

Following a ten for one share split on 31 October 2019, each ordinary share of 25p was replaced with ten new ordinary shares of 2.5p each. As at 30 April 2021 there were 620,533,770 ordinary shares of 2.5p each (**'ordinary shares'**) in issue, of which 44,881,194 were held in treasury. As at 16 June 2021 (being the latest practicable date before publication of this report) the number of ordinary shares held in treasury was 47,622,175.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. Details of the capital structure can be found in note 16 to the Accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of ordinary shares. Full details are set out in the Company's articles of association.

Issue and buyback of shares

At the annual general meeting held on 30 July 2020, shareholders authorised the Board to issue further ordinary shares or sell from treasury up to 10% of the number then in issue. Shareholders also renewed the Board's authority to purchase up to 14.99% of its own issued ordinary shares (excluding any shares held in treasury) at a discount to NAV per share.

No shares were issued during the year under review or have been issued between 30 April 2021 and 16 June 2021, being the latest practicable date before the publication of this report. In accordance with the policy of aiming to keep the discount at no more than 5% in normal market conditions, a total of 28,455,955 shares with a nominal value of £711,399 were bought back by the Company during the year, to be held in treasury, at prices between 105.19 pence and 165.86 pence and at an average price of 130.88 pence for a total consideration, including stamp duty and commissions, of £37,243,000. The shares bought back represented 4.7% of the shares in issue (calculated exclusive of any shares held in treasury) at 30 April 2020. The share buybacks enhanced the NAV per share by approximately 0.44 pence. A further 2,740,981 shares have been bought back and placed into treasury since the year end.

Voting rights and proportional voting

As at 16 June 2021 there were 620,533,770 ordinary shares in issue, of which 47,622,175 shares were held in treasury. Therefore the total voting rights in the Company as at that date were 572,911,595.

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held.

Approximately 52.5% of the Company's share capital is held on behalf of non-discretionary clients through the BMO Savings Plans. For those planholders who do not return their voting directions, the nominee company will vote their shares in proportion to the directions of those who do (**'proportional voting'**). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the savings plans being voted. A maximum limit of 758,000 shares that any one individual investor can vote, being approximately 5% of the minimum threshold, also applies. Any shares voted by an investor in excess of the maximum limit remain valid, but do not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

Substantial interests in the Company's share capital

As at 30 April 2021 and since that date no notifications of significant voting rights have been received under the FCA's DTRs.

Borrowings

The Company has a one-year £35 million multi-currency revolving credit facility with The Royal Bank of Scotland International Limited. At the year-end, €9.8 million was drawn down. The Company also has in issue £35 million fixed rate 20-year unsecured private placement notes at a coupon of 2.26% which mature in August 2039. An overdraft arrangement is available from the Custodian for settlement of investment trades if necessary. Further information is provided in notes 12 and 15 to the Accounts.

Remuneration Report

The Directors' Remuneration Report, which can be found on pages 50 to 52 provides detailed information on the remuneration arrangements for Directors of the Company. Shareholders are asked to approve the Remuneration Policy and Annual Report on Remuneration annually. There have been no changes to the Remuneration Policy since it was last approved by shareholders in 2020. Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective **(Resolutions 2 and 3)**.

Appointments to the Board

Under the articles of association of the Company, the number of Directors on the Board may be no more than twelve. Directors may be appointed by the Company by ordinary resolution or by the Board. All new appointments require prior Board approval and are subject to election by shareholders at the next annual general meeting. Institutional shareholders are given the opportunity to meet any newly appointed Director if they wish. An induction process is in place for new appointees and all Directors are encouraged to attend relevant training courses and seminars.

Removal of Directors

The Company may by special resolution remove any Director before the expiration of their term of office and may by ordinary resolution appoint another person who is willing to act to be a Director in their place. The provisions under which a Director would automatically cease to be a Director are set out in the Company's articles of association.

Contribution and independence of Directors

The Board is composed solely of independent non-executive Directors. The Nomination Committee has considered each Director and the Board has concurred with its assessment that each Director continues to make a valuable and effective contribution and remains committed in their respective roles. Furthermore, no Director has a past or current connection with BMO GAM and each remains independent in character and judgement, with no relationships or circumstances relating to the Company that are likely to affect that judgement. The Board has therefore concurred with the Nomination Committee's assessment that all Directors are independent of BMO GAM and of the Company itself.

The following table sets out the Directors' meeting attendance in the year under review. The Board held a separate meeting in February 2021 to consider strategic issues and also met once in private session during the year under review without any representation from the Manager.

Directors' attendance

	Board	Audit and Management Engagement Committee	Nomination Committee
No. of meetings	6	2	1
Anja Balfour	6	2	1
Nick Bannerman	6	2	1
Jo Dixon	6	2	1
Graham Oldroyd	6	2	1
David Stileman	6	2	1
Anthony Townsend *	2	1	1
Jane Tozer *	2	1	1

*Retired on 30 July 2020

In addition to the scheduled meetings detailed above, a number of other meetings were held to discuss the impact of COVID-19.

Re-Election of Directors

The names of the Directors of the Company, along with their biographical details, are set out on page 40 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 also set out. With the exception of Anthony Townsend and Jane Tozer, who retired on 30 July 2020, all Directors held office throughout the year under review and will stand for re-election by shareholders at the AGM in accordance with the requirements of the AIC Code **(Resolutions 5 to 9)**.

Directors' interests and indemnification

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

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

Safe custody of assets

The Company's listed investments are held in safe custody by JPMorgan Chase Bank (the **'Custodian'**). Operational matters with the Custodian are carried out on the Company's behalf by the Manager in accordance with the provisions of the investment management agreement. The Custodian is paid a variable fee dependent on the number of trades transacted and location of the securities held. The investment in Australian New Horizons Fund is not held by the Custodian but the Board has satisfied itself that adequate custodial arrangements exist.

Depositary

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

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

The Manager's fee

The Manager is paid a management fee of 0.55% per annum of the Company's net asset value, which is reduced to 0.275% in respect of the market value of investments held in third party collective funds. The fee is calculated and paid monthly in arrears. The amount paid in the year under review was £4,232,000, an increase of 1.8% from £4,157,000 in the previous year, reflecting the increase of the Company's average net assets during the year. Note 4 to the Accounts shows the apportionment of the management fee between capital and revenue.

Manager evaluation process

The Manager's performance is considered by the Board at every meeting with a formal evaluation by the Audit and Management Engagement Committee each year. For the purposes of its ongoing monitoring, the Board receives detailed reports and views from the Lead Manager on investment policy, asset allocation, gearing and risk, including presentations on the North American, UK, European, Japanese and Rest of World portfolios at least annually. In evaluating the Manager's performance, the Board considers a range of factors including the investment performance of the portfolio as a whole, performance of the various regional sub-portfolios and the skills, experience and depth of the team involved in managing the Company's assets. The Board measures the overall relative success of the Company against the Benchmark, with each regional sub-portfolio being measured against relevant local small capitalisation indices. It also considers the resources and commitment of the Manager in all areas of its responsibility, including the marketing and administrative services provided to the Company. Portfolio performance, which is relevant in monitoring BMO GAM, is set out on pages 12 to 22.

Manager reappointment

The annual evaluation that took place in June 2021 included presentations from the Lead Manager and BMO GAM's Head of Investment Trusts. This focused primarily on investment performance and the services provided to the Company more generally. With regard to performance, the Company's share price total return was comfortably ahead of the Benchmark over the ten years to 30 April 2021.

The Audit and Management Engagement Committee met in closed session following the presentation and, in light of the long-term investment performance of the Manager and the quality of the overall service provided, it concluded that in its opinion the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The Board ratified this recommendation.

AGM and online shareholder meeting

The Company's AGM will be held at the offices of BMO Global Asset Management, Exchange House, Primrose Street, London EC2A 2NY, on Thursday, 12 August 2021 at 2.00 p.m. Under normal circumstances we enjoy meeting and talking to as many shareholders as possible in person at the AGM. However, we are mindful of the fact that the meeting is due to take place very soon after Government restrictions are due to be lifted and therefore shareholders may be reluctant to travel to the meeting. Therefore, to provide certainty over arrangements and to enable shareholders to engage with the Lead Manager and with the Board, we have decided to hold an interactive online shareholder meeting on Thursday, 29 July 2021 at 2.00 p.m. There will be a presentation by the Lead Manager, which will be followed by a question and answer session with him and the Board. This will allow shareholders time to cast their votes at the AGM on 12 August 2021 after having had the opportunity to see the Lead Manager's presentation and to ask questions of the Board. All shareholders are encouraged to do so. Online access details for the presentation are included on your Form of Proxy or Form of Direction or can be obtained by sending an email to gscagm@bmogam.com. To help the online event run smoothly, we request that questions are sent in advance to this email address.

The formal business of the AGM will be held two weeks later, on 12 August 2021, with only two shareholders present in person, sufficient to form a quorum to enable the meeting to proceed and business to be conducted. It is strongly recommended that shareholders do not attend and entry will be restricted and/or refused in accordance with the Company's Articles of Association. Nevertheless, shareholders can be represented by the chairman of the meeting acting as their proxy. We therefore urge you to lodge your votes to arrive by the deadline stated in the notice of meeting, appointing the chairman of the meeting as your proxy. Voting on all resolutions will be held on a poll, the results of which will be announced via a regulatory announcement and will be shown on the Company's website following the meeting.

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

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash or selling shares out of treasury without first offering them to existing shareholders in proportion to their holdings.

Resolution 12 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of £1,432,279 (57,291,159 ordinary shares), being equivalent to approximately 10% of the Company's issued share capital (calculated exclusive of the shares held in treasury) as at 16 June 2021, being the latest practicable date before the publication of the Notice of AGM. The authority and power expires at the conclusion of the annual general meeting in 2022 or, if earlier, 15 months from the passing of the resolution.

Resolution 13 empowers the Directors to allot such securities for cash, other than to existing shareholders on a pro-rata basis and also to sell treasury shares without first offering them to existing shareholders in proportion to their holdings up to an aggregate nominal amount of £1,432,279 (representing approximately 10% of the issued ordinary share capital of the Company at 16 June 2020, calculated exclusive of the shares held in treasury).

These authorities provide the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares or the sale of treasury shares, in accordance with the policies set out on pages 37 and 38 or should any other favourable opportunities arise to the advantage of shareholders.

The Directors expect that they will mainly use these authorities to satisfy demand from participants in the BMO Savings Plans when they believe it is advantageous to the Company's shareholders to do so. Under no circumstances would the Directors issue new shares or sell treasury shares at a price which would result in a dilution of the NAV per ordinary share.

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

At the annual general meeting held in 2020 the Company was authorised to purchase up to approximately 14.99% of its own shares for cancellation or to be held in treasury. The number of shares remaining under that authority as at 30 April 2021 was 69,339,327 shares or 12.00% of the issued share capital exclusive of the number of shares held in treasury. Resolution 14 will authorise the renewal of such authority enabling the Company to purchase in the market up to a maximum of 85,879,448 ordinary shares (equivalent to approximately 14.99% of the issued share capital exclusive of treasury shares) and sets out the minimum and maximum prices at which they may be bought, exclusive of expenses, reflecting the requirements of the Act and the Listing Rules.

The Directors will continue to use this authority in accordance with the policy set out on pages 37 and 38. Under the Act, the Company is permitted to hold its own shares in treasury following a buyback, instead of cancelling them. This gives the Company the ability to reissue treasury shares quickly and cost-effectively (including pursuant to the authority under Resolution 13, see above) and provides the Company with additional flexibility in the management of its capital base. Such shares may be resold for cash but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in the treasury. If the Board exercises the authority conferred by Resolution 14, the Company will have the option of either holding in treasury or of cancelling any of its shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue. Purchases of ordinary shares under the authority will be financed out of realised revenue and/or capital reserves and funded from the Company's own cash resources or, if appropriate, from short-term borrowings. The authority to purchase ordinary shares will continue until the annual general meeting in 2022 or 11 November 2022, whichever is the earlier. The Board intends to seek the renewal of such authority at subsequent annual general meetings.

Notice period for meetings (Resolution 15)

The Act and the Company's articles of association provide that all general meetings (other than annual general meetings) can be convened on 14 days' notice. However, one of the requirements of the Shareholder Rights Directive is that all general meetings must be held on 21 clear days' notice, unless shareholders agree to a shorter notice period. The Board is of the view that it is in the Company's interests to have a shorter notice period which complies with the provisions of the Act and the Company's articles to allow all general meetings (other than an annual general meeting) to be called on 14 clear days' notice. The passing of resolution

15 would constitute shareholders' agreement for the purposes of the Shareholder Rights Directive (which agreement is required annually) and would therefore preserve the Company's ability to call general meetings (other than an annual general meeting) on 14 clear days' notice. The Board would utilise this authority to provide flexibility when merited and would not use it as a matter of routine. The Board intends to seek the renewal of such authority at subsequent annual general meetings.

