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BMO Asset Management Limited

(Registered Number 517895)

Annual Report & Financial Statements for the year ended 31 October 2019

Contents

BMO ASSET MANAGEMENT LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:	517895
DIRECTORS:	P J Doel D Logan H C Moir S J Woodyatt
SECRETARY:	W T Clarke
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SOLICITORS:	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
AUDITOR:	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

BMO ASSET MANAGEMENT LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report on BMO Asset Management Limited (the Company) for the year ended 31 October 2019. The Company is an integral part of the BMO Global Asset Management (BMO GAM) business within the BMO Financial Group (BMO).

PRINCIPAL ACTIVITIES

BMO Asset Management Limited is regulated by the Financial Conduct Authority. The principal activities of the Company are the provision of investment management services to pension funds, onshore and offshore open-ended funds and other institutional clients. The Company also provides investment management and certain administrative services to other BMO Asset Management (Holdings) plc Group (the Group) companies, including the Group's activities in the Netherlands. The Company continued as the appointed Investment Adviser for a number of open-ended investment companies (OEICs) for which BMO Fund Management Limited, a fellow Group subsidiary, is the Authorised Corporate Director (ACD).

As part of the Group's Brexit restructuring activity during 2019, outlined below, BMO Asset Management Netherlands B.V. (BMO NL), as the Alternative Investment Fund Manager (AIFM) to the Group's Luxembourg-based Alternative Investment Funds (AIFs), appointed the Company as the portfolio manager to these funds. The Company's overseas branches located in Germany, Sweden, Spain, France and Italy were all closed during the year ended 31 October 2019, as part of the Group's Brexit restructuring.

As previously reported, the Company changed its name from F&C Management Limited to BMO Asset Management Limited on 1 November 2018.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss after tax for the 2019 financial year of £5,963,000 (2018: loss of £1,553,000).

Key performance indicators

The Company uses a number of financial performance measures to monitor the performance of the business. The key performance indicators are shown below:

	2019 £000	2018 £000
Net operating revenue*	97,513	76,535
Operating loss	(6,734)	(1,151)
Assets under management (at reporting date)	£28.3bn	£25.9bn

* The impact of the adoption of IFRS 15 is disclosed in note 2.2.1.

BMO ASSET MANAGEMENT LIMITED

STRATEGIC REPORT (continued)

Trading performance and development of the business

The movements in the Company's assets under management (AUM) during the last two financial years are summarised below:

	1 November 2018 £bn	Inflows £bn	Outflows £bn	Net outflows £bn	Other movements* £bn	Foreign exchange impact £bn	Market growth £bn	31 October 2019 £bn
Assets under Management	25.9	4.1	(5.9)	(1.8)	0.3	(0.3)	4.2	28.3

	1 November 2017 £bn	Inflows £bn	Outflows £bn	Net inflows £bn	Other movements £bn	Foreign exchange impact £bn	Market growth £bn	31 October 2018 £bn
Assets under Management	22.1	9.8	(4.9)	4.9	-	0.2	(1.3)	25.9

* The AUM included in other movements relates to the net movement in AUM in respect of contracts transferred between Group entities during 2019.

AUM have increased from £25.9 billion at 31 October 2018 to £28.3 billion at 31 October 2019. £4.2 billion of the increase in AUM was driven by markets, although this was partially offset by net outflows of £1.8 billion, and a negative £0.3 billion foreign exchange impact. Gross inflows of new business amounted to £4.1 billion.

During 2019, the Group completed its Brexit restructuring activity to ensure it can continue to operate in Europe, dealing effectively with the challenges raised by Brexit. The Group determined that the activities of BMO NL should be expanded to enable it to operate effectively as the European asset management business hub for BMO GAM. During the process of developing this operating model, BMO NL obtained the approval to act as an AIFM. This enabled BMO NL to be appointed as manager of a number of the Group's European AIFs, although BMO NL was permitted to delegate the portfolio management of most of these assets to the Company. In addition, the business in each of the Company's existing European branches was transferred to newly established branches of BMO NL, located in Germany, Sweden, Spain, France and Italy, and the Company closed its corresponding branches in these locations following the transfer. As highlighted above, BMO NL now delegates portfolio management of certain AIFs to the Company, including the management of the Liability Driven Investments (LDI) Funds. The AUM relating to such delegated assets (£21.8 billion at 31 October 2019) is not included in the AUM reported above. While the Company ceased to incur the direct costs of operating its own European branches upon their closure, it continues to benefit from the distribution activity performed by the new branches. Accordingly, under the contractual arrangements established as part of this Brexit restructuring, the Company pays BMO NL for the sales and marketing services performed on its behalf.

While the implementation of IFRS 15 results in the Company's revenues not being directly comparable year-on-year, the net operating revenue (being revenue less cost of sales, including fee and commission expenses) is more directly comparable. Net operating revenue for the year ended 31 October 2019 increased to £97.5 million, compared to £76.5 million in 2018. External net operating revenues earned by the Company were broadly flat year-on-year; however, intra-group net operating revenues increased from £22.4 million in 2018 to £41.3 million in 2019, largely as a result of the Company receiving incremental income since it was appointed as the portfolio manager of the BMO LDI Fund. Net operating revenue in 2019 is also some £2.0m higher as a result of the adoption of IFRS 15, due to a gross-up of revenue and a corresponding increase in operating expenses. Further details of the impact of the adoption of IFRS 15 are provided in note 2.2.1.

The operating expenses borne by the Company were £104.1 million for the year ended 31 October 2019, compared with £77.5 million in 2018. The costs borne by the Company are linked to its net operating revenue, which is the key driver for determining the share of the Group's UK operating platform costs attributed to the Company. In 2019, the Group incurred a higher level of expenses, including those associated with the Group's cost-saving restructuring plans. This, in conjunction with the lower aggregate revenues earned by the Group compared with 2018, resulted in a higher level of costs being borne by the Company in 2019.

BMO ASSET MANAGEMENT LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks as part of the overall risk management framework within BMO GAM. Members of the BMO GAM EMEA (Europe, the Middle East and Africa) Regional Committee are responsible for identifying and addressing any material or systematic issues or risks facing their areas of the business and ensuring any significant matters are discussed and escalated. The principal risks and uncertainties facing the Company are broadly grouped as follows:

Indirect earnings risk through client assets

As an asset manager the Company is responsible for managing assets in accordance with the mandates specified by its clients. The assets managed by the Company are subject to varying degrees of financial risk (market, credit and liquidity). While these risks could result in financial loss or gain through a change in the value of AUM, these risks and rewards are fully borne by, or fall to the benefit of, the Company's clients. However, as a significant element of the Company's asset management fees are quantified as a percentage of AUM, the Company's revenues are impacted by movements in client assets which are caused by exposure to financial risks. As a result of the direct link between revenues and the value of client assets, the Company's interests are aligned to those of its clients.

Investment performance

A key risk to the business is that of poor investment performance, which could lead to the subsequent loss of client mandates. The delivery of strong investment performance depends upon the successful management of client portfolios against targets, benchmarks and/or peer groups. Failure to meet these objectives could lead to outflows, may impact the Company and the Group's ability to win new mandates or assets, and may potentially expose the Company and the Group to greater risk of mandate or regulatory breach.

Fund managers are responsible for implementing investment strategies/ideas whilst effectively managing performance and the risks associated with them. The Group operates an independent Investment Risk Oversight team which monitors and challenges risks within client portfolios and provides appropriate management information. A Performance Review and Risk Oversight Committee meets regularly to ensure an appropriate level of oversight is applied to investment performance and risk. A key role of the Chief Investment Officer of BMO GAM is to monitor the fund performance achieved by the Group's investment professionals. Where it is considered necessary, actions are taken to change investment process or personnel with a view to attaining improved performance.