Form of proxy for AGM voting

If you are a registered shareholder you will find enclosed a form of proxy for use at the AGM. You will also have the option of lodging your proxy vote electronically at eproxyappointment.com. For shares held through CREST, proxy appointments may be submitted via the CREST proxy voting system. Please either complete, sign and return the form of proxy in the envelope provided as soon as possible in accordance with the instructions or, alternatively, lodge your proxy vote via the Internet or the CREST proxy voting system.

All shareholders are strongly encouraged to vote in advance of the AGM and, to do so, all proxy appointments must be returned not later than 48 hours before the time appointed for holding the AGM.

Form of direction and proportional voting

If you are an investor in any of the BMO Savings Plans you will have received a form of direction for use at the AGM and you will also have the option of lodging your voting directions using the Internet. BMO operates a proportional voting arrangement, which is explained on page 44.

All voting directions should be submitted as soon as possible in accordance with the instructions on the form of direction and, in any event, not later than 12.00 noon on 5 August 2021, so that the nominee company can submit a form of proxy before the 48 hour period begins.

Voting recommendation

Your Board considers that the resolutions to be proposed at the AGM are in the best interests of the shareholders as a whole. It therefore recommends that shareholders vote in favour of each resolution, as is the intention of the Directors in respect of their own beneficial holdings.

By order of the Board
BMO Investment Business Limited
Company Secretary
18 June 2021

Report of the Nomination Committee

Role of the Committee

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy. All of the Committee's responsibilities have been carried out in the year under review and to date. The Committee met once during the year and specifically considered, monitored and reviewed the following matters:

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

Composition of the Committee

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

Diversity and tenure

The Board's diversity policy, objective and progress in achieving it are set out on page 38. Director searches are undertaken in accordance with this objective and policy with the recruitment process open to a diverse range of candidates.

The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company or, indeed, its chairman. This is because continuity and experience can add significantly to the strength of investment trust boards where the characteristics and relationships tend to differ from those of other companies. While the Chairman and Directors are normally expected to serve for no more than a nine-year term, this may be adjusted for reasons of flexibility and continuity. Currently none of the Directors has served beyond nine years.

Succession planning

I succeeded Anthony Townsend as Chairman on 30 July 2020, at the conclusion of the last AGM. At the same time, Jo Dixon succeeded Jane Tozer as the Board's Senior Independent Director. In advance of their retirement two new Directors, Nick Bannerman and Graham Oldroyd, were appointed, on 1 October 2019, thereby ensuring effective succession planning and continuity. The Committee will recruit a new director in due course, in advance of the next Board retirement, to continue the process of refreshment and to achieve a better spread of tenure amongst the Directors.

Committee evaluation

The activities of the Nomination Committee were considered as part of the Board evaluation process as reported on page 41.

Anja Balfour
Nomination Committee Chairman
18 June 2021

Remuneration Report

Directors' Remuneration Policy

The Board's policy is to set Directors' remuneration at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. Time committed to the Company's business and the specific responsibilities of the Chairman, Senior Independent Director, Chairman of the Audit and Management Engagement Committee and the Directors and their retention are taken into account. The policy aims to be fair and reasonable in relation to comparable investment trust companies. This includes provision 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. This policy was approved by shareholders at the Company's annual general meeting in 2020 when 89.0% of the total votes received were cast in favour of the resolution, 6.0% were against and 5.0% were withheld. The Board has not subsequently received any views from shareholders in respect of the level of Directors' remuneration. The Board seeks approval of the policy annually and it will therefore be put to shareholders for approval at the forthcoming AGM.

The Company's articles of association limit the aggregate fees payable to the Board to a total of £300,000 per annum. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman and, in her case, from the Senior Independent Director. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options or long-term incentive schemes or other benefits. The Directors' fees are reviewed annually and have been increased with effect from 1 May 2021 to the levels shown in the table opposite.

The Board is composed solely of non-executive Directors, none of whom has a service contract with the Company, and therefore no remuneration committee has been appointed. Each Director has signed a terms of appointment letter with the Company, in each case including one month's notice of termination by either party. There is no provision for compensation for loss of office. The letters of appointment are available for inspection by emailing the Company Secretary at GlobalSmallersCoSec@bmogam.com.

The dates on which each Director was appointed to the Board are set out under their biographies on page 40. Under the terms of their respective letters of appointment, each Director is subject to election at the first annual general meeting following their appointment and thereafter will continue subject to re-election at each subsequent annual general meeting in accordance with the provisions of the AIC Code. All Directors were last re-elected at the annual general meeting held on 30 July 2020 and will stand for re-election at the AGM to be held on 12 August 2021.

The fees for specific responsibilities are set out in the table below. No fees are payable for membership of the Nomination Committee.

Annual fees for Board Responsibilities

Year ended 30 April	2022 £'s	2021 £'s
Board		
Chairman*	45,500	44,000
Senior Independent Director	26,500	26,500
Director	26,000	25,000
Audit and Management Engagement Committee		
Chairman	8,000	6,500
Members	2,000	2,000

* Includes membership of the Audit and Management Engagement Committee

Directors' interests in the Company

There is no requirement in the Company's Articles of Association for the Directors to hold shares in the Company. The beneficial shareholdings of the Directors who held office at the year end are as follows:

Directors' share interests (audited)

Year ended 30 April	2021	2020
Anja Balfour	**51,524**	51,426
Nick Bannerman	**26,000**	21,000
Jo Dixon	**20,000**	20,000
Graham Oldroyd	**14,670**	14,670
David Stileman	**30,000**	30,000
Total	**142,194**	137,096

As at the latest practical date before the publication of this report, there have been no changes to the Directors' shareholdings. The Directors have no other share interests or share options in the Company. As at 16 June 2021 the Lead Manager held 267,806 ordinary shares in the Company.

Policy implementation

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for its approval will be put to shareholders at the forthcoming AGM. At the last meeting, shareholders approved the Remuneration Report in respect of the year ended 30 April 2020, with 90.1% of the votes received cast in favour of the resolution, 5.4% against and 4.5% withheld.

Directors' emoluments for the year

The Directors who served during the year received the following amounts for services as non-executive Directors and can expect to receive the fees indicated for 2022 as well as reimbursement for expenses necessarily incurred:

The table below is shown to enable shareholders to assess the relative expenditure on Directors' remuneration, excluding taxable benefits, compared to the shareholder distributions of dividends and share buybacks.

Actual expenditure

Year ended 30 April	2021 £'000s	2020 £'000s	% Change
Aggregate Directors' Remuneration	171.5	189.6	(9.5)
Aggregate Dividends paid to shareholders[1]	10,092.0	10,234.0	(1.4)
Aggregate cost of ordinary shares repurchased	37,243.0	19,745.0	88.6

(1) The aggregate amount paid fell as a result of fewer shares being in issue, following share buybacks.

Fees for services to the Company

	Fees £'000s (audited)			Taxable Benefits[1] £'000s (audited)			Total £'000s (audited)			Expected Fees[2] £'000s (unaudited)
Year ended 30 April	2021	2020	% change	2021	2020	% change	2021	2020	% change	2022
Director										
Anthony Townsend [4]	11.0	44.0	(75.0)	–	0.5	(100.0)	11.0	44.5	(75.3)	n/a
Anja Balfour [3] [5]	39.8	27.0	47.4	–	3.5	(100.0)	39.8	30.5	30.5	45.5
Nick Bannerman [6]	27.0	15.8	70.9	–	2.2	(100.0)	27.0	18.0	50.0	28.0
Jo Dixon [7]	32.6	31.5	3.5	–	2.6	(100.0)	32.6	34.1	(4.4)	34.5
Graham Oldroyd [6]	27.0	15.8	70.9	–	1.0	(100.0)	27.0	16.8	60.7	28.0
David Stileman	27.0	27.0	–	–	0.7	(100.0)	27.0	27.7	(2.5)	28.0
Jane Tozer [4]	7.1	28.5	(75.1)	–	1.3	(100.0)	7.1	29.8	(76.2)	n/a
Total	171.5	189.6	(9.5)	–	11.8	(100.0)	171.5	201.4	(14.8)	164.0

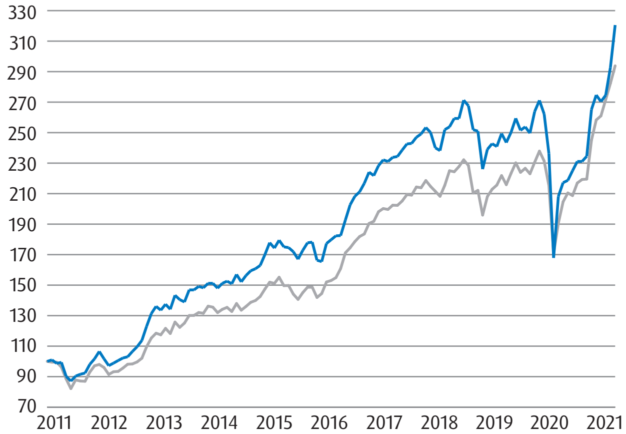
(1) Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.
(2) Fees expected to be payable to the Directors during the course of the year ending 30 April 2022. Taxable benefits are also anticipated but are not currently quantifiable.
(3) Highest paid Director.
(4) Retired with effect from 30 July 2020.
(5) Chairman of the Board with effect from 31 July 2020.
(6) Appointed to the Board, Audit and Management Engagement Committee and Nomination Committee with effect from 1 October 2019.
(7) Senior Independent Director with effect from 31 July 2020.

The information in the table above for the years ended 30 April 2020 and 2021 has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors.

Company performance

A graph showing the Company's share price total return compared with the return on its Benchmark over the required ten year period is set out below. The Board believes that this benchmark best reflects the investment universe in which the Manager seeks investment opportunities for the Company and is therefore the most appropriate for performance comparison purposes.

Shareholder total return vs Benchmark total return over ten years



— BMO Global Smaller Companies share price total return

— Benchmark total return (MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (excluding investment companies) Index (30%)).

Source: BMO GAM & Refinitiv Eikon

On behalf of the Board
Anja Balfour
Chairman
18 June 2021

Report of the Audit and Management Engagement Committee

I am pleased to present to you the report of the Audit and Management Engagement Committee for the year ended 30 April 2021. The Report and Accounts have been reviewed with particular focus on the implications and the risks associated with the ongoing COVID-19 pandemic.

Role of the Committee

The primary responsibilities of the Committee are to ensure the integrity of the financial reporting and statements of the Company; to oversee the preparation and audit of the annual accounts, the preparation of the half-yearly accounts and the internal control and risk management processes; and to assess the performance of the Manager and review the fees charged. The Committee met by video conference twice during the year with BMO GAM's Trust Accountant, Head of Investment Trusts, Risk Managers and the Lead Manager in attendance. A representative of the Company's independent auditor, BDO, attended both meetings and met in private session with the Committee.

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

- The audited annual results statement and annual report and accounts and the unaudited half-yearly report and accounts, including advice to the Board as to whether the annual report and accounts taken as a whole are fair, balanced and understandable;
- The accounting policies of the Company;
- The principal and emerging risks faced by the Company and the effectiveness of the Company's risk management and internal control environment, including consideration of the assumptions underlying the Board's 'Five Year Horizon' statement on viability;
- How the Company has applied the principles of and complied with the provisions of the AIC Code;
- The effectiveness of the external audit process and the current independence and objectivity of BDO;
- The appointment, remuneration and terms of engagement of the independent auditor;
- The policy on the engagement of the external auditor to supply non-audit services and approval of any such services;
- Whether to change the Company's current policy by establishing its own Internal Audit function;
- The ISAE/AAF and SSAE16 reports or their equivalent from BMO GAM, the Custodian, Depositary and a due diligence report from the Company's Share Registrars;
- The performance of the Company's third party service providers and administrators, other than BMO GAM, and the fees charged in respect of those services;
- The performance of the Manager and their fees; and
- The Committee's terms of reference for approval by the Board.

Comprehensive papers relating to each of these matters were prepared for discussion. These were debated by the Committee and any recommendations were fully considered if there was a judgement to be applied in arriving at conclusions. Recommendations were then made to the Board as appropriate.

The Board retains ultimate responsibility for all aspects relating to external financial statements and other significant published financial information as is noted in the Statement of Directors' Responsibilities on page 57. On broader control policy issues, the Committee has reviewed, and is satisfied with, BMO's Code of Conduct and the Anti-Bribery and Anti-Corruption Operating Directive (the **'Directive'**) to which BMO GAM and its employees are subject. The Committee has also reviewed BMO GAM's Whistleblowing Policy that has been put in place under which its directors and staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The necessary arrangements are in place for communication by BMO GAM to this Committee where matters might impact the Company with appropriate follow-up action. In the year under review there were no such concerns raised with the Committee.

Composition of the Committee

The Board recognises the requirement for the Committee as a whole to have competence relevant to the sector in which the Company operates and for at least one member to have recent and relevant financial experience. All Directors of the Company are members of the Committee, including the Chairman of the Board. In accordance with the AIC Code and given the size of the Board it is considered appropriate for the Chairman of the Board to be a member of the Committee. All Committee members are independent non-executive Directors. Jo Dixon, Chairman of the Committee, is a Chartered Accountant and she is currently audit committee chairman of other listed companies. The other members of the Committee have a combination of financial, investment and business experience through the senior posts held throughout their careers. The majority have a wide experience of the investment trust sector. Details of the members can be found on page 40 and the Committee's terms of reference can be found on the website at bmoglobalsmallers.com.

Management of risk

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

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

The Board carried out a separate exercise to identify any new emerging risks and to take any necessary action to mitigate their potential impact. The implications of the ongoing COVID-19 pandemic were considered, as was the increasing emphasis on ESG issues and climate change in particular. These risks were then reconciled with the risks previously identified within the existing key risk 'radar' and reviewed by the Board as part of the robust assessment of the Company's risk and controls described below.

The Company's Principal Risks and Future Prospects are set out on page 30 with additional information given in note 25 to the Accounts. The Committee noted the robustness of the Board's review of principal risks, and the identification of emerging risks, and participated as Board members themselves. The integration of these risks into the analyses underpinning the 'Five Year Horizon' Statement on viability on page 31 was fully considered and the 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 viability statement.

Risk management and internal control

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

The system of risk management and internal control is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement, or loss or fraud. Further to the review by the Committee, the Board has assessed the effectiveness of the Company's system of risk management and internal control. The assessment included a review of the BMO GAM risk management infrastructure and the report on policies and procedures in operation and tests for the year to 31 October 2020 (the **'ISAE/AAF Report'**) and subsequent confirmation from BMO that there had been no material changes to the control environment in the period to 1 June 2021. This had been prepared by BMO GAM for all of its investment trust clients to the International Standard on Assurance Engagement (ISAE) No. 3402 and to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). The ISAE/AAF Report from independent reporting accountants KPMG sets out BMO GAM's control policies and procedures with respect to the management of clients' investments and maintenance of their financial records. The effectiveness of those controls is monitored by BMO GAM's Group Audit and Compliance Committee, which receives regular reports from its Internal Audit department. Procedures are also in place to capture and evaluate any failings and weaknesses within BMO GAM's control environment and those extending to any outsourced service providers to ensure that action would be taken to remedy any significant issues. Any errors or breaches relating to the Company are reported at each Committee and Board meeting by BMO GAM, including those relating to the administration of their savings plans and related complaint levels. No failings or weaknesses material to the overall control environment and financial statements were identified in the period under review. The Committee also reviewed the internal control reports of the Custodian, the Depositary and the Share Registrar's due diligence report and were satisfied that there were no material exceptions.

Through the reviews noted above and by direct enquiry of BMO GAM and other relevant parties, the Committee and the Board have satisfied themselves that there were no material control failures or exceptions affecting the Company's operations during the year under review nor to the date of this Report.

Based on the processes and controls in place within BMO GAM, the Committee has concluded, and the Board has concurred, that there is no current need for the Company to have a separate internal audit function.

External audit process and significant issues considered by the Committee

In carrying out its responsibilities, the Committee has considered the planning arrangements, scope, materiality levels and conclusions of the external audit for the year under review. The table below describes the significant judgements and issues considered by the Committee in conjunction with BDO in relation to the financial statements for the year and how these issues were addressed. The Committee also included in their review the areas of judgements, estimates and assumptions referred to in note 2(c)(xi) to the Accounts. Likewise, the Committee reviewed the disclosure and description of Alternative Performance Measures provided on page 92 and is satisfied that the disclosure is fair and relevant. Procedures for investment valuation and existence and recognition of income were the main areas of audit focus and testing.

The Committee met in June 2021 to discuss the final draft of the Report and Accounts, with representatives of BDO and BMO GAM in attendance. BDO submitted their year-end report and confirmed that they had no reason not to issue an unqualified audit report in respect of the Report and Accounts. The Committee established that there were no material issues or findings arising which needed to be brought to the attention of the Board.

The Committee recognises the importance of continually improving non-financial reporting and the increased focus on the Strategic Report by investors and regulators. The Committee has carefully considered the disclosures made in the Report and Accounts particularly in relation to the disclosures under section 172(1) of the Act including how wider stakeholder interests have been taken into account by the Directors while performing their duties and related disclosures with regard to ESG issues. The Committee has also had regard to the non-financial reporting requirements in the Act, which is an area of reporting that will evolve further in coming years.

Consequently, the Committee recommended to the Board that the Report and Accounts were in its view, fair, balanced and understandable in accordance with accounting standards, regulatory requirements and best practice.

Significant Judgements and Issues considered by the Committee for the year ended 30 April 2021

Matter	Action
Investment Portfolio Valuation	
Although the Company's portfolio of investments is predominantly invested in highly liquid securities quoted on recognised stock exchanges, errors in the valuation could have a material impact on the Company's NAV per share.	The Board reviewed the full portfolio valuation twice in the year and the Committee also reviewed the valuation of the unquoted portfolio. The Committee reviewed the annual audited internal control report from BMO GAM. This report indicated that the relevant systems and controls surrounding daily pricing, cash and holdings reconciliations and security valuation had operated satisfactorily.
Misappropriation of Assets	
Misappropriation of the Company's investments or cash balances could have a material impact on its NAV per share.	The Committee reviewed the annual audited internal control reports of BMO GAM and the Custodian. Neither of these reports indicated any failures of controls over the existence and safe custody of the Company's investments and cash balances. The Company's Depositary reported quarterly on the safe custody of the Company's investments and the operation of controls over the movement of cash in settlement of investment transactions. Through these reports the Committee is satisfied that the assets remained protected throughout the year.
Income Recognition	
Incomplete controls over, or inaccurate recognition of, income could result in the Company misstating its revenue receipts and associated tax, with consequences for overall performance, payment of dividends to shareholders, and compliance with taxation rules.	The Committee's review of BMO GAM's annual audited controls report indicated that there were no control failures in the year. The Committee reviewed and approved at the interim and final accounts reporting meetings, all dividend receipts deemed to be capital (special) in nature by virtue of their payment out of investee company restructuring rather than ordinary business operations. In addition, the Committee reviewed that all special dividends had been correctly treated in accordance with the Company's accounting policy.

The Independent Auditors' report, which sets out the unqualified audit opinion, the scope of the audit and the areas of focus, in compliance with applicable auditing standards, can be found on pages 58 to 62.

Auditor assessment, independence and appointment

The Committee reviews the reappointment of the auditor every year and has been satisfied with the effectiveness of BDO's performance on their audit of the Company's accounts. BDO have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating BDO, the Committee has taken into consideration the skills and experience of the firm and of the audit team. From direct observation and indirect enquiry of management, the Committee is satisfied that BDO will continue to provide effective independent challenge in carrying out their responsibilities. Their fee was £28,000, excluding VAT (2020: £26,000).

The Company has a duty to consider carefully the audit for value and effectiveness and, as part of its annual review, considers the need for putting the audit out to tender for reasons of quality, independence or value. The Company is required to carry out a tender every ten years with the next due no later than 2029.

Non-audit services

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

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

In particular, the Committee has a policy that the accumulated costs of all non-audit services sought from the auditors in any one year should not exceed 30% of the likely audit fees for that year and not exceed 70% cumulatively over three years. There were no non-audit services for the year ended 30 April 2021.

Committee Evaluation

The activities of the Committee were considered as part of the Board evaluation process as noted on page 41. The evaluation found that the Committee continued to function well, with an appropriate balance of skills and experience.

Jo Dixon
Chairman
Audit and Management Engagement Committee
18 June 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements. Further details can be found in note 2 to the Accounts.

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 Act. 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Report and Accounts is published on the bmoglobalsmallers.com website, which is maintained by BMO GAM. The Directors are responsible for the maintenance and integrity of the Company's website. The work undertaken by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Directors' Report, confirm to the best of their knowledge that:

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

On behalf of the Board
Anja Balfour
Chairman
18 June 2021

Independent auditor's report to the members of BMO Global Smaller Companies plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BMO Global Smaller Companies plc (the **'Company'**) for the year ended 30 April 2021 which comprise the Income Statement, the statement of changes in equity, the balance sheet and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 **The Financial Reporting Standard applicable in the UK and Republic of Ireland** (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 25 July 2019 to audit the financial statements for the year ended 30 April 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 30 April 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of management's method of assessing the going concern in light of market volatility and the present uncertainties;
- Challenging management's assumptions and judgements made with regards to stress-testing forecasts;
- Obtaining the loan agreements and covenant calculations and assess the likelihood of covenants being breached based on management forecasts and sensitivity analysis; and
- Performing calculations assessing the net asset position of the Company to understand the reliance on loans.

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

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

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

Overview		2021	2020
Key audit matters	Valuation and ownership of investments	✓	✓
	Revenue Recognition	✓	✓
Materiality	**Company financial statements as a whole** £10m (2020: £7.6m) based on 1% (2020: 1%) of Net Assets		

An overview of the scope of our audit

Our Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Note 2 and Note 10) The investment portfolio at the year end comprised of investments at fair value through profit or loss. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance. The Investment Manager's fee is based on the value of the net assets of the fund. As the investment manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: In respect of quoted investment valuations we have: • Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments or the disclosures.
Revenue Recognition: (Page 68 and Note 3 on page 70) Dividend income arises from the investment portfolio and is a key factor in demonstrating the performance of the portfolio. Revenue recognition is considered a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining the allocation of income to revenue or capital.	We performed the following procedures: • For listed investments, we derived an independent expectation of total expected income based on the investment holding and records of distributions from independent sources. • We cross checked the portfolio against corporate actions and special dividends and challenged if these had been appropriately accounted for as income or capital. • We analysed the population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represented a particularly high yield and investigated the rationale of those distributions. • We traced a sample of dividend income received through from the nominal ledger to bank statements. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to the revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Company financial statements	2021 (£m)	2020 (£m)
Materiality	10	7.6
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	As an investment trust, net asset value is the key measure of performance.	As an investment trust, net asset value is the key measure of performance.
Performance materiality	7.5	5.7
Basis for determining performance materiality	Performance materiality was deemed to be 75% of total materiality. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	Performance materiality was deemed to be 75% of total materiality. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Specific materiality

We also determined that for revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on £404,000 (2020: £1,130,000). We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £200,000 (2020: £57,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

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

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

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

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept , or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Chapter 3 Part 6 of the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP) and FRS 102. We also considered the company's qualification as an Investment Trust under UK tax legislation.

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

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- testing of journal postings made during the year to identify potential management override of controls;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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

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.

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

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
18 June 2021

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

Income Statement

Notes	for the year ended 30 April	Revenue £'000s	Capital £'000s	2021 Total £'000s	Revenue £'000s	Capital £'000s	2020 Total £'000s
10	Gains/(losses) on investments	–	325,701	325,701	–	(121,578)	(121,578)
23	Foreign exchange (losses)/gains	(6)	(1,737)	(1,743)	14	(33)	(19)
3	Income	10,216	762	10,978	13,795	1,442	15,237
4	Management fee	(1,058)	(3,174)	(4,232)	(1,039)	(3,118)	(4,157)
5	Other expenses	(872)	(27)	(899)	(1,136)	(23)	(1,159)
	Net return before finance costs and taxation	8,280	321,525	329,805	11,634	(123,310)	(111,676)
6	Finance costs	(199)	(598)	(797)	(326)	(979)	(1,305)
	Net return on ordinary activities before taxation	8,081	320,927	329,008	11,308	(124,289)	(112,981)
7	Taxation on ordinary activities	(665)	–	(665)	(815)	–	(815)
	Net return attributable to equity shareholders	7,416	320,927	328,343	10,493	(124,289)	(113,796)
8	**Return per share (basic and diluted) – pence**	1.26	54.50	55.76	1.73	(20.52)	(18.79)

The total column of this statement is the profit and loss account of the Company.

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

A statement of total comprehensive income is not required as all income and expenses of the Company have been reflected in the above statement.

The notes on pages 67 to 82 form an integral part of the financial statements.