Financial risk

The Group adopts a low risk approach to treasury management and financial risks in relation to equity, seeking to manage and preserve its capital. The Group's treasury function ensures that sufficient cash is retained by the Company in respect of short-term working and regulatory capital requirements.

Market risk (price risk)

The Directors consider the only significant direct market risk arises in relation to currency risk. Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's objective is to minimise the impact of exchange rate movements through repatriation of excess funds to Sterling.

The Company is exposed to market risk in relation to its investment protection guarantee product (outlined under "insurance risk" below). However, any increase in the payout arising in the event of death is fully mitigated by the reinsurance arrangement currently in place.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk

The Company is exposed to credit risk in relation to investment management fees recognised within revenue in the Income Statement which have not yet been settled. The quantum of contract assets (being accrued income) and trade receivables is shown in note 3(b). Credit risk exposure is assessed on a case by case basis and is monitored based on payment history. The Company has no history of material debtor default, therefore credit risk in relation to clients is not considered to be significant.

A significant proportion of receivables at the reporting dates are in respect of inter-company balances with other Group subsidiaries. As the Group's regulatory and working capital requirements are monitored on a Group-wide basis, the risk of default is considered minimal.

The Group treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the BMO GAM Counterparty Credit Committee. There is no direct credit risk in relation to client assets as this risk is borne fully by the clients concerned.

Liquidity risk

The treasury policy set by the Group only allows financial assets attributable to equity holders to be invested in low risk deposits or money market instruments where the risk of capital loss is low, with prior approval required for any exception to this principle, such as the Company's seed capital investments.

The Company holds seed capital investments in Société d'investissement à Capital Variable (SICAV) funds which are managed by the Group; enabling the Company to maintain a track record in funds while they are being established in the market. The Group monitors the aggregate value of seed capital investments held, with a number of approvals required for any new investments, thereby managing the maximum financial risk exposure associated with these assets.

The overall cash position is monitored by the treasury team within the Group as a whole and each individual company within the Group draws on the available cash balance to meet its working capital requirements.

Insurance risk

As disclosed further in note 24, the Company is exposed to insurance risk through certain of its investment trust savings products, whereby the Company has, under an investment protection guarantee offering, committed to compensate eligible investors for any shortfall between the guaranteed value of their investments and their market value in the event of death. The value of the investment guarantee is reviewed at 5 April each year, with the guarantee increased in the event that the investment value on that date is higher than the previous measurement point. The related investment plans closed to new investors in 2004, with the Company's current insurance risk exposure limited to the remaining investors.

The Company manages and currently mitigates its risk exposure in relation to the investment guarantee by passing on its exposure, in full, to an external reinsurance provider. The Company has reinsurance arrangements which operate on a rolling annual contract basis.

The Company undertakes periodic analysis of the expected future cash flows associated with the investment protection guarantee, including the related reinsurance agreement terms, to assess the adequacy of any associated insurance contract liability, with any deficiency immediately charged to profit or loss.

BMO ASSET MANAGEMENT LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Failure to deliver Consumer and Institutional growth plans

Over the last few years the Group's client base and revenues have evolved. As the legacy Strategic Partner business has matured and assets have been withdrawn, the Group has sought to significantly expand its Consumer and Institutional business to provide new revenues. Further growth in Consumer and Institutional AUM and, more critically, revenue, is key to the continued success of the Group. A lack of growth in new Consumer and Institutional business could stifle the targeted growth in profitability or even result in further losses arising.

The Group has sought to ensure that its product development, distribution and investment processes are aligned, positioning it to deliver a competitive product offering in areas of key focus. Clearly defined distribution targets allow management to monitor progress in AUM and revenue growth. In 2019, the Group has continued to focus on its distribution and expand its product offering, seeking to capitalise on opportunities available to it.

Uncertain economic outlook

The UK and global macroeconomic outlook remains uncertain. Client investment preferences, and the Group's AUM and revenue, may be impacted by underlying economic and market conditions. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes. These changes include the UK's departure from the European Union (EU).

The Group has implemented all necessary arrangements to ensure that its asset management operations can continue doing business effectively in Europe following the expiry of transition arrangements agreed between the UK and EU (currently scheduled for 31 December 2020). However, uncertainties arising from the negotiations between the UK and the EU needed to agree the terms of their future relationship could still have a significant impact on underlying economic and market conditions for European and UK asset classes.

The Group offers competitive products across a broad range of asset classes, including equities, fixed income, alternatives and multi-asset, with this diversified range limiting its exposure to the impact of market volatility in any one market or asset class. Recognising that a significant quantum of the Company's cost base is impacted by the proportion of the Company's revenue relative to the wider UK Group, the Company benefits from the diversity of Group revenues.

Furthermore, a number of the Group's investment-solutions products are much longer term in nature, and their performance and marketability are less impacted by short-term market volatility. The Group continues to closely monitor developments around the departure of the UK from the EU so as to ensure that any adverse impact is appropriately mitigated as far as possible in the management of UK and European asset classes.

Loss of key employees

The success of the Company and the Group depends on the support of its employees in key areas including investment, distribution, marketing, product development, operations and support functions. The loss of key employees may prevent the Company or the Group from winning new business or meeting its strategic goals, and may lead to client outflows and the loss of key mandates.

The Group's compensation model targets the retention of key employees. All employees receive an annual appraisal which reviews their performance against clearly defined objectives with the aim of encouraging strong performance. Reliance on key individuals is mitigated by the Group's team-based approach to investment management. Moreover, the Company and the Group seek to reduce their dependence on key staff through the recruitment of suitably skilled individuals and by ensuring succession plans are in place for senior roles to provide emergency or immediate cover.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Breach of client or portfolio limits

Many of the Group's investment mandates include specific limits, restrictions and/or exclusions on the construction or content of portfolios agreed with the client. In addition, certain pooled fund products may be subject to specific regulatory or fiscal limits, restrictions and/or exclusions. Any breach of a client mandate may render the Group liable to pay financial compensation.

A Group-wide database is utilised to record and monitor mandate-related rules. Fund managers are the Group's first line of defence in ensuring that funds are managed in accordance with each mandate. An independent Mandate Compliance Team is responsible for pre- and post-trade monitoring, and all breaches, whether active or passive, are investigated.

Regulation

The UK, European and global regulatory environments are evolving rapidly. The expectations of financial regulators are changing and regulated groups must embed regulatory compliance in their business models to an even greater extent than previously required. Regulation has become, in many areas, more complex and onerous, and regulated entities are faced with shorter timelines to interpret and implement new regulation. There is substantial complexity from overlapping regulatory directives.

Regulatory change may lead to consolidation in the marketplace, the launch of new products, withdrawal or commoditisation of existing products and increased reliance on specialist third-party service providers as asset managers increasingly focus on the core activities of investment management, client servicing and distribution.

The Group Compliance team ensures that key regulatory changes are identified at the earliest opportunity. Their impact is then assessed to allow practical guidance on the proper application and interpretation of any changes to be provided to all relevant business areas. Related business change is supervised through the Group's change management process and oversight provided through both the EMEA Regional Committee and the Group Audit & Compliance Committee.

Reliance on third parties

In pursuing a strategy with a focus on competitive scale, the use of outsourced service providers benefits the Group and the Company by providing cost-effective access to an industry-competitive operating platform. The Group's key outsource partners provide a range of back and middle office, fund accounting, transfer agency services and administrative services for certain Retail and Investment Trust savings products.