Statement of Changes in Equity

Notes	for the year ended 30 April 2021	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2020	15,513	212,639	16,158	–	464,282	17,923	726,515
	Movements during the year ended 30 April 2021							
9	Dividends paid	–	–	–	–	–	(10,092)	(10,092)
16	Shares repurchased by the Company and held in treasury	–	–	–	–	(37,243)	–	(37,243)
	Costs relating to broker	–	–	–	–	(15)	–	(15)
	Net return attributable to equity shareholders	–	–	–	–	320,927	7,416	328,343
	Balance at 30 April 2021	**15,513**	**212,639**	**16,158**	**-**	**747,951**	**15,247**	**1,007,508**

Notes	for the year ended 30 April 2020	Share capital £'000s	Share premium account £'000s	Capital redemption reserve £'000s	Equity component of CULS £'000s	Capital reserves £'000s	Revenue reserve £'000s	Total shareholders' funds £'000s
	Balance at 30 April 2019	15,119	196,856	16,158	506	608,316	17,664	854,619
	Movements during the year ended 30 April 2020							
9	Dividends paid	–	–	–	–	–	(10,234)	(10,234)
	Shares repurchased by the Company and held in treasury	–	–	–	–	(19,745)	–	(19,745)
14	Conversion of Convertible Unsecured Loan Stock ('CULS')	394	15,829	–	(506)	–	–	15,717
	Costs relating to sub-division and broker	–	(46)	–	–	–	–	(46)
	Net return attributable to equity shareholders	–	–	–	–	(124,289)	10,493	(113,796)
	Balance at 30 April 2020	**15,513**	**212,639**	**16,158**	**–**	**464,282**	**17,923**	**726,515**

The notes on pages 67 to 82 form an integral part of the financial statements.

Balance Sheet

Notes	at 30 April	2021 £'000s	2020 £'000s
	Fixed assets		
10	Investments	**1,045,255**	722,577
	Current assets		
11	Debtors	**7,021**	1,379
23	Cash and cash equivalents	**6,870**	41,043
	Total current assets	**13,891**	42,422
	Creditors: amounts falling due within one year		
12, 23	Bank loans	**(8,521)**	–
13	Creditors	**(8,117)**	(3,484)
	Total current liabilities	**(16,638)**	(3,484)
	Net current (liabilities)/assets	**(2,747)**	38,938
	Total assets less current liabilities	**1,042,508**	761,515
	Creditors: amounts falling due after more than one year		
15, 23	Loan notes	**(35,000)**	(35,000)
	Net assets	**1,007,508**	726,515
	Capital and reserves		
16	Share capital	**15,513**	15,513
17	Share premium account	**212,639**	212,639
18	Capital redemption reserve	**16,158**	16,158
20	Capital reserves	**747,951**	464,282
20	Revenue reserve	**15,247**	17,923
	Total shareholders' funds	**1,007,508**	726,515
21	**Net asset value per share (debt at par value) – pence**	**175.02**	120.26

The notes on pages 67 to 82 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 18 June 2021 and signed on its behalf by

Anja Balfour, Chairman

Statement of Cash Flows

for the year ended 30 April

Notes		2021 £'000s	2020 £'000s
22	**Cash flows from operating activities before dividends received and interest paid**	**(4,437)**	(5,804)
	Dividends received	**9,005**	14,245
	Interest paid	**(793)**	(1,292)
	Cash inflows from operating activities	**3,775**	7,149
	Investing activities		
	Purchases of investments	**(230,833)**	(215,751)
	Sales of investments	**233,941**	266,677
	Transaction costs	**(460)**	(453)
	Other capital charges	**(28)**	(20)
	Cash inflows from investing activities	**2,620**	50,453
	Cash inflows before financing activities	**6,395**	57,602
	Financing activities		
	Ordinary dividends paid	**(10,092)**	(10,234)
	Cash flows from share buybacks for treasury shares	**(37,254)**	(19,343)
	Costs relating to sub-division of shares and broker	**–**	(46)
	Drawdown of loan notes	**–**	35,000
23	Drawdown/(repayment) of bank loans	**8,370**	(34,157)
	Cash outflows from financing activities	**(38,976)**	(28,780)
23	Net movement in cash and cash equivalents	**(32,581)**	28,822
	Cash and cash equivalents at the beginning of the year	**41,043**	12,135
23	Effect of movement in foreign exchange	**(1,592)**	86
	Cash and cash equivalents at the end of the year	**6,870**	41,043
	Represented by:		
	Cash at bank	**568**	3,091
	Short-term deposits	**6,302**	37,952
	Cash and cash equivalents at the end of the year	**6,870**	41,043

The notes on pages 67 to 82 form an integral part of the financial statements.

Notes to the Accounts

1. General information

BMO Global Smaller Companies PLC is an investment company incorporated in the United Kingdom with a premium listing on the London Stock Exchange. The Company registration number is 28264 and the registered office is Exchange House, Primrose Street, London, EC2A 2NY, England.

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

There have been no significant changes to the Company's accounting policies during the year ended 30 April 2021, as set out in note 2 below.

2. Significant accounting policies

(a) Going concern

The Company's investment objective, strategy and policy are subject to a process of regular Board monitoring and are designed to ensure that the Company is invested mainly in readily realisable, listed securities and that the level of borrowings is restricted. The Company retains title to all assets held by the Custodian and agreements cover its borrowing facilities. Cash is held with banks approved and regularly reviewed by the Manager.

The Company has net current liabilities shown on the Balance Sheet but this has no effect on its ability to continue on a going concern basis.

The Directors believe that: the Company's objective and policy continue to be relevant to investors; the Company operates within a robust regulatory environment; and the Company has sufficient resources to continue operating within its stated policy for the 12 month period commencing from the date of this report. Accordingly, the financial statements have been drawn up on the basis that the Company is a going concern for the reasons set out on pages 43 and 44.

(b) Basis of accounting

The accounts of the Company have been prepared on a going concern basis under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, Financial Reporting Standard (FRS) 102 applicable in the United Kingdom and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') issued in October 2019.

The functional and presentational currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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

(c) Principal accounting policies

The policies set out below have been applied consistently throughout the year.

(i) Financial instruments

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

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

(ii) Fixed asset investments

As an investment trust, the Company measures its fixed asset investments at 'fair value through profit or loss' and treats all transactions on the realisation and revaluation of investments as transactions on the capital account. All purchases and sales are accounted for on a trade date basis.

Quoted investments are valued at bid value at the close of business on the relevant date on the exchange on which the investment is quoted. Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments.

(iii) Debt instruments

Interest-bearing loans and overdrafts are recorded initially at the proceeds received, net of issue costs, irrespective of the duration of the instrument. No debt instruments held during the year required hierarchical classification.

The fair market value of the borrowings are set out in notes 12 and 15.

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

(iv) Foreign currency

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

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

(v) Income

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

Dividends are accounted for in accordance with FRS 102 on the basis of income actually receivable, without adjustment for the tax credit attaching to the dividends. Dividends from overseas companies are shown gross of withholding tax.
Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital account.

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

(vi) Expenses, including finance charges

Expenses are charged to the revenue account of the Income Statement, except as noted below:

- expenses which are incidental to the acquisition or disposal of fixed asset investments are recognised immediately in the capital return of the income statement and are thus charged to capital reserve – arising on investments sold via the capital account;
- 75% of management fees and 75% of finance costs are allocated to capital reserve – arising on investments sold via the capital account, in accordance with the Board's long-term expected split of returns from the investment portfolio of the Company.
- all expenses are accounted for on an accruals basis.

(vii) Taxation

Taxation currently payable is calculated using tax rules and rates in force at the year end, based on taxable profit for the year, which differs from the net return before tax. Note 7(b) sets out those items which are not subject to UK Corporation Tax.

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

(viii) Share premium

The surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares, less any directly attributable costs in relation to that share issue, is credited to this account which is non-distributable. The nominal value of the shares issued is recognised in share capital.

(ix) Capital redemption reserve

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

(x) Capital reserves

These are distributable reserves which may be utilised for the repurchase of share capital.

Capital reserve – arising on investments sold

The following are accounted for in this reserve:

- 75% of management fees and finance costs as set out in note 2(c)(vi);
- gains and losses on the realisation of fixed asset investments and derivative financial instruments;
- foreign exchange differences of a capital nature;
- costs of professional advice, including related irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- costs of purchasing ordinary share capital.

Capital reserve – arising on investments held

The following are accounted for in this reserve:

- increases and decreases in the valuation of fixed asset investments held at the year end.

(xi) Use of judgements, estimates and assumptions

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

The areas requiring the most significant judgement in the preparation of the financial statements are recognising and classifying unusual or special dividends received as either revenue or capital in nature.

There are no significant estimates used in preparation of these financial statements.

Dividends received which appear to be unusual in size or circumstance are assessed on a case-by-case basis, based on interpretation of the investee companies' relevant statements, in order to make a judgement to determine their allocation in accordance with the SORP to either the Revenue Account or Capital Reserves. Dividends which have clearly arisen out of the investee company's reconstruction or reorganisation are usually considered to be capital in nature and allocated to Capital Reserves. Investee company dividends which appear to be paid in excess of current year profits will still be considered as revenue in nature unless evidence suggests otherwise. The value of dividends received in the year treated as capital in nature, as disclosed in note 20 to the Accounts, was not material in relation to capital reserves or the revenue account. The value of special dividends receivable in any period cannot be foreseen as such dividends are declared and paid by investee companies and funds without prior reference to the Company.

3. Income

	2021 £'000s	2020 £'000s
Income from investments		
Dividends from quoted investments	**9,441**	12,843
Special dividends[1]	**407**	548
	9,848	13,391
Other Income		
Management fee rebates from collectives	**305**	281
Interest on cash and short-term deposits	**63**	123
	368	404
Total income recognised as revenue	**10,216**	13,795
Special dividends recognised as capital[2]	**762**	1,442
Total income	**10,978**	15,237

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

(2) Special dividends classified as capital in nature in accordance with note 2(c)(xi).

4. Management fees

	Revenue £'000s	Capital £'000s	2021 Total £'000s	Revenue £'000s	Capital £'000s	2020 Total £'000s
Management fee	**1,058**	**3,174**	**4,232**	1,039	3,118	4,157

The Manager, BMO Investment Business Limited, provides investment management, marketing and general administrative services to the Company. The management fee is an amount equal to 0.55% per annum, payable monthly in arrears, of net assets managed by the Manager at the calculation date. Investments made by the Company in third party collective investment schemes are subject to a management fee, payable monthly in arrears to the Manager, of 0.275% per annum of the month end market value of those investments. The management agreement may be terminated upon six months' notice given by either party.

The fees have been allocated 75% to capital reserve in accordance with accounting policies.

5. Other expenses

	2021 £'000s	2020 £'000s
Other revenue expenses		
Auditors' remuneration:		
Audit services[1]	31	29
Directors' fees for services to the Company[2]	172	190
Marketing	136	182
Printing and postage	81	91
Custody fees	44	44
Depositary fees	96	93
Professional fees	16	183
Loan commitment and arrangement fees[3]	132	74
Sundry expenses	164	250
Total other revenue expenses	872	1,136
Capital expenses	27	23
Total other expenses	899	1,159

All expenses are stated gross of irrecoverable VAT, where applicable.
(1) Auditors' remuneration payable to BDO for the audit of the Company financial statements, exclusive of VAT, amounts to £28,000 (2020: £26,000).
(2) See the Directors' Remuneration Report on page 51.
(3) Under loan facility agreements (see note 12) the Company pays commitment fees on any undrawn portions of the facilities.

6. Finance costs

	Revenue £'000s	Capital £'000s	2021 Total £'000s	Revenue £'000s	Capital £'000s	2020 Total £'000s
CULS interest payable and amortised costs	–	–	–	76	228	304
Loan interest	199	598	797	250	751	1,001
Total finance costs	199	598	797	326	979	1,305

Finance costs have been allocated 75% to capital reserve in accordance with accounting policies.

7. Taxation on ordinary activities

(a) Analysis of tax charge for the year

	Revenue £'000s	Capital £'000s	2021 Total £'000s	Revenue £'000s	Capital £'000s	2020 Total £'000s
Corporation tax payable at 19.0% (2020: 19.0%)	–	–	–	–	–	–
Overseas taxation	665	–	665	815	–	815
Total tax charge for the year (note 7(b)) on ordinary activities	665	–	665	815	–	815

The tax assessed is lower than the standard rate of Corporate Tax in the UK (2020: lower).

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

	Revenue £'000s	Capital £'000s	2021 Total £'000s	Revenue £'000s	Capital £'000s	2020 Total £'000s
Net return on ordinary activities before taxation	**8,081**	**320,927**	**329,008**	11,308	(124,289)	(112,981)
Return on ordinary activities multiplied by the standard rate of corporation tax of 19.0% (2020: 19.0%)	**1,535**	**60,976**	**62,511**	2,149	(23,615)	(21,466)
Effects of:						
Dividends*	**(1,929)**	**–**	**(1,929)**	(2,598)	–	(2,598)
Expenses not deductible for tax purposes	**13**	**–**	**13**	17	–	17
Overseas tax in excess of double taxation relief	**665**	**–**	**665**	815	–	815
Expenses not utilised in the year	**381**	**722**	**1,103**	432	783	1,215
Capital returns*	**–**	**(61,698)**	**(61,698)**	–	22,832	22,832
Total tax charge for the year (note 7(a))	**665**	**–**	**665**	815	–	815

* The Company is not subject to corporation tax on capital gains or on dividend income. It therefore has unutilised expenses which have given rise to a deferred tax asset of £11.5m (2020: £10.5m). This asset has not been recognised as the Directors believe it is unlikely that the Company will have sufficient taxable profits in future to utilise it. Of this amount £3.1m (2020: £2.8m) relates to revenue expenses and £8.4m (2020: £7.7m) to capital expenses.

8. Return per ordinary share

Earnings for the purpose of basic earnings per share is the profit for the year attributable to ordinary shareholders and based on the following data.

	Revenue	Capital	2021 Total	Revenue	Capital	2020 Total
Net return attributable to equity shareholders – £'000s	**7,416**	**320,927**	**328,343**	10,493	(124,289)	(113,796)
Return per share – pence	**1.26**	**54.50**	**55.76**	1.73	(20.52)	(18.79)

Both the revenue and capital returns per share are based on a weighted average of 588,808,696 ordinary shares in issue during the year (2020: 605,810,414).

9. Dividends

Dividends on ordinary shares	Register date	Payment date	2021 £'000s	2020 £'000s
Interim for the year ended 30 April 2021 of 0.55 pence	08 January 2021	29 January 2021	**3,215**	–
Final for the year ended 30 April 2020 of 1.15 pence	10 July 2020	03 August 2020	**6,877**	–
Interim for the year ended 30 April 2020 of 0.55 pence	02 January 2020	31 January 2020	**–**	3,340
Final for the year ended 30 April 2019 of 1.15 pence (i)	12 July 2019	31 July 2019	**–**	6,894
			10,092	10,234

(i) Comparative figures for the year ended 30 April 2019 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.

The Directors have proposed a final dividend in respect of the year ended 30 April 2021 of 1.20 pence per share, payable on 16 August 2021 to all shareholders on the register at close of business on 16 July 2021. The recommended final dividend is subject to approval by shareholders at the Annual General Meeting.

The attributable revenue and the dividends paid and proposed in respect of the financial year ended 30 April 2021 for the purposes of the income retention test for Section 1159 of the Income and Corporation Tax Act 2010, are set out below:

	2021 £'000s
Revenue attributable to equity shareholders	7,416
Interim for the year ended 30 April 2021 of 0.55 pence	(3,215)
Proposed final for the year ended 30 April 2021 of 1.20 pence (1)	(6,875)
Amount transferred (from)/to revenue reserve for Section 1159 purposes (2)	(2,674)

(1) Based on 572,911,595 shares in issue at 16 June 2021.
(2) Represents minus 24.4% of total income of £10,978,000 (see note 3)(2020: +1.9%).

10. Investments

	Level 1* £'000s	Level 3* £'000s	2021 Total £'000s	Level 1* £'000s	Level 3* £'000s	2020 Total £'000s
Cost brought forward	671,680	1,896	673,576	695,861	1,769	697,630
Gains brought forward	48,295	706	49,001	194,913	1,005	195,918
Valuation brought forward	719,975	2,602	722,577	890,774	2,774	893,548
Movements in the year:						
Purchases at cost	235,376	6	235,382	217,009	–	217,009
Sales proceeds	(238,865)	–	(238,865)	(266,855)	–	(266,855)
Gains on investments sold in year	62,290	(128)	62,162	25,665	127	25,792
Gains/(losses) on investments held at year end	262,648	1,351	263,999	(146,618)	(299)	(146,917)
Fair value of investments at 30 April	1,041,424	3,831	1,045,255	719,975	2,602	722,577
Analysed at 30 April						
Cost at 30 April	730,481	1,774	732,255	671,680	1,896	673,576
Gains at 30 April	310,943	2,057	313,000	48,295	706	49,001
Fair value of investments at 30 April	1,041,424	3,831	1,045,255	719,975	2,602	722,577

* The hierarchy of investments is described in note 2(c)(i) and below. No investments held in 2021 or 2020 were valued in accordance with Level 2.

Level 1 includes investments listed on any recognised stock exchange or quoted on AIM in the UK.
Level 2 includes investments for which the quoted price has been suspended.
Level 3 includes unquoted investments, which are held at Directors' valuation.

The level 3 investment consists of Australian New Horizons Fund. This is valued based on the NAV as calculated at the balance sheet date. No adjustments have been deemed necessary to the NAV as it reflects the fair value of the underlying investments, as such no specific unobservable inputs have been identified.
A full list of investments is set out on pages 34 to 36.

Gains/(losses) on investments

	2021 £'000s	2020 £'000s
Gains on investments sold during the year	62,162	25,792
Gains/(losses) on investments held at year end	263,999	(146,917)
Transaction costs	(460)	(453)
Total gains/(losses) on investments	325,701	(121,578)

Substantial interests

At 30 April 2021 the Company held more than 3% of the following undertaking held as an investment which, in the opinion of the Directors, did not represent a participating interest:

Investment and share class	Country of registration, incorporation and operation	Number of unit/shares held	Holding*
Australian New Horizons Fund	Australia	2,650,017	39.50%

*The company neither has a controlling interest nor participates in the management of this undertaking. This holding is held as part of the Investment portfolio.

11. Debtors

	2021 £'000s	2020 £'000s
Investment debtors	**5,120**	196
Overseas taxation recoverable	**662**	705
Prepayments and accrued income	**1,239**	478
	7,021	1,379

12. Creditors: amounts falling due within one year

Bank Loans Non-instalment debt payable on demand or within one year	2021 £'000s	2020 £'000s
Euro loan EUR 9.8 million repayable May 2021	**8,521**	–
	8,521	–

In September 2020 the Company entered into a new £35m revolving credit facility expiring September 2021, replacing the previous facility. As at 30 April 2021 EUR9.8m was drawn down to 6 May 2021. The interest rate on the amounts drawn down are based on the commercial terms agreed with the bank. Commitment fees are payable on undrawn amounts at commercial rates. The Directors consider that the carrying value of the loan is equivalent to its fair value. No overdraft was outstanding at the year end.

13. Creditors: amounts falling due within one year

Creditors	2021 £'000s	2020 £'000s
Investment creditors	**6,648**	2,100
Interest accrued on bank loans	**181**	178
Share buybacks outstanding	**746**	743
Management fee accrued	**412**	292
Accruals and deferred income	**130**	171
	8,117	3,484

14. Convertible Unsecured Loan Stock ('CULS')

	2021 £'000s	2020 £'000s
Balance brought forward	**–**	15,549
Transfer to share capital and share premium on conversion of CULS	**–**	(15,717)
Amortised costs	**–**	168
Balance carried forward	**–**	–

The CULS matured on 31 July 2019.

15. Creditors: amounts falling due after more than one year

Loan notes	2021 £'000s	2020 £'000s
Loan notes £35 million repayable August 2039	35,000	35,000

In August 2019 the Company issued fixed rate 2.26% senior unsecured notes of £35 million sterling denominated loan notes expiring in August 2039. The fair value of the long-term loan at 30 April 2021 was £35,896,000 based on the equivalent reference benchmark gilt.

16. Share capital

Equity share capital	Shares held in treasury Number	Shares entitled to dividend Number	Total shares in issue Number	Issued and fully paid nominal £'000s
Ordinary shares of 2.5p each				
Balance at 30 April 2020	16,425,239	604,108,531	620,533,770	15,513
Shares repurchased by the Company and held in treasury	28,455,955	(28,455,955)	–	–
Balance carried forward	44,881,194	575,652,576	620,533,770	15,513

During the year, 28,455,955 ordinary shares of 2.5p each were repurchased and held in treasury, incurring a cost of £37,243,000. Since the year end, and up to 16 June 2021, a further 2,740,981 ordinary shares have been repurchased and held in treasury.

17. Share premium account

	2021 £'000s	2020 £'000s
Balance brought forward	212,639	196,856
Transfer from CULS liability on conversion of CULS	–	15,323
Transfer from equity component of CULS on conversion of CULS	–	506
Expenses relating to sub-division of shares and broker	–	(46)
Balance carried forward	212,639	212,639

18. Capital redemption reserve

	2021 £'000s	2020 £'000s
Balance brought forward and carried forward	16,158	16,158

19. Equity component of CULS

	2021 £'000s	2020 £'000s
Balance brought forward	–	506
Transfer to share premium on conversion of CULS	–	(506)
Balance carried forward	–	–

20. Other reserves

	Capital reserve arising on investments sold £'000s	Capital reserve arising on investments held £'000s	Capital reserves – total £'000s	Revenue reserve £'000s
Movements in the year				
Gains on investments sold in year (see note 10)	62,162	–	62,162	–
Losses on investments held at year end (see note 10)	–	263,999	263,999	–
Transaction costs	(460)	–	(460)	–
Dividends charged to capital	762	–	762	–
Foreign exchange losses	(1,737)	–	(1,737)	–
Repurchase of shares	(37,243)	–	(37,243)	–
Expenses relating to broker	(15)	–	(15)	–
Management fee charged to capital (see note 4)	(3,174)	–	(3,174)	–
Other expenses charged to capital (see note 5)	(27)	–	(27)	–
Finance costs charged to capital (see note 6)	(598)	–	(598)	–
Net revenue after tax for the year	–	–	–	7,416
Net return attributable to ordinary shareholders	19,670	263,999	283,669	7,416
Dividends paid in the year (see note 9)	–	–	–	(10,092)
	19,670	263,999	283,669	(2,676)
Balance brought forward	415,281	49,001	464,282	17,923
Balance carried forward	434,951	313,000	747,951	15,247

Included within the capital reserve movement for the year are £360,000 (2020: £339,000) of transaction costs on purchases of investments, £100,000 (2020: £114,000) of transaction costs on sales of investments and £762,000 (2020: £1,442,000) of distributions received recognised as capital.

21. Net asset value per ordinary share

	2021	2020
Basic with debt at par value		
Net assets attributable at the year end – £'000s	1,007,508	726,515
Number of ordinary shares in issue at the year end	575,652,576	604,108,531
Net asset value per share – pence	175.02	120.26

	2021	2020
Basic with debt at fair value		
Net assets attributable at the year end – £'000s	1,007,508	726,515
Add back: Debt at par – £'000s	43,521	35,000
Deduct: Debt at fair value (see note 15) – £'000s	(44,417)	(38,385)
Net assets with debt at fair value – £'000s	1,006,612	723,130
Number of ordinary shares in issue at the year end	575,652,576	604,108,531
Net asset value per share – pence	174.86	119.70

22. Reconciliation of total return before finance costs and taxation to net cash flows from operating activities

	2021 £'000s	2020 £'000s
Net return on ordinary activities before taxation	329,008	(112,981)
Adjustments for returns from non-operating activities		
(Gains)/losses on investments	(325,701)	121,578
Foreign exchange losses	1,743	19
Non-operating expenses of a capital nature	27	23
Return from operating activities	5,077	8,639
Adjustments for non-cash flow items, dividend income and interest expense		
Decrease/(increase) in prepayments and accrued income	47	(73)
Increase/(decrease) in creditors	84	(8)
Dividends receivable	(9,848)	(13,391)
Interest payable	797	1,305
Dividends charged to capital from corporate action	–	(1,286)
Amortised costs	–	168
Overseas taxation	(594)	(1,158)
Cash used in operating activities before dividends received and interest paid	(4,437)	(5,804)

23. Analysis of changes in net debt

	Cash £'000s	Bank loans £'000s	Loan notes £'000s	Total £'000s
Opening net debt at 30 April 2020	41,043	–	(35,000)	6,043
Cash-flows:				
Drawdown of bank loans	–	(8,370)	–	(8,370)
Net movement in cash and cash equivalents	(32,581)	–	–	(32,581)
Non-cash:				
Effect of foreign exchange movements	(1,592)	(151)	–	(1,743)
Closing net debt at 30 April 2021	6,870	(8,521)	(35,000)	(36,651)

24. Transactions with related parties and Manager

The following are considered related parties: the Board of Directors (the 'Board'), the Manager (including fellow members of BMO.)