The Group conducts an extensive selection and due diligence process prior to selecting outsource providers and entering into the related contractual arrangements. The Group has established oversight teams who monitor such third-party service delivery and ensure there is appropriate oversight and effective resolution of issues. Service levels are regularly monitored as part of the ongoing governance arrangements.

BMO ASSET MANAGEMENT LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Business continuity and information technology

The Company's success is dependent on access to the Group's robust IT infrastructure and appropriate IT systems. The Group is exposed to the risk that its infrastructure and systems are unable to meet the demands of clients, or regulatory and/or technology change.

The Group has a short- and medium-term IT plan with clear objectives to meet mandatory change requirements, deliver further integration of systems and enhance the agility of the Group. The Group maintains and periodically tests its business continuity arrangements.

Potential cyberattacks

The Group is exposed to a variety of potential cyberattacks, and a failure to prevent or defend against such attacks could have a material adverse effect on operations. Attacks could result in a denial of services, or loss of client data or other sensitive information, thereby potentially impacting the Group financial results and/or its reputation.

The Company relies on the effectiveness of the Group's internal policies and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices. In addition, the Group holds an ISO 27001 security accreditation.

BY ORDER OF THE BOARD

W T Clarke
Company Secretary
21 February 2020

BMO ASSET MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2019.

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2019 are shown in the Income Statement on page 14. A Strategic Report for the same period is set out on pages 2 to 8.

The Company recognised a loss of £5,963,000 for the year ended 31 October 2019 (2018: loss of £1,553,000).

DIVIDENDS

No dividends were approved or paid during the year ended 31 October 2019 (2018: £nil).

FUTURE DEVELOPMENTS

The Company continues to seek growth in its market share and underlying AUM, recognising the broad range of experience of both the Group's investment management teams and the wider BMO Global Asset Management investment capabilities, together with the diversified mix of products and AUM. The Directors expect that the Company will benefit directly or indirectly from the distribution activities of the broader BMO Global Asset Management and BMO Financial Groups recognising that revenue is the key driver of the cost sharing arrangements within the Group.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

P J Doel	(appointed 5 June 2019)
D Logan	(resigned 5 November 2018, reappointed 22 July 2019)
M F Mannix	(resigned 30 April 2019)
J Z Mohammed	(resigned 28 November 2018)
H C Moir	
R C Wilson	(resigned 5 June 2019)
S J Woodyatt	
BMO Asset Management (Holdings) plc	(resigned 12 March 2019)

There have been no appointments or resignations of Directors since 31 October 2019.

W T Clarke was appointed as Secretary on 18 February 2019.

No individual Director has any direct beneficial interest in the share capital of the Company.

DIRECTORS' AND OFFICERS' LIABILITY

The Group maintains insurance cover in respect of Directors' and Officers' liability.

PILLAR 3

Under Pillar 3 of Capital Requirements Directive IV, the BMO Global Asset Management (Europe) Limited Group is required to disclose information relating to its risks, regulatory capital, remuneration policy and risk management objectives and policies. The Pillar 3 disclosures are provided on BMO GAM's website (www.bmogam.com).

BMO ASSET MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITOR

The Directors who held office at the date of approving this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BY ORDER OF THE BOARD

W T Clarke
Company Secretary
21 February 2020

BMO ASSET MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE REPORT OF THE DIRECTORS AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO ASSET MANAGEMENT LIMITED

Opinion

We have audited the Financial Statements of BMO Asset Management Limited ("the Company") for the year ended 31 October 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Financial Statements. All audits assess and challenge the reasonableness of estimates made by the Directors, and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic Report and Report of the Directors

The Directors are responsible for the Strategic Report and the Report of the Directors. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO ASSET MANAGEMENT LIMITED (continued)

Our responsibility is to read the Strategic Report and the Report of the Directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Report of the Directors;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Satish Iyer

Satish Iyer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
21 February 2020

BMO ASSET MANAGEMENT LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £000	2018 £000
Revenue	3(a)	106,259	80,501
Cost of sales	4	(8,746)	-
Fee and commission expenses	4	-	(3,966)
Net operating revenue		97,513	76,535
Net investment guarantee expense	5	(161)	(187)
Operating expenses	6	(104,086)	(77,499)
Operating loss		(6,734)	(1,151)
Finance income	9	165	172
Finance costs	10	(179)	(167)
Loss before tax		(6,748)	(1,146)
Tax income/(expense)	11	785	(407)
Loss for the financial year		(5,963)	(1,553)

All amounts relate to continuing operations.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 November 2018. As the previous years' results have been presented in accordance with the prior revenue standards, the results are not directly comparable with the current year. Further details are disclosed in note 2.2.1.

The notes on pages 18 to 61 form an integral part of these Financial Statements.

BMO ASSET MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £000	2018 £000
Loss for the financial year		(5,963)	(1,553)
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial (losses)/gains on defined benefit pension arrangements	21(b)	(244)	283
Tax income/(expense) on net actuarial (losses)/gains on defined benefit pension arrangements	11(b)	46	(53)
Corporation Tax rate change (expense)/income in respect of defined benefit pension arrangements	11(b)	(4)	6
Items which may be reclassified subsequently to profit or loss:			
Foreign exchange movements on translation of foreign operations		(147)	111
Foreign exchange movements reclassified to the Income Statement on disposal of foreign operations		36	-
Other comprehensive (expense)/income for the financial year		(313)	347
Total comprehensive expense for the financial year attributable to equity holders		(6,276)	(1,206)

The notes on pages 18 to 61 form an integral part of these Financial Statements.

BMO ASSET MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

(Registered Number 517895)

	Notes	31 October 2019 £000	31 October 2018 £000
ASSETS			
Non-current assets			
Property, plant and equipment	12	37	50
Intangible assets	13	-	1
Investments in subsidiaries	14	50	50
Loan receivable	15	580	19,728
Deferred tax assets	16	7,971	8,430
Other receivables	17	13,140	13,140
Total non-current assets		21,778	41,399
Current assets			
Financial investments	18	77	239
Contract assets	3(b)	8,851	-
Trade receivables	3(b)	7,206	5,621
Other receivables	17	10,896	27,144
Prepayments		3,177	2,301
Cash and cash equivalents	19	37,358	27,983
Total current assets		67,565	63,288
TOTAL ASSETS		89,343	104,687
LIABILITIES			
Non-current liabilities			
Provisions	20	-	61
Pension deficit	21	4,206	4,000
Employee benefits	22	-	2,794
Insurance contract liabilities	24	884	723
Trade and other payables	25	101	438
Total non-current liabilities		5,191	8,016
Current liabilities			
Provisions	20	-	278
Trade and other payables	25	23,827	27,011
Interest-bearing loans and borrowings	26	2,474	2,553
Employee benefits	22	19	4,703
Current tax payable		390	34
Total current liabilities		26,710	34,579
TOTAL LIABILITIES		31,901	42,595
EQUITY			
Share capital	27	32,332	32,332
Share premium account	28	42,197	42,197
Capital redemption reserve	28	80,736	80,736
Foreign currency translation reserve	28	-	111
Retained earnings	28	(97,823)	(93,284)
TOTAL EQUITY		57,442	62,092
TOTAL LIABILITIES AND EQUITY		89,343	104,687

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 February 2020. They were signed on its behalf by:

H C Moir
Director

The notes on pages 18 to 61 form an integral part of these Financial Statements.