There are no transactions with the Board, who are the key management personnel of the Company, other than: aggregated remuneration for services as Directors as disclosed in the Remuneration Report on page 51, and as set out in note 5; and the beneficial interests of the Directors in the ordinary shares of the Company as disclosed on page 50. There are no outstanding balances with the Board at the year end. There were no transactions with the BMO Group other than those detailed in note 4 on management fees, note 10, where investments managed by BMO GAM are disclosed and note 13, where accrued management fees are disclosed.

25. Financial Risk Management

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

The Company invests in smaller companies worldwide in order to secure a high total return. In pursuing the objective, the Company is exposed to financial risks which could result in a reduction of either or both of the value of the net assets and the profits available for distribution by way of dividend. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit. The Board, together with the Manager, is responsible for the Company's risk management. The Directors' policies and processes for managing the financial risks are set out in (a), (b) and (c) below.

The accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 2 to the Accounts. The policies are in compliance with UK accounting standards and include the valuation of financial assets and liabilities at fair value, except as noted in (d) below. The Company does not make use of hedge accounting rules.

(a) Market risks

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. The Board sets policies for managing these risks within the Company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Manager assesses exposure to market risks when making each investment decision and monitors ongoing market risk within the portfolio.

The Company's other assets and liabilities may be denominated in currencies other than sterling and may also be exposed to interest rate risks. The Manager and the Board regularly monitor these risks. The Company aims to be fully invested, only holding cash to cater for short-term trading and business requirements. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the Company's exposure to future changes in exchange rates. Gearing may be short or long-term, in sterling and foreign currencies, and enables the Company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility.

The Board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency Exposure

The principal currencies to which the Company was exposed, and the relevant exchange rates against sterling, are analysed below:

		2021		2020
	At 30 April 2021	Average for the year	At 30 April 2020	Average for the year
US dollar	1.3846	1.3237	1.2614	1.2708
Euro	1.1502	1.1265	1.1516	1.1458

Based on the financial assets and liabilities held and the exchange rates applying at the balance sheet date, a weakening or strengthening of sterling against each of the principal currencies by 10% would have the following approximate effect on returns attributable to equity shareholders and on the net asset value ('NAV') per share:

Weakening of sterling by 10%

		2021		2020
	US$ £'000s	€ £'000s	US$ £'000s	€ £'000s
Net revenue return attributable to equity shareholders	349	99	453	184
Net capital return attributable to equity shareholders	50,667	7,919	34,090	9,835
Net total return attributable to equity shareholders	51,016	8,018	34,543	10,019
Net asset value per share (basic) – pence	8.86	1.39	5.72	1.66

Strengthening of sterling by 10%

	2021 US$ £'000s	2021 € £'000s	2020 US$ £'000s	2020 € £'000s
Net revenue return attributable to equity shareholders	(285)	(81)	(371)	(150)
Net capital return attributable to equity shareholders	(41,455)	(6,479)	(27,892)	(8,047)
Net total return attributable to equity shareholders	(41,740)	(6,560)	(28,263)	(8,197)
Net asset value per share (basic) – pence	(7.25)	(1.14)	(4.68)	(1.36)

These analyses are presented in sterling and are representative of the Company's activities although the level of the Company's exposure to currencies fluctuates in accordance with the investment and risk management processes. This level of change is considered to be a reasonable illustration based on observation of current market conditions.

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

2021	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Loan notes £'000s	Unsecured Loans £'000s	Net monetary (liabilities)/ assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	1,239	4,202	(2,013)	(35,000)	–	(31,572)	393,293	361,721
US dollar	4,336	2,225	(6,104)	–	–	457	455,544	456,001
Euro	959	443	–	–	(8,521)	(7,119)	78,312	71,193
Other	487	–	–	–	–	487	118,106	118,593
Total	7,021	6,870	(8,117)	(35,000)	(8,521)	(37,747)	1,045,255	1,007,508

2020	Short-term debtors £'000s	Cash at bank and short-term deposits £'000s	Short-term creditors £'000s	Loan notes £'000s	Unsecured Loans £'000s	Net monetary (liabilities)/ assets £'000s	Investments £'000s	Net exposure £'000s
Sterling	478	15,941	(2,739)	(35,000)	–	(21,320)	267,356	246,036
US dollar	–	22,135	(388)	–	–	21,747	285,062	306,809
Euro	901	2,967	(357)	–	–	3,511	85,008	88,519
Other	–	–	–	–	–	–	85,151	85,151
Total	1,379	41,043	(3,484)	(35,000)	–	3,938	722,577	726,515

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate movements at 30 April were:

	Within one year £'000s	More than one year £'000s	2021 Net Total £'000s	Within one year £'000s	More than one year £'000s	2020 Net Total £'000s
Exposure to floating rates – cash	6,870	–	6,870	41,043	–	41,043
Exposure to fixed rates – Loans	(8,521)	(35,000)	(43,521)	–	(35,000)	(35,000)
Net exposure	(1,651)	(35,000)	(36,651)	41,043	(35,000)	6,043

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

Interest received on cash balances, or paid on bank overdrafts and borrowings, is at ruling market rates. The interest rate applied on the Loan is set out in note 15. There were no holdings in fixed interest investment securities during the year or at the year end.

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

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

	2021 Increase in rate £'000s	2021 Decrease in rate £'000s	2020 Increase in rate £'000s	2020 Decrease in rate £'000s
Revenue return	**137**	**(137)**	821	(821)
Capital return	**–**	**–**	–	–
Total return	**137**	**(137)**	821	(821)
NAV per share – pence	**0.02**	**(0.02)**	0.14	(0.14)

The calculations in the table above which are based on the financial assets and liabilities held at each balance sheet date, are not representative of the year as a whole, nor are they reflective of future market conditions.

Other market risk exposures

The Company did not enter into derivative transactions in managing its exposure to other market risks (2020: same). The portfolio of investments, valued at £1,045,255,000 at 30 April 2021 (2020: £722,577,000) is therefore exposed to market price changes. The Manager assesses these exposures at the time of making each investment decision. The Board reviews overall exposures at each meeting against indices and other relevant information. An analysis of the portfolio by geographical region and major industrial sector is set out on pages 5 and 12.

Based on the portfolio of investments held at each balance sheet date, and assuming other factors remain constant, a decrease or increase in the fair values of the portfolio by 20% would have had the following approximate effects on the net capital return attributable to equity shareholders and on the NAV:

	2021 Increase in value £'000s	2021 Decrease in value £'000s	2020 Increase in value £'000s	2020 Decrease in value £'000s
Capital return	**209,051**	**(209,051)**	144,515	(144,515)
NAV per share – pence	**36.32**	**(36.32)**	23.92	(23.92)

This level of change is considered to be a reasonable illustration based on observation of current market conditions.

(b) Liquidity risk exposure

The Company is required to raise funds to meet commitments associated with financial instruments and share buybacks. These funds may be raised either through the realisation of assets or through increased borrowing. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given: the large number of quoted investments held in the Company's portfolio, 195 at 30 April 2021 (2020: 187); the liquid nature of the portfolio of investments; and the industrial and geographical diversity of the portfolio. Cash balances are held with reputable banks, usually on overnight deposit. The Company does not normally invest in derivative products. The Manager reviews liquidity at the time of making each investment decision. The Board reviews liquidity exposure at each meeting.

The Company has a £35 million unsecured revolving floating rate credit facility available until September 2021. The Company issued unsecured notes of £35 million expiring in August 2039.

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

2021	Three months or less £'000s	More than three months but less than one year £'000s	More than one year £'000s	Total £'000s
Current liabilities:				
Creditors	7,935	–	–	7,935
Loans	8,521	–	–	8,521
Interest payable on Loans	5	–	–	5
Loan notes	–	–	35,000	35,000
Interest payable on Loan notes	–	396	14,238	14,634
	16,461	396	49,238	66,095
2020				
Current liabilities:				
Creditors	3,306	–	–	3,306
Loan notes	–	–	35,000	35,000
Interest payable on Loan notes	–	396	15,029	15,425
	3,306	396	50,029	53,731

(c) Credit risk and counterparty exposure

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

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

The Company has an ongoing contract with its Custodian for the provision of custody services. The contract was reviewed and updated in 2017. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Custodian has a lien over the securities in the account, enabling it to sell or otherwise realise the securities in satisfaction of charges due under the agreement. The Depositary has regulatory responsibilities relating to segregation and safekeeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depositary and receives regular reports from it via the Manager.

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

The Company had no credit-rated bonds or similar securities or derivatives in its portfolio at the year end (2020: none) and does not normally invest in them. None of the Company's financial liabilities are past their due date or impaired.

(d) Fair values of financial assets and liabilities

The assets and liabilities of the Company are, in the opinion of the Directors, reflected in the Balance Sheet at fair value, or at a reasonable approximation thereof, except for the loan notes which are carried at amortised cost.

The fair value of the loan notes is set in note 15.

The fair value of investments quoted on active markets is determined directly by reference to published price quotations in those markets. Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data. The Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investments.

(e) Capital risk management

The structure of the Company's capital is described in note 16 on page 75 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 64.

The objective of the Company is stated as investing in smaller companies worldwide in order to secure a high total return. In pursuing this long-term objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to: issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year revenue earnings as well as out of brought forward revenue reserves and capital reserves.

The Company's objectives, policies and procedures for managing capital are unchanged from last year.

There were no breaches by the Company during the year of the financial covenants put in place in respect of the revolving credit facility provided to the Company, or in respect of the loan notes issued by the Company in August 2019.

These requirements are unchanged since last year and the Company has complied with them at all times.

26. AIFMD

In accordance with the AIFMD, information in relation to the Company's leverage and the remuneration of the Company's AIFM 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 actual leverage levels at 30 April 2021 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	104%	104%

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. Further information on the AIFMD can be found on page 87.

27. Securities financing transactions ('SFT')

The Company has not, in the year to 30 April 2021 (2020: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the UK regulations on transparency of SFT, issued in November 2015.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty second Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2A 2NY on Thursday, 12 August 2021 at 2.00 p.m. for the following purposes:

Ordinary Resolutions:

To consider and, if thought fit, pass the following resolutions 1 to 12 as ordinary resolutions:

1. To receive and adopt the Directors' report and accounts for the year ended 30 April 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Remuneration Report.
4. To declare a final dividend of 1.20 pence per share.
5. To re-elect Nick Bannerman as a Director.
6. To re-elect Graham Oldroyd as a Director.
7. To re-elect Anja Balfour as a Director.
8. To re-elect Josephine Dixon as a Director.
9. To re-elect David Stileman as a Director.
10. To reappoint BDO LLP as auditors to the Company.
11. To authorise the Audit and Management Engagement Committee to determine the remuneration of the auditors.
12. Authority to allot shares.

THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the **'Act'**), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company (together being **'relevant securities'**) up to an aggregate nominal amount of £1,432,279 (representing approximately 10% of the issued share capital of the Company (excluding treasury shares) at the date of this notice), during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting of the Company in 2022 or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless previously revoked, varied or extended by the Company in a general meeting (the **'relevant period'**); save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require relevant securities to be allotted after the expiry of the relevant period and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

Special Resolutions:

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

13. Disapplication of pre-emption rights

THAT, subject to the passing of resolution 12 above and in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authority conferred by resolution 12 for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment or transfer, provided this power shall be limited to:

a) the allotment of equity securities in connection with an offer of equity securities:
   (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
   (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

b) the allotment (otherwise than under paragraph (a) of this Resolution 13) of equity securities up to an aggregate nominal amount of £1,432,279 and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution (whichever is the earlier), unless extended by the Company in a general meeting (**'the relevant period'**) save that the Company may at any time prior to the expiry of this authority make offers or enter into agreements which would or might require equity securities to be allotted or transferred after the expiry of the relevant period and notwithstanding such expiry the Directors may allot or transfer equity securities in pursuance of such offers or agreements.

14. Share buyback authority

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 Act, to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

a) the maximum number of ordinary shares hereby authorised to be purchased shall be 85,879,448 or, if less, 14.99% of the number of ordinary shares in issue (excluding treasury shares) as at the date of the passing of this resolution;
b) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 2.5p;
c) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased, and (ii) an amount equal to the higher of the price of the last independent trade for an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out;
d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution (whichever is earlier), unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
e) the Company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase ordinary shares under such authority which will or may be completed or executed wholly or partly after the expiration of such authority and the Company may purchase ordinary shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

15. General Meeting Notice

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.

By Order of the Board
BMO Investment
Business Limited
Company Secretary
28 June 2021

Registered office:
Exchange House
Primrose Street
London EC2A 2NY

Registered number: 28264

Notes:

1. Given the current situation in relation to the Covid-19 pandemic and in particular Government guidelines in relation to public gatherings and social distancing, the Board is concerned for the safety and wellbeing of shareholders. **Therefore shareholders are strongly encouraged not to attend the Annual General Meeting ('AGM') on health and safety grounds.** Shareholders will have had the opportunity to hear from the Lead Manager and ask questions of the Board at an online shareholder meeting in advance of the AGM, to be held on 29 July 2021. This year's AGM will, unfortunately, be held with only the minimum quorum present, in order to conduct the formal business of the meeting.
2. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.
3. Any person holding 3% or more of the voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such person complies with their respective disclosure obligations under the DTRs.
4. A Form of Proxy is provided with this notice for members. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Computershare Investor Services PLC on 0370 889 4088. To be valid, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so. Amended instructions must also be received by the Company's registrars by the deadline for receipt of Forms of Proxy.
5. Alternatively, members may register the appointment of a proxy for the meeting electronically, by accessing the website eproxyappointment.com where full instructions for the procedure are given. The Control Number, Shareholder Reference and PIN as printed on the Form of Proxy will be required in order to use the electronic proxy appointment system. This website is operated by Computershare Investor Services PLC. The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by Computershare Investor Services PLC not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. If you want to appoint more than one proxy electronically please contact Computershare Investor Services PLC on 0370 889 4088.
6. Investors holding shares in the Company through the BMO Investment Trust ISA, Junior ISA, Child Trust Fund, General Investment Account and/or Junior Investment Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 12.00 noon on 5 August 2021. Alternatively, voting directions can be submitted electronically at eproxyappointment.com by entering

the Control Number, Shareholder Reference Number and PIN as printed on the form of direction. Voting directions must be submitted electronically no later than 12.00 noon on 5 August 2021.

7. Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a 'Nominated Person') should note that the provisions in notes 1, 3 and 4 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
8. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps, the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
9. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Act, the Company has specified that only those members registered on the register of members of the Company at 11 p.m. on 10 August 2021 (the 'Specified Time') (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 11 p.m. on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in notes 3 and 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (euroclear.com/CREST).
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
15. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    a) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or
    b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.
16. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
17. Any member attending the meeting has the right to ask questions. However, members should note that no answer need be given in the following circumstances:

a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
b) if the answer has already been given on a website in the form of an answer to a question; or
c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

18. As at 16 June 2021, being the last practicable date prior to the printing of this notice, the Company's issued capital (excluding the shares held in treasury) consisted of 572,911,595 ordinary shares of 2.5 pence each carrying one vote each. Therefore, the total voting rights in the Company as at 16 June 2021 are 572,911,595.
19. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 16 June 2021, being the latest practicable date prior to the printing of this notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice, will be available at bmoglobalsmallers.com.
20. Any electronic address provided either in this notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
21. Copies of the letters of appointment between the Company and its Directors; the register of Directors' holdings; and a deed poll relating to Directors' indemnities will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 15 minutes prior to the commencement of the meeting to the conclusion thereof. **In view of the ongoing Covid-19 pandemic and the attendance arrangements at this year's AGM, please contact us by email at gscagm@bmogam.com if you would like to inspect any documents.**
22. No Director has a service agreement with the Company.
23. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company:

    a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
    b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved or a matter may properly be included in the business unless:

    a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise),
    b) it is defamatory of any person or
    c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 1 July 2021, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Additional Information for Shareholders

Alternative Investment Fund Managers Directive

The Company is an 'alternative investment fund' (**'AIF'**) for the purposes of the AIFMD and has appointed its Manager, BMO Investment Business Limited, to act as its Alternative Investment Fund Manager (**'AIFM'**). The Manager is authorised and regulated by the United Kingdom Financial Conduct Authority as a 'full scope UK AIFM'.

The Company is required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within the Investor Disclosure Document (**'IDD'**) which can be found on the Company's website, bmoglobalsmallers.com There have not been any material changes to the disclosures contained within the IDD since it was last updated in February 2021.

The Company and AIFM also wish to make the following disclosures to investors:

- the investment strategy, geographic and sector investment focus and principal stock exposures are included in the strategic report. A list of the thirty largest listed holdings is included on pages 32 and 33;
- none of the Company's assets is subject to special arrangements arising from their illiquid nature;
- the strategic report and note 25 to the Accounts set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the year under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures that it employs;
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code in respect of the AIFM's remuneration. The relevant disclosures required are within the IDD; and
- information in relation to the Company's leverage is contained within the IDD.

Following completion of an assessment of the application of the proportionality principle to the FCA's AIFM Remuneration Code, the AIFM has disapplied the pay-out process rules with respect to it and any of its delegates. This is because the AIFM considers that it carries out non-complex activities and is operating on a small scale.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at bmoglobalsmallers.com. This document has been produced in accordance with the EU's Packaged Retail and Insurance-based Investment Products Regulations.

Net asset value and share price

The Company's net asset value is released daily, on the working day following the calculation date, to the London Stock Exchange. The current share price of BMO Global Smaller Companies PLC is shown in the investment trust section of the stock market page in most leading newspapers.

UK capital gains tax ('CGT')

An approved investment trust company does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £12,300 in the tax year ending 5 April 2022 without incurring any tax liability.

A rate of CGT of 10% will apply where taxable income and gains do not exceed the income tax higher rate threshold (£37,700 in 2021-22 tax year). A higher rate of 20% will apply to those whose income and gains exceed this figure.

Income tax

The final dividend of 1.20 pence per share is payable on 16 August 2021. Since April 2018 the annual tax-free allowance to UK residents on dividend income received in their entire share portfolios is £2,000. Dividend income received in excess of this amount will be taxed at rates of 7.5% (basic rate taxpayers), 32.5% (higher rate taxpayers) or 38.1% (additional rate taxpayers).

Unclaimed dividends

The Company has engaged the services of Georgeson (a subsidiary of Computershare) to locate shareholders, or their beneficiaries, who have lost track of or are unaware of their investments. The service is provided at no cost to the Company; Georgeson retain 10% of unclaimed dividends from the shareholder on completion of each successful claim. Alternatively, shareholders are given the option of contacting the Registrar themselves, thereby incurring no charges.

Management and Advisers

The Management Company

BMO Global Smaller Companies PLC (the **'Company'**) is managed by BMO Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) PLC which is ultimately owned by Bank of Montreal. BMO Investment Business Limited is appointed under an investment management agreement with the Company, setting out its responsibilities for investment management, administration and marketing. The Manager undertakes ESG matters through BMO Asset Management Limited, which together are defined as BMO Global Asset Management (**'BMO GAM'**). They are both authorised and regulated by the Financial Conduct Authority.

The Manager also acts as the Alternative Investment Fund Manager.

Peter Ewins, Lead Manager. Responsible for the allocation of the assets on a regional basis and for the construction of the investment portfolio. He joined BMO GAM in 1996.

Jonathan Latter Represents the Manager as Company Secretary and is responsible for the Company's statutory and regulatory compliance. He joined BMO GAM in January 2021.

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

Company Secretary and Registered Office

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

Telephone: 020 7628 8000
Facsimile: 020 7628 8188
Website: bmoglobalsmallers.com
Email: globalsmallerscosec@bmogam.com

Independent Auditors

BDO LLP
(**'BDO'** or the **'auditors'**)
55 Baker Street
London W1U 7EU

Custodian

JPMorgan Chase Bank (the **'Custodian'**)
25 Bank Street
Canary Wharf
London E14 5JP

Depositary

JPMorgan Europe Limited (the **'Depositary'**)
25 Bank Street
Canary Wharf
London E14 5JP

Share Registrars

Computershare Investor Services PLC
(the **'Registrar'**)
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: 0370 889 4088
Authorised and regulated in the UK by the Financial Conduct Authority.

Solicitors

Dickson Minto WS
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Stockbroker

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

How to Invest

One of the most convenient ways to invest in BMO Global Smaller Companies PLC is through one of the savings plans run by BMO.

BMO ISA

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

BMO Junior ISA (JISA)*

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

BMO Lifetime ISA (LISA)

For those aged 18-39, a Lifetime ISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

BMO Child Trust Fund (CTF)*

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

BMO General Investment Account (GIA)

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

BMO Junior Investment Account (JIA)

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

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

bmoinvestments.co.uk

facebook.com/bmoinvestmentsuk

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

Charges

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

Annual account charge

ISA/LISA: £60+VAT
GIA: £40+VAT
JISA/JIA/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

£12 per fund (reduced to £0 for deals placed through the online BMO Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits.
Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).
The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales Cost & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to invest into.

HOW TO INVEST

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

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

New Customers:
Call: 0800 136 420**
(8:30am – 5:30pm, weekdays)
Email: info@bmogam.com

Existing Plan Holders:
Call: 0345 600 3030**
(9:00am – 5:00pm, weekdays)
Email: investor.enquiries@bmogam.com
By post: BMO Administration Centre
PO Box 11114
Chelmsford CM99 2DG

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

BMO Asset Management Limited

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 737510_L56_05/21_UK

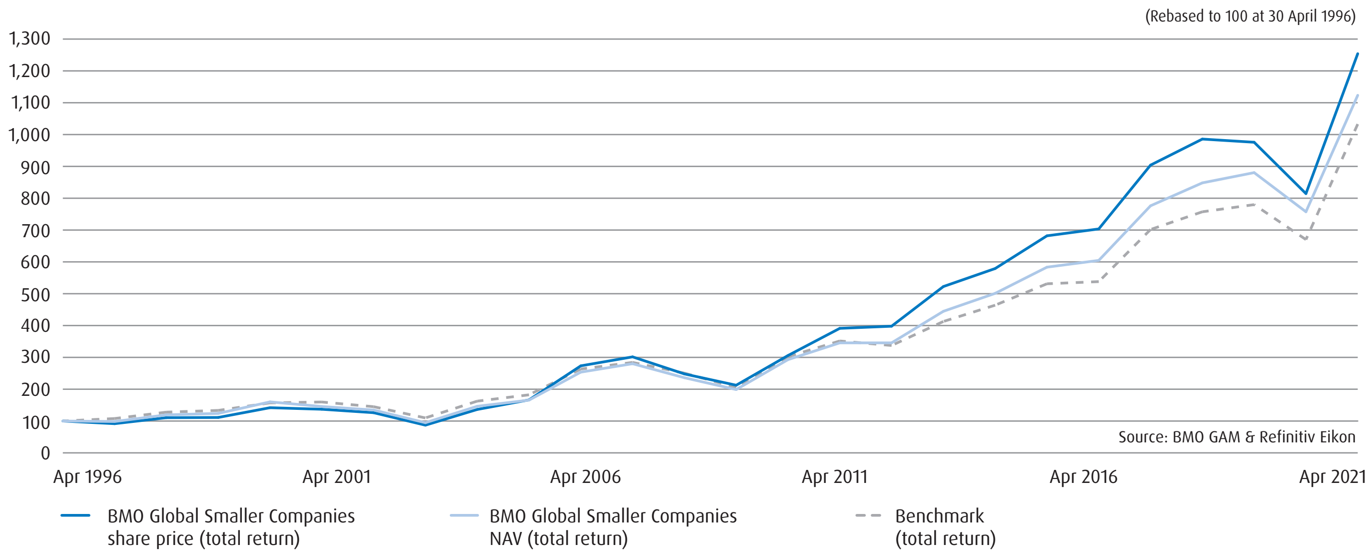
25 Year Historical Information

All data is based on figures as reported in accordance with the Company's accounting policies and is unaudited but derived from the audited Accounts.