BMO ASSET MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2019

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total equity £000
At 1 November 2017	32,332	42,197	80,736	-	(91,967)	63,298
Loss for the financial year	-	-	-	-	(1,553)	(1,553)
Other comprehensive income	-	-	-	111	236	347
Total comprehensive income/(expense)	-	-	-	111	(1,317)	(1,206)
At 31 October 2018	32,332	42,197	80,736	111	(93,284)	62,092
Effect of adoption of new accounting standards*	-	-	-	-	(130)	(130)
At 1 November 2018 (adjusted)	32,332	42,197	80,736	111	(93,414)	61,962
Loss for the financial year	-	-	-	-	(5,963)	(5,963)
Other comprehensive income	-	-	-	(111)	(202)	(313)
Total comprehensive expense	-	-	-	(111)	(6,165)	(6,276)
Transactions with owners:						
Receipt on common control transactions#	-	-	-	-	2,506	2,506
Tax on common control transactions	-	-	-	-	(750)	(750)
At 31 October 2019	32,332	42,197	80,736	-	(97,823)	57,442

* Amounts adjusted for the adoption of IFRS 9 as disclosed in note 2.2.2.
\# Details of the common control transactions are disclosed in note 29.

The notes on pages 18 to 61 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

BMO Asset Management Limited is a private company limited by share capital, incorporated and domiciled in England. The Company's registered office and principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.

These Financial Statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group Financial Statements, as it is a wholly owned subsidiary of BMO Asset Management (Holdings) plc, which prepares consolidated Financial Statements. The results of BMO Asset Management Limited are included in the consolidated Annual Report and Financial Statements of BMO Asset Management (Holdings) plc, which are available from 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

As the Company meets the definition of a qualifying entity under Financial Reporting Standard 100 *Application of Financial Reporting Requirements*, the Financial Statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The Company has applied the recognition, measurement, disclosure and presentation requirements of International Financial Reporting Standards as adopted by the European Union (EU-adopted IFRS), making amendments where necessary to comply with the requirements of the United Kingdom (UK) Companies Act 2006.

In the application of FRS 101, the Company has taken advantage of the following disclosure exemptions:

(a) Information regarding the entity's objectives, policies and processes for managing capital;
(b) A Statement of Cash Flows and related notes;
(c) Certain disclosures in respect of revenue from contracts with customers;
(d) Certain disclosures in respect of group-settled share-based payment awards;
(e) Financial instruments disclosures, with the exception of financial instruments measured at fair value;
(f) The effects of new but not yet effective IFRSs;
(g) Disclosures of key management personnel compensation;
(h) Disclosures of comparative information for property, plant and equipment;
(i) Disclosures of comparative information for intangible assets; and
(j) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Measurement convention

The Financial Statements are prepared under the historical cost convention, with the exception of financial investments which are measured at fair value through profit or loss.

2. ACCOUNTING POLICIES (continued)

Going concern

The Company has net assets that support the Directors' assessment that the Company has adequate resources to continue in business for a period of at least 12 months from the date of approval of the Financial Statements. As part of this assessment the Directors are satisfied that the Company has sufficient resources to meet both its working capital and regulatory capital requirements. Accordingly, the Financial Statements have been prepared on a going concern basis. While the Company has incurred losses during the year, it is expected that these will decline in the short term.

2.2 New and amended standards and interpretations

The Company applied IFRS 15 and IFRS 9 for the first time. Details of the changes and effects resulting from adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the year ended 31 October 2019, but do not have an impact on the Company's Financial Statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.2.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. It applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 November 2018.

The Company has applied the following practical expedients on transition to IFRS 15, as permitted by the standard:

- It has not restated any contracts completed prior to the date of initial application.
- It has not restated any contract modifications that occurred before the date of initial application.

The application of IFRS 15 did not impact the opening balance of retained earnings at the date of initial application. As the previous years' results have been presented in accordance with the prior revenue standards and have not been restated, the prior year results are not directly comparable with the current year.

2. ACCOUNTING POLICIES (continued)

Impact on Statement of Financial Position as at 31 October 2018 (date of initial application)

While the Company has elected not to restate the comparative period Statement of Financial Position, the presentational impact of adopting IFRS 15 as at 1 November 2018 is as follows:

	Notes	Increase/(decrease) £000
Assets		
Contract assets	(i)	8,282
Trade receivables	(ii)	5,622
Other receivables	(ii)	18,861
Trade and other receivables	(i),(ii)	(32,765)
Total assets		-

Set out below, are the amounts by which each financial statement line item (FSLI) is affected as at and for the year ended 31 October 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have an impact on Other Comprehensive Income (OCI). The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Impact on Income Statement FSLIs for the year ended 31 October 2019

	Notes	Amounts prepared under IFRS 15 £000	Amounts prepared under previous IFRS £000	Increase/ (decrease) £000
Revenue	(iii),(iv)	106,259	98,901	7,358[1]
Cost of sales	(iii)	(8,746)	(3,339)	(5,407)
Net operating revenue		97,513	95,562	1,951
Operating expenses	(iii)	(104,086)	(102,101)	(1,985)
Finance income	(iv)	165	131	34

[1] This comprises £7,392,000 (adjustment (iii)) less £34,000 (adjustment (iv)), as explained below.

There was no impact on loss before tax for the year ended 31 October 2019 as the changes all related to reclassification adjustments between the Income Statement FSLI identified above.

Impact on Statement of Financial Position as at 31 October 2019

	Notes	Amounts prepared under IFRS 15 £000	Amounts prepared under previous IFRS £000	Increase/ (decrease) £000
Assets				
Contract assets	(i)	8,851	-	8,851
Trade receivables	(ii)	7,206	-	7,206
Other receivables	(ii)	10,896	-	10,896
Trade and other receivables	(i),(ii)	-	26,953	(26,953)
Total assets		26,953	26,953	-

2. ACCOUNTING POLICIES (continued)

The nature of these adjustments are described below:

(i) Contract assets
Before adoption of IFRS 15, the Company recognised accrued income within trade and other receivables. Under IFRS 15, any earned consideration that is conditional should be recognised as a contract asset rather than a receivable. Therefore, upon adoption of IFRS 15, the Company reclassified £8,282,000 from trade and other receivables to contract assets as at 1 November 2018. As at 31 October 2019, IFRS 15 increased contract assets by £8,851,000 and reduced trade and other receivables by the same amount.

(ii) Presentational adjustments
As a result of adopting IFRS 15, the Company determined that trade receivables, being amounts invoiced at the reporting date, should be disclosed separately from other receivables, as trade receivables are considered to be contract balances.

(iii) Principal versus agent consideration
The Company has certain contracts with customers where the satisfaction of certain performance obligations are delegated to other Group companies. Before the adoption of IFRS 15, the Company concluded that, as the economic benefits associated with the transaction did not flow to the Company and there was no increase in the Company's equity, no revenue was recognised for the delegated portfolio management services. Upon the adoption of IFRS 15, the Company has determined that it retains control of such services to customers, as it has the ability to direct the delegated portfolio manager to provide the service on the Company's behalf. The Company also has exposure to the significant risks and rewards associated with the services to be provided to customers. Therefore, the Company has accounted for such delegated portfolio management contracts as a principal. This change will result in increases in revenue from investment management services which are delegated to other asset managers, and a corresponding increase in cost of sales to reflect the cost of delegated portfolio management activities. In addition, there are certain contracts with customers where, before adoption of IFRS 15, the Company deemed itself to be an agent and net off certain revenue with the associated costs for providing the service in operating expenses. Under IFRS 15, the Company has now determined that it is a principal and the amounts should be recorded in both revenue and operating expenses.