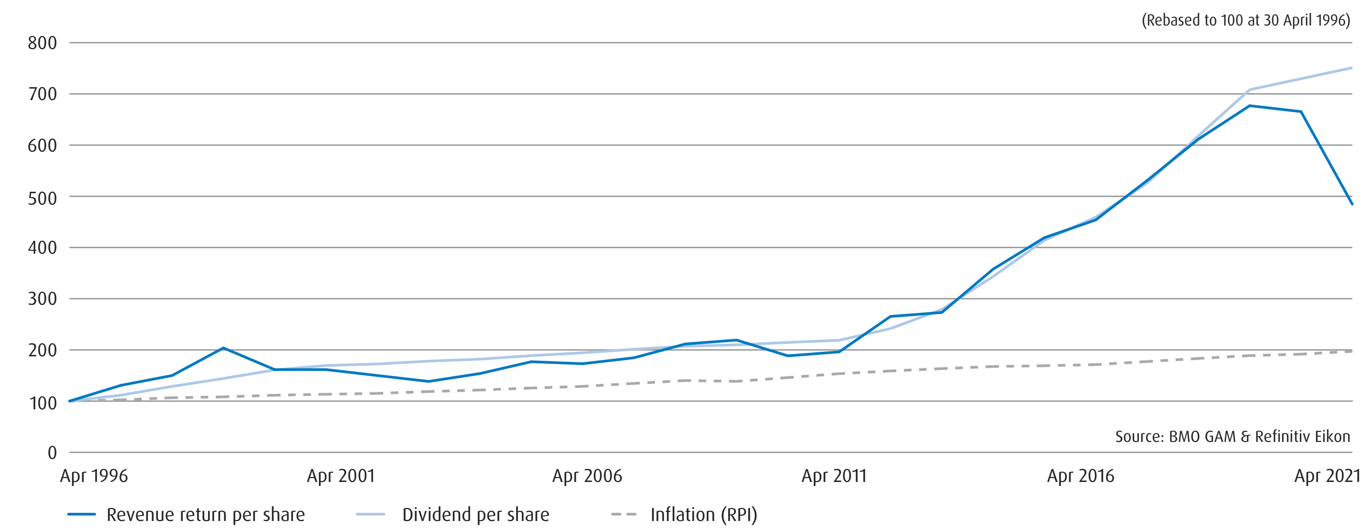
at 30 April	Net assets £'000s	Net asset value per share pence [i]	Closing share price pence [i]	Premium/ (discount) %	Revenue return per share pence [i]	Dividend per share pence [i]	Dividend growth %	Inflation (RPI) %
1996	226,938	21.7	19.4	(10.7)	0.26	0.233	10.4	2.4
1997	219,388	21.0	17.5	(16.7)	0.34	0.260	11.6	2.4
1998	261,706	25.0	20.6	(17.4)	0.39	0.300	15.4	4.0
1999	265,440	25.5	20.4	(20.3)	0.53	0.336	12.0	1.6
2000	313,128	32.5	25.5	(21.5)	0.42	0.375	11.6	3.0
2001	274,930	29.2	24.3	(16.9)	0.42	0.395	5.3	1.8
2002	246,300	26.6	21.9	(17.5)	0.39	0.402	1.8	1.5
2003	167,945	18.3	14.7	(19.7)	0.36	0.415	3.2	3.1
2004	235,390	27.7	22.4	(19.1)	0.40	0.424	2.2	2.5
2005	264,398	31.1	26.9	(13.7)	0.46	0.440	3.8	3.2
2006	227,652	47.1	43.5	(7.6)	0.45	0.453	3.0	2.6
2007	239,574	51.2	47.3	(7.6)	0.48	0.469*	3.5	4.5
2008	188,100	42.8	38.5	(8.6)	0.55	0.483	3.0	4.2
2009	150,994	36.0	32.5	(7.4)	0.57	0.489	1.2	(1.2)
2010	208,384	51.8	46.1	(9.6)	0.49	0.500	2.2	5.3
2011	241,604	60.3	58.4	(2.1)	0.51	0.510	2.0	5.2
2012	246,776	59.6	58.8	(0.4)	0.69	0.563	10.4	3.5
2013	340,090	75.6	76.5	1.6	0.71	0.650	15.5	2.9
2014	431,086	84.2	84.0	(0.1)	0.93	0.800	23.1	2.5
2015	516,963	97.0	98.0	1.0	1.09	0.965	20.6	0.9
2016	553,192	99.5	100.1	0.7	1.18	1.070	10.9	1.3
2017	733,282	126.4	127.3	0.8	1.38	1.225	14.5	3.5
2018	826,831	136.9	137.5	0.5	1.59	1.440	17.6	3.4
2019	854,619	140.6	134.6	(4.3)	1.76	1.650	14.6	3.0
2020	726,515	119.7	111.0	(7.3)	1.73	1.700	3.0	1.5
2021	1,007,508	174.9	168.6	(3.6)	1.26	1.750[2]	3.0	2.9

* Excludes special dividend of 0.1p also paid[i]
[i] Comparative figures for the years prior to 2020 have been restated due to the sub-division of each existing ordinary share of 25p into ten new ordinary shares of 2.5p each on 31 October 2019.
[2] Subject to approval of the final dividend of 1.20p at the 2021 AGM.

Net asset value and share price performance vs Benchmark over 25 years



Revenue return and dividend per share vs inflation over 25 years



Alternative Performance Measures

The Company uses the following Alternative Performance Measures (**'APMs'**) throughout the annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative detailed below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to the shareholders in order to assess the Company's performance between reporting periods and against its peer group.

Discount or 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 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. Shares trading at a price above NAV per share are said to be at a premium. The Board of the Company tries to ensure that the shares trade, in normal market conditions, at around the value of the net assets. This is done by means of buying shares from sellers at the below-NAV price (and placing them in treasury or cancelling them) or selling new shares to shareholders at a premium to NAV. The Board's policy is set out on page 35.

		30 April 2021 pence	30 April 2020 pence
Net Asset Value per share	(a)	174.86	119.70
Share price per share	(b)	168.60	111.00
(Discount)/Premium (c= (b-a)/a)	(c)	(3.6)%	(7.3)%

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

		30 April 2021 £'000	30 April 2020 £'000
Loan notes		35,000	35,000
Loans		8,521	–
	(a)	43,521	35,000
Less Cash and cash equivalents		(6,870)	(41,043)
Less Investment debtors		(5,120)	(196)
Add Investment creditors		6,648	2,100
Total	(b)	38,179	(4,139)
Net Asset Value	(c)	1,007,508	726,515
Effective gearing (d= b/c)	(d)	3.8%	(0.6)%
Fully invested gearing (e= a/c)	(e)	4.3%	4.8%

Net Asset Value (NAV) – the assets less liabilities of the Company, as set out in the Balance Sheet, all valued in accordance with the Company's Accounting Policies (see note 2 to the Accounts) and UK Accounting Standards. The net assets correspond to Total Shareholders' Funds, which comprise the share capital account, capital redemption reserve and capital and revenue reserves. (See calculation in note 21 to the Accounts.)

Net Asset Value (NAV) with Debt at Fair Value – the Company's debt is valued in the Balance Sheet (on page 65) at cost, which is equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current replacement or fair value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Market Value' or 'Debt at Fair Value'. See calculation in note 21 to the Accounts.

Ongoing Charges – all operating costs expected to be regularly incurred and that are payable by the Company or suffered within underlying investee fund, expressed as a proportion of the average net assets of the Company over the reporting year (see Ten Year Record). The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing ordinary shares.

Ongoing Charges calculation		30 April 2021 £'000	30 April 2020 £'000
Management fees		4,232	4,157
Other expenses		899	1,159
Less loan commitment/arrangement fees and one off costs		(132)	(292)
Underlying costs of collective investments		1,730	1,369
Total	(a)	6,729	6,393
Average daily net assets	(b)	856,186	850,747
Ongoing Charges (c= a/b)	(c)	0.78%	0.75%

Total Expense Ratio (TER) – an alternative measure of expenses to Ongoing Charges. It comprises all operating costs incurred in the reporting period by the Company (see notes 4 and 5 (pages 70 and 71) to the Accounts), calculated as a percentage of the average net assets in that year (see Ten Year Record). Operating costs exclude costs suffered within underlying investee funds, costs of buying and selling investments and derivatives, interest costs, taxation and the costs of buying back or issuing ordinary shares.

TER calculation		30 April 2021 £'000	30 April 2020 £'000
Management fees		4,232	4,157
Other expenses		899	1,159
Less loan commitment/arrangement fees and one off costs		(132)	(292)
Total	(a)	4,999	5,024
Average daily net assets	(b)	856,186	850,747
TER (c= a/b)	(c)	0.58%	0.59%

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

	NAV	Share price
NAV/Share Price per share at 30 April 2020 (pence)	119.70	111.00
NAV/Share Price per share at 30 April 2021 (pence)	174.86	168.60
Change in the year	46.1%	51.9%
Impact of dividend reinvestments	1.8%	2.1%
Total return for the year	47.9%	54.0%

Glossary of Terms

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

Administrator – The administrator is State Street Bank and Trust Company to which BMO GAM has outsourced trade processing, valuation and middle office tasks and systems.

AIFMD – the Alternative Investment Fund Managers Directive that requires investment vehicles in the European Union to appoint a Depositary and an Alternative Investment Fund Manager.

AIFM – the Alternative Investment Manager appointed by the Board of Directors in accordance with the AIFMD is the Company's Manager, as defined below.

APMs – Alternative Performance Measures are financial measures of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable accounting framework. Guidelines published by the European Securities and Markets Authority aim to improve comparability, reliability and comprehensibility by way of APMs.

BMO – Bank of Montreal, which is the parent company of BMO Asset Management (Holdings) PLC which in turn owns BMO GAM.

BMO GAM – Together, the Manager and its sister company, BMO Asset Management Limited, which operate under the trading name BMO Global Asset Management.

BMO Savings Plans – previously the F&C savings plans, these comprise the BMO General Investment Account, BMO Junior Investment Account, BMO Investment Trust ISA, BMO Junior ISA and BMO Child Trust Fund operated by BMO Asset Management Limited, a company authorised by the Financial Conduct Authority.

Benchmark – a blend of two Indices, namely the MSCI All Country World ex UK Small Cap Index (70%) and the Numis UK Smaller Companies (excluding investment companies) Index (30%). This Benchmark, against which the increase or decrease in the Company's net asset value is compared, measures the performance of a defined selection of smaller companies listed in stock markets around the world and gives an indication of how those companies have performed in any period. Divergence between the performance of the Company and the Benchmark is to be expected as: the investments within this Index are not identical to those of the Company; the Index does not take account of operating costs; and the Company's strategy does not entail replicating (tracking) this Benchmark.

Carbon intensity – this is measured in tons of CO_2 equivalent (ie including the basket of six Kyoto Protocol gases) of Scope 1 and 2 emissions, divided by $1million of sales at a company level. This is aggregated to portfolio level using a weighted average (by holding).

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

CULS – 3.5% Convertible Unsecured Loan Stock 2019 – issued in July 2014 and matured on 31 July 2019.

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

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

Depositary – The Depositary is JPMorgan Europe Limited. Under AIFMD rules, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under the AIFMD rules, 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 buybacks, dividend payments and adherence to investment limits.

Distributable Reserves – Reserves distributable by way of dividend or for the purpose of buying back ordinary share capital (see notes 2, 17, 18 and 20 to the Accounts). Company Law requires that Share Capital and the Capital Redemption Reserve may not be distributed. The Company's articles of association allow distributions by way of dividend out of Capital Reserves. Dividend payments are currently made out of Revenue Reserve. The cost of all share buybacks is deducted from Capital Reserves.

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

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

Hampton-Alexander Review – The independent review body which aims to increase the number of women on FTSE 350 Boards.

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. The Directors Report contains confirmation of the Company's compliance with this law and its consequent exemption from taxation on capital gains.

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

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

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

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.

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

Parker Review Committee – The independent review body which recommends each FTSE 250 company to have at least one director from an ethnic minority background by 2024.

Section 172(1) – Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he considers, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to matters specified in that section. The directors are required to report on this in the Strategic Report section of the Report and Accounts each year.

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

Special Dividends – dividends received from investee companies which have been paid out of capital reconstructions or reorganisations of the investees are sometimes referred to as Special Dividends and may be allocated to Capital Reserves in accordance with the Company's accounting policies and the SORP. Dividends which are unusually large in terms of the investee companies' annual earnings or normal payment pattern are also sometimes referred to as special but are treated as revenue in nature unless evidenced otherwise.

Treasury shares – ordinary shares previously issued by the Company that have been bought back from shareholders on the open market and kept in the Company's own treasury. Such shares may, at a later date, be re-issued for sale on the open market or cancelled if demand is insufficient. treasury shares carry no rights to dividends and have no voting rights and hence are not included within calculations of earnings per share or net asset value per share.

UK Code of Corporate Governance (UK Code 2018) – the standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders that all companies with a Premium Listing on the London Stock Exchange are required to report on in their annual report and accounts.

The United Nations Sustainable Development Goals (SDGs) – These goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The 17 Goals are all interconnected and the aim is to achieve them all by 2030.

The United Nations-supported Principles for Responsible Investment (UNPRI) – The six principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. In implementing them, signatories contribute to developing a more sustainable global financial system.

Analysis of Ordinary Shareholders (unaudited)

Category	Holding % at 30 April 2021	Holding % at 30 April 2020
BMO Savings Plans	**52.5**	51.0
Institutions	**14.2**	11.8
Direct Individuals and Nominees	**33.3**	37.2
	100.0	100.0

Source: BMO GAM.

Warning to Shareholders – Beware of Share Fraud.

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

If you receive unsolicited investment advice or requests:

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

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

BMO
Global Smaller Companies PLC
Report and Accounts 2021

Registered office:

Exchange House, Primrose Street, London EC2A 2NY

020 7628 8000 Fax: 020 7628 8188

bmoglobalsmallers.com

info@bmogam.com

Registrars:

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

0370 889 4088 Fax: 0870 703 6143

computershare.com

web.queries@computershare.co.uk