For the year ended 31 October 2019, IFRS 15 increased revenue from contracts with customers by £7,392,000, increased cost of sales by £5,407,000 (being delegated portfolio management expenses) and increased operating expenses by £1,985,000, in respect of those expenses which were previously netted off.

(iv) Dividend income
Under IAS 18, dividends were included within revenue. Upon adoption of IFRS 15, dividend income is not within the scope of revenue from contracts with customers and is now disclosed in finance income. As a result, £34,000 of dividend income has been reclassified from revenue to finance income in the year ended 31 October 2019.

2.2.2 IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Company has applied IFRS 9 prospectively, with an initial application date of 1 November 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings at the date of initial application.

2. ACCOUNTING POLICIES (continued)

The effect of adopting IFRS 9 as at 1 November 2018 was as follows:

	Notes	(Decrease)/increase £000
Non-current assets		
Loan receivable	*(b)*	(112)
Deferred tax assets	*(c)*	3
Current assets		
Contract assets	*(b)*	(10)
Trade receivables	*(b)*	(11)
Total assets		(130)
Equity		
Retained earnings	*(b),(c)*	(130)
Total equity		(130)

The total adjustment shown above has been recognised in equity at 1 November 2018, as shown on page 17.

The nature of these adjustments is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification requirements of IFRS 9 did not have a significant impact on the Company's financial instruments. The Company continues to measure at FVTPL all financial assets previously held at fair value under IAS 39, which consist of financial investments.

The following are the changes in the classification of the Company's financial assets:

- Trade receivables and other financial assets, previously classified as loans and receivables at 31 October 2018, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost with effect from 1 November 2018.

The Company has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Company's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's loan receivable of £112,000, on contract assets (previously disclosed as accrued income) of £10,000 and on trade receivables of £11,000, which resulted in a decrease in retained earnings of £133,000 at 1 November 2018.

2. ACCOUNTING POLICIES (continued)

Set out below is the reconciliation of the impairment allowances in accordance with IAS 39 to the resulting opening loss allowances determined on the adoption of IFRS 9:

	Allowance for Impairment under IAS 39 as at 31 October 2018 £000	Remeasurement £000	ECL under IFRS 9 as at 1 November 2018 £000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	-	133	133

(c) Other adjustments

In addition to the adjustments described above, the consequential changes to deferred taxes of the above adjustments were also recognised.

2.3 Accounting estimates, assumptions and judgements

The preparation of financial statements necessitates the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date as well as the reported income and expenses for the reporting periods. While estimates are based on management's best knowledge and judgement using information and financial data available to them, the actual outcome may differ from these estimates.

Key judgements made in applying accounting policies are as follows:

- **Revenue - principal versus agent consideration** – The Company has exercised significant judgement in determining whether it acts as a principal or agent in its contracts. The Company enters into investment management contracts, and in some instances delegates certain portfolio management services to other Group companies. The Company considers that it is responsible for and controls the delegated services provided to the customer and is responsible for determining the price for these services. This judgement has resulted in the gross up of certain revenues and cost of sales where the Company delegates certain portfolio management services to another Group entity.

- **Interests in other entities** – The Company has made assessments as to whether it is an agent or principal in relation to the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees and any direct interests held through investments) received from these funds and the linkage between power and variable returns. The related disclosures are provided in note 32.

The key sources of assumptions and estimation uncertainty which could affect the future carrying amounts of assets and liabilities are as follows:

- **Deferred tax assets** – Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the expected timing and quantum of future taxable profits, as estimated at each reporting date. Details of recognised and unrecognised deferred tax assets are disclosed in note 16.

2. ACCOUNTING POLICIES (continued)

- **Investment protection guarantee –** The Company provides an investment protection guarantee to eligible investors in certain investment trust savings products. These contracts are classified as insurance contracts under IFRS 4 *Insurance Contracts*. At each reporting date the Directors are required to assess the adequacy of the value of the insurance contract liabilities. By necessity this entails making a number of assumptions and judgements which are subject to inherent uncertainty, whereby the actual cost of settling guarantee payouts could differ from the valuation assumption inputs applied. Details of these key assumptions and the related sensitivities are provided in note 24.

- **Pension assumptions –** The Company has exercised judgement over the mortality assumptions, discount rates, rates of pension increases and inflation increases used in the valuation of the pension obligation. Details of the key assumptions and related sensitivities are provided in note 21.

2.4 Summary of significant accounting policies

(a) Foreign currencies

The Company's Financial Statements are presented in pounds Sterling, the Company's functional and presentational currency. Each branch of the Company determines its own functional currency.

(i) Foreign currency translation
Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement. Similarly, when fair value movements in assets and liabilities are reflected directly in equity, the corresponding exchange movements are also recognised directly in equity.

(ii) Foreign operations
The assets and liabilities of, or relating to, foreign operations are translated into Sterling at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Sterling at foreign exchange rates approximating to the rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations into Sterling are recognised directly in the Company's foreign currency translation reserve, which is a separate component of equity, and reported in the Statement of Comprehensive Income. When foreign operations are disposed of, these exchange differences are reclassified to profit or loss in the period in which the disposal takes place.

(b) Revenue

IFRS 15 accounting policy for year ended 31 October 2019

IFRS 15 *Revenue from Contracts with Customers* is applicable for the year ended 31 October 2019. The revised accounting policy for the Company applicable to the current reporting period is detailed below:

A contract with a customer is a formal investment management agreement, or similar agreement, specifying the services to be performed. The Company considers a customer to be a party that has contracted with the Company to obtain investment management and/or associated services. In some instances, the Company will sub-contract or delegate certain of its portfolio management performance obligations to other Group entities.

2. ACCOUNTING POLICIES (continued)

Revenue is income arising in the course of the Company's investment management and associated activities. The Company considers revenue to be the amount it is entitled to for the exchange of its' investment management and other services, including revenue earned by services performed by delegated portfolio management, where the Company is considered to be the principal. The Company has generally concluded that it is the principal in its revenue arrangements, because it controls such services before they are transferred to the customer.

The Company also recognises income from recharges of services to other Group entities. These services include investment management, distribution and investment-related support services and other administrative services performed on behalf of other Group entities.

The Company's contracts with customers contain several performance obligations. However, many of these performance obligations are only entered into as a combined package of investment management services to customers and are therefore considered to be a single service within the context of IFRS 15. Where the Company could separately contract for a service, the Company considers this to be a separate performance obligation in the context of IFRS 15.

Most of the Company's revenues are variable in nature, with investment management fees generally being based on a percentage of AUM. Variable consideration is only recognised if it is highly probably that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

Certain contracts are subject to rebates or discounts. Where the rebates or discounts are due to the customer, then these amounts are reflected in revenue. Where rebates or discounts are payable to parties not considered to be customers, the amounts are disclosed within cost of sales.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. Where the Company acts as a principal (i.e. it controls the delegated services performed for the customer) it records revenue on a gross basis. However, if the Company's role is only to arrange for another entity to provide services, then the Company is an agent and will record revenue at the net amount that it retains for the services it performs.

Investment management fees –
Revenue for investment management fees is recognised when the services are provided, which is generally over time. While investment management services fees are generally quantified at a point in time, the fees are accrued over the relevant contractual period. A receivable is recognised by the Company as the services are deemed to have been provided and the right to consideration becomes unconditional; payment is generally received at a later date.

Performance fees –
Performance fees are only recognised by the Company at the end of the performance period when there is certainty over the quantum of the fees. The Company is entitled to earn performance fees from certain clients if the actual investment performance of clients' assets exceeds defined benchmarks (or the level exceeds previously achieved performance levels) by an agreed level of outperformance, generally in a set time period.

Other revenues –
Other revenues are recognised as the service is provided, which is generally over time.

2. ACCOUNTING POLICIES (continued)

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company provides services to a customer before payment is due, a contract asset is recognised for the accrued income earned that will become payable.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the invoiced amount of consideration is settled).

IAS 18 accounting policy for year ended 31 October 2018

Investment management fees and other revenue generated from the Company's asset management activities are recognised, net of rebates, in the Income Statement over the period which these investment management services are provided, regardless of when the payment is due.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment and excluding any taxes.

The Company is entitled to earn performance fees from certain clients if the actual investment performance of clients' assets exceeds defined benchmarks (or the level exceeds previously achieved performance levels) by an agreed level of outperformance, generally in a set time period. Performance fees are recognised when the quantum of the fee can be estimated reliably, which is when the performance period ends when this occurs on or before the reporting date, or where there is a period of less than six months remaining to the end of the performance period and there is evidence at the reporting date which suggests that the current performance will be sustainable.

Deferred income relates to contract incentives which are recognised as a reduction in annual service fees spread over the period of the contract; or where performance conditions apply, over the period from the date of entitlement of the incentive to the end of the contract.

(c) Cost of sales

Fees and expenses incurred by the Company that relate directly to revenue are presented as cost of sales. These expenses include commissions paid to agents, rebates not payable directly to the customer from whom the revenue was received and the element of revenue paid as delegated portfolio management fees.

Fees and expenses are generally based on an agreed percentage of revenue or AUM and are recognised in the income statement as the service is received.

(d) Finance income

Finance income comprises interest on a loan owed by a Group subsidiary, interest on bank accounts and short-term deposits and dividends received from financial investments. Interest income is recognised in the Income Statement as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2. ACCOUNTING POLICIES (continued)

(e) Finance costs

Finance costs comprise bank interest and charges payable, interest on defined benefit pension obligations and net fair value losses on financial investments. Interest costs are recognised in the Income Statement on an EIR basis.

(f) Income tax

The income tax expense or income disclosed on the face of the Income Statement represents the aggregate of current tax and the movement in deferred tax. Income tax is recognised in the Income Statement for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Comprehensive Income or equity. In such cases the gain or loss shown in equity is stated separately from the attributable income tax, which is also recognised directly in equity.

Current tax is the expected tax payable to, or receivable from, the taxation authorities on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and laws enacted or substantively enacted at the reporting date.

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

(g) Operating leases

All leases entered into by the Company are operating leases, being leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. Rentals paid under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised by the Company as a reduction in the rental expense, allocated on a straight-line basis over the lease term.

The Company has a review process for accepting new contracts which identifies whether any arrangement contains a lease obligation.

(h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Expenditure on property, plant and equipment is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the Income Statement as incurred.

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment is depreciated so as to write off the cost of assets, using the straight-line method over their estimated useful lives, as follows:

Computer equipment – over 3 years
Office furniture and equipment – over 3-5 years

Depreciation on property, plant and equipment is recognised as an expense in the Income Statement.

The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the Income Statement in the period in which it arises. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its continued use. Any gain or loss arising on derecognition of the asset (calculated as the fair value less costs to sell) is included in the Income Statement in the reporting period the asset is derecognised.

(i) Intangible assets

This comprises separately purchased software and licences which have a finite life and are shown at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the Income Statement in equal annual instalments, based on the following useful economic lives:

Software – 3 years
Licences – 3 years (or over contractual term)

Subsequent expenditure on capitalised software and licences is expensed as incurred.

(j) Impairment of intangible assets

At each reporting date the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists the Company makes an estimate of the asset's recoverable amount. Any impairment arising is recognised in the Income Statement.

(k) Investments in subsidiaries

Investments in subsidiaries are held at cost. The Company assesses investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

2. ACCOUNTING POLICIES (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. As permitted by IFRS 9, the Company has applied the presumption that a trade receivable does not have a significant financing component if the expected term is less than one year.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amounts outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting cash flows, selling the financial assets or both.

Subsequent measurement
Financial assets are classified into the categories described below:

(i) *Financial assets at amortised cost (debt instruments)*
Subsequent to initial recognition, financial assets at amortised cost are measured using the EIR method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired, as well as through the amortisation process. The Company's financial assets at amortised cost consist of a loan owed by a Group subsidiary, amounts owed by Group subsidiaries, trade receivables, group relief receivable, amounts owed by BMO Group entities, amounts owed by an intermediate parent, other receivables and cash and cash equivalents.

(ii) *Financial instruments at fair value through profit or loss (FVTPL)*
Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised either as finance income or finance expenses in the Income Statement in the period in which they arise. These assets comprise seed capital in SICAVs and further details of the fair value measurement are disclosed in accounting policy (m).

Derecognition of financial assets
A financial asset or, where applicable, part of a financial asset, is derecognised when the rights to receive cash flows from the asset have expired.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Trade receivables and contracts assets have been grouped based on credit risk characteristics and the days past due, for each product grouping. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For loan receivables (owed by a Group company), the Company uses a discounted cash flow model to determine the expected credit loss. This model assesses the maximum credit exposure, taking in to account inputs concerning probabilities of default.

The corresponding movements in the ECL provisions are recognised in operating expenses.

2. ACCOUNTING POLICIES (continued)

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of a loan and amounts owed to Group subsidiaries, accruals, amounts owed to BMO Group entities, other payables, and trade payables.

Subsequent measurement
Subsequent to initial recognition, financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Changes to classifications of financial assets and liabilities compared to the classification under the previous year's accounting policy are disclosed in note 2.2.2. Financial assets and liabilities are recognised and measured under the same policies as the comparative year ended 31 October 2018, with the only change to the previous accounting policy being the measurement of impairment of financial assets.

IAS 39 accounting policy for year ended 31 October 2018

The previous accounting policy for impairment of financial assets applicable to the comparative period ended 31 October 2018 was as follows:

Impairment of financial assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or group of financial assets. If any such indication of impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. Evidence of impairment assessment includes review of the ageing of trade receivables as a potential indication of financial difficulty.

2. ACCOUNTING POLICIES (continued)

(m) Fair value measurement (seed capital)

The Company measures its seed capital financial investments at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, using the best available valuation technique. The fair value is determined by reference to the Net Asset Value (NAV) of the fund which is dictated by the mid-market prices of the securities. The SICAVs are priced on a forward basis under a single swinging price regime once daily. The net asset value of a fund is dictated by the latest mid-market prices of the underlying securities.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks, and other short-term, highly liquid investments in money-market instruments with original maturity dates of three months or less.

(o) Employee benefits

(i) Short-term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services.

Short-term compensated absences are recognised, in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences or, in the case of non-accumulating compensated absences, when the absences occur.

(ii) Bonus payments
Bonus entitlements are recognised when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(iii) Post-employment benefits
Defined benefit obligation
The Company is responsible for a defined benefit pension arrangement. This arrangement provides benefits based on a defined benefit obligation.

The pension deficit recognised in the Statement of Financial Position is the present obligation of the Company, which is the estimated present value of future benefits that a former chairman of the Group earned in return for their services in previous years. The discount rate applied to the employee's benefits is the appropriate corporate bond yield at the reporting date which has a maturity date similar to the terms of the Company's obligations. A qualified actuary performs the calculation annually using the projected unit credit method.

The defined benefit pension costs in the Income Statement comprises the interest on the defined benefit liability. This represents the change during the period in the defined benefit liability that arises from the passage of time. This interest expense is recognised in finance costs.

The actuarial gains and losses, which arise from any new valuation and from updating the previous actuarial valuation to reflect conditions at the reporting date, are taken in full to the Statement of Comprehensive Income for the period.

Defined contribution schemes
Contributions made to these schemes are charged to the Income Statement as they become payable, in accordance with the rules of the scheme.

2. ACCOUNTING POLICIES (continued)

(iv) Other long-term employee benefits
Other long-term employee benefits are recognised at the discounted present value of the obligation at the reporting date.

(v) Termination benefits
Termination benefits are recognised as a liability and an expense when the Company is committed to the termination of employment. Termination benefits are recognised only when the offer cannot be withdrawn, or when the related restructuring costs are recognised as a provision.

(p) Share-based payments

The Company participates in a BMO Omnibus Restricted Share Unit Plan (BMO RSU). Awards granted under this plan are accounted for as a share-based payments.

The fair value is measured at market price at the date the award is granted and the expense is spread over the period during which the employees become unconditionally entitled to exercise the awards, known as the vesting period. The cumulative expense recognised in the Income Statement over the vesting period is equal to the estimated fair value of the award multiplied by the number of awards expected to vest.

All BMO RSU awards are cash-settled and are charged to the Income Statement with a corresponding credit to liabilities. The estimated fair value of cash-settled awards is re-measured at each reporting date until the payments are ultimately settled.

Awards to employees treated as good leavers vest immediately and the remaining expense of the awards is charged to the Income Statement at that time. In addition, the vesting period for any employee who becomes eligible to retire is reduced and the expense is accelerated.

(q) Investment protection guarantee

Introduction
The investment protection guarantee provided to investors in certain investment trust savings products has been classified as an insurance contract under IFRS 4 *Insurance Contracts.*

The investment protection cover element of the products is currently passed on, in full, to a third-party reinsurance provider through a rolling annual reinsurance contract.

Further details relating to the investment protection guarantee product are provided in note 24(a).

Measurement of insurance contract liabilities
At the reporting date, the Company performs liability adequacy testing to review the expected future cash flows associated with contracts offering an investment protection guarantee to determine if there is any net exposure to the Company. A provision is made for any liability shortfall. Any movement in the liability is immediately recognised in the Income Statement, as disclosed within net investment guarantee expense, with the insurance contract liabilities balance, as disclosed in the Statement of Financial Position, revised accordingly.

Insurance contract liabilities are calculated using a stochastic valuation in line with UK insurance related actuarial standards, guidance and principles. The valuation is based on a range of economic scenarios and outcomes, fully capturing both the intrinsic value and time value associated with the investment protection guarantee. The liabilities are determined as the sum of the discounted value of estimated future cash flows relating to the guarantee, as assessed on a prudent basis (best estimate basis as adjusted to reflect a margin for risk), including asset management income, expenses and future claim payout cash flows. The key valuation assumptions applied at the reporting date are also assessed on a prudent basis and are disclosed in note 24(b)(ii).

2. ACCOUNTING POLICIES (continued)

Investment guarantee income
The annual management fee paid by investors in relation to investment trust savings contracts offering investment protection is recognised in revenue in the Income Statement over the period for which the related services are provided, regardless of when payment is due.

Investment guarantee payouts (claims)
Investment guarantee claims incurred, as recognised in the Income Statement, reflect the cost relating to claims arising during the year.

Investment guarantee claims owed to investors are included within other payables, with the balance representing outstanding payments on claims incurred.

Reinsurance
Reinsurance premiums are recognised as an expense over the period that the reinsurance is provided and are included within fee and commission expenses in the Income Statement. Amounts recoverable from the reinsurer in relation to claims arising during the year are included within net investment guarantee expense in the Income Statement.

Reinsurance assets are included within other receivables, as disclosed in the Statement of Financial Position, with the balance representing guarantee payout amounts recoverable from the reinsurance provider. Reinsurance assets are assessed for impairment at each reporting date.

(r) Share capital

Share capital is recorded at the proceeds of issue after deducting directly attributable transaction costs.

(s) Common control transactions

Transactions between wholly-owned companies which have the same ultimate parent before and after transfer are considered to be common control transactions. Business combinations under common control have been accounted for using the book value accounting method.

The Company has used the principles of book value accounting to account for the transfer of the branch businesses to another Group company. The assets and liabilities were transferred at book value, together with the consideration received to reflect the fair value of employees who transferred from branches of the Company as part of the business transfer. The consideration received by the Company and the associated tax impact have been recorded within equity.

(t) Interests in other entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the decisions about the activities that significantly affect the variable returns earned from the entity are directed by means of contractual arrangements.

The Company controls a structured entity if the Company has all of the following:

i) Power over the entity;
ii) Exposure, or rights, to variable returns from its involvement with the entity; and
iii) The ability to use its power over the entity to affect the amount of the Company's returns.

2. ACCOUNTING POLICIES (continued)

Where the Company holds power and variable returns, it undertakes an assessment of the linkage between power and variable returns to determine whether it is acting as principal or agent. Power arises from rights held by the Company, which include voting rights, potential voting rights, rights to appoint key personnel, decision-making rights within a management contract and removal or 'kick-out' rights. Power does not arise from protective rights alone. Variable returns include management fees, performance fees and direct interests held through investments. Structured entities are consolidated where the Company acts as principal, and are not consolidated where the Company acts as agent, with these entities classified as unconsolidated structured entities.

(u) Financial guarantees

The Company assesses, at each reporting date, whether it is required to recognise a liability in respect of any guarantee it has issued. A liability is only recognised if it is probable that an outflow of economic benefits will be required to settle the obligation.

3. REVENUE

(a) Analysis of revenue

The Company provides investment management services to a broad range of clients and also provides investment management and other services to Group companies in relation to activities in the United Kingdom, The Netherlands, Luxembourg and Portugal. Fees from these services, included in the tables below, are charged on a commercial basis.

The Company has disaggregated revenue from contracts with customers as follows:

	2019 £000	2018 £000
Investment management revenue		
Investment management fees	53,834	57,994
Investment management fees – intra-group	33,693	22,424
Performance fees	33	83
	87,560	80,501
Other revenue		
Intra-group support services*	7,577	-
Investment Trust Saving Scheme revenue*	5,693	-
Responsible Engagement Overlay fees*	2,462	-
Marketing services provided to funds*	2,266	-
Other income	701	-
	18,699	-
Revenue	106,259	80,501

* Before the adoption of IFRS 15, the Company classified all revenues from investment management contracts and similar activities as investment management fees. Under IFRS 15, the Company assessed that performance obligations in certain contracts are distinct from other investment management related services, and has reclassified the fees charged for such services and analysed these within 'other revenue'.

Investment management revenue
Investment management services are provided to a broad range of clients, including segregated institutional clients, a number of OEIC funds, the BMO LDI Fund, Luxembourg SICAVs, Irish Funds and a number of Canadian mutual funds managed on behalf of another BMO GAM entity. The fees earned are generally based on a percentage of the NAVs of each fund or mandate and will therefore vary over time with changes in asset values. These fees are generally quantified on a daily, monthly or quarterly basis. The fee rates earned can vary by asset class and the size or complexity of the client mandate or fund.

3. REVENUE (continued)

Performance fees are also variable in nature and crystallise at the point the revenue entitlement becomes unconditional, even though any fee typically relates to a specific performance period.

Other revenue
Other revenue comprises:

- Intra-group support services – this reflects a variety of operational and administrative activities relating to client funds as well as support services provided to BMO NL, BMO Portugal, Gestão de Patrimónios, S.A. and BMO Asset Management Luxembourg S.A.;
- Fees received from individual clients in respect of the range of Investment Trust Savings Schemes operated by the Company. These fees are primarily fixed annual amounts, collected bi-annually;
- Fees earned from providing our Responsible Engagement Overlay service, *reo®*, one of the Group's prominent responsible investment services;
- Fees for marketing services provided to investment trusts and SICAVs; and
- Other income represents fees earned for a variety of miscellaneous other services

An analysis of the Company's revenue for the year by geographical location is detailed below:

	2019 £000	2018 £000
United Kingdom	32,597	25,004
The Netherlands*	28,726	10,152
Germany	12,215	11,558
Luxembourg	11,233	15,717
Canada	10,485	7,967
Republic of Ireland	4,978	5,883
Portugal	1,892	1,299
United States	231	129
Other	3,902	2,792
	106,259	80,501

* This includes revenue received from BMO NL in respect of delegated portfolio management.

The Company's revenues are subject to fluctuations in changes to foreign exchange rates. Total revenue can be analysed by denomination of fees by currency as follows:

	2019 £000	2018 £000
GBP	48,571	26,743
Euros	40,688	39,697
Canadian dollars	10,433	7,937
US dollars	6,475	6,036
Other	92	88
	106,259	80,501

3. REVENUE (continued)

(b) Contract balances

Assets related to contracts with customers are classified as follows:

	31 October 2019 £000	31 October 2018 £000
Current trade receivables	7,232	5,621
Loss allowance	(26)	-
Trade receivables	7,206	5,621
Current contract assets	8,862	-
Loss allowance	(11)	-
Contract assets	8,851	-

Trade receivables are non-interest bearing and are generally on terms of 30 days. As disclosed in note 2.2.2, on adoption of IFRS 9 the Company recognised a provision for expected credit losses on trade receivables of £11,000 at 1 November 2018. In 2019, a further £15,000 was recognised as a provision for expected credit losses on trade receivables resulting in a total loss allowance of £26,000 at 31 October 2019.

Contract assets relates to accrued income which has been recognised as revenue earned at the reporting date but not yet billed. As disclosed in note 2.2.2, on adoption of IFRS 9 the Company recognised a provision for expected credit losses on contract assets of £10,000 at 1 November 2018. In 2019, a further £1,000 was recognised as a provision for expected credit losses on contract assets resulting in a total loss allowance of £11,000 at 31 October 2019.

Upon adoption of IFRS 15, at 1 November 2018, £8,282,000 of assets were classified as contract assets. The amount recognised in revenue in 2019 for performance obligations satisfied at 1 November 2018 was £94,000. The difference arose due to certain clients which have non-coterminous invoice periods. Invoices raised are dependent upon finalisation of the net asset values of certain funds which were determined after the reporting date.

In addition to the above, amounts owed by Group subsidiaries at 31 October 2019 includes £15,587,000 in relation to accrued income for intra-group revenues.

4. COST OF SALES

	31 October 2019 £000	31 October 2018 £000
Fee and commission expenses	3,339	3,966
Delegated portfolio management fees – intra-group	5,407	-
	8,746	3,966

5. NET INVESTMENT GUARANTEE EXPENSE

Net investment guarantee claims recognised in the Income Statement relate to the investment protection guarantee offered on certain investment trust savings products and consists of the following balances:

	Note	2019 £000	2018 £000
Investment guarantee claims		(270)	(113)
Reinsurance recovery of investment guarantee claims		270	88
Insurance contract liabilities movements	24(a)	(161)	(162)
Net claim expense		(161)	(187)

6. OPERATING EXPENSES AND AUDITOR'S REMUNERATION

(a) Total operating expenses

Total operating expenses can be summarised into the following categories:

	2019 £000	2018 £000
Inter-company recharges	63,248	37,442
Communication and information technology expenses	10,513	10,457
Employee benefits and related expenses*	5,376	9,256
Third party administration expenses	15,486	10,973
Promotion and client servicing expenses	5,551	4,866
Other expenses	3,808	4,193
Premises expenses	101	303
Depreciation and amortisation expenses	3	9
	104,086	77,499

* Includes £192,000 (2018: £349,000) of employment-related expenses (e.g. travel, training, etc.), which are not employee benefit expenses and are therefore excluded from the table in note 7.

Inter-company recharges comprise the share of the Group's UK operating platform costs attributed to the Company together with the distribution costs of services provided by BMO NL following the Brexit restructuring and closure of the Company's European branches. Net operating revenue is the key driver for determining the share of the Group's UK operating platform costs attributed to the Company.

(b) Operating expenses

Operating expenses include the following:

	Note	2019 £000	2018 £000
Depreciation of property, plant and equipment		2	5
Amortisation of software and licences		1	4
Impairment of contract assets	6(c)	1	-
Impairment of trade receivables	6(c)	19	-
Impairment loss reversal on loan receivable	6(c)	(109)	-
Net foreign exchange (gain)/loss		(128)	13
Operating lease rentals – land and buildings		93	216
Operating lease rentals – vehicles		32	74

6. OPERATING EXPENSES AND AUDITOR'S REMUNERATION (continued)

Audit fees attributable to the Company were £35,000 (2018: £35,000). Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of the Company's intermediate parent, BMO Asset Management (Holdings) plc.

All amounts included within operating lease rentals represent minimum lease payments.

(c) Net impairment losses on financial assets at amortised cost and contract assets

	2019 £000	2018 £000
Impairment losses/(reversal of impairment losses)		
- Movement in loss allowance for trade receivables	15	-
- Movement in loss allowance for contract assets	1	-
- Movement in loss allowance for loan receivable	(109)	-
- Write-off of trade receivables	4	-
Net movement in impairment losses	(89)	-

7. EMPLOYEE BENEFIT EXPENSES

The direct employee benefit expenses were:

	2019 £000	2018 £000
Short-term employee benefits:		
Wages and salaries	2,616	3,779
Bonus	863	2,071
Social security costs	251	605
	3,730	6,455
Post-employment benefits:		
Defined contribution and other pension expenses	68	144
Total short-term employee and post-employment benefits	3,798	6,599
Termination expenses	41	88
Share-based payment expense	1,345	2,220
Total employee benefit expenses	5,184	8,907

The monthly average number of employees of the Company, employed in non-UK branches, during the year ended 31 October 2019 was 8 (2018: 19). During 2019, the employment contracts of the Company's non-UK branch employees were transferred to new branches of BMO NL, a fellow Group subsidiary company, therefore at 31 October 2019 the Company had no employees (31 October 2018: 19).

BMO Asset Management (Services) Limited, a subsidiary of BMO Asset Management (Holdings) plc, employs all of the Group's UK staff who provide services to the Company. The cost of UK employee services applicable to the Company is included within inter-company recharges, as disclosed in note 6(a).

8. DIRECTORS' REMUNERATION

No Director received remuneration in respect of their services to the Company during the year ended 31 October 2019 (2018: £nil). Their remuneration is paid by BMO Asset Management (Services) Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. FINANCE INCOME

	2019 £000	2018 £000
Financial assets measured at amortised cost:		
Interest receivable on loan owed by Group subsidiary	59	101
Bank and short-term deposits interest receivable	72	71
Dividend income	34	-
Total finance income	165	172

10. FINANCE COSTS

	Notes	2019 £000	2018 £000
Financial liabilities recognised at cost using the EIR method:			
Bank interest and charges payable		62	49
Other finance costs:			
Interest cost on pension obligation	21(b)	113	114
Financial assets measured as FVTPL:			
Net losses on fair value of financial investments	18	4	4
Total finance costs		179	167

11. INCOME TAX

(a) Analysis of tax (income)/expense in the year

The major components of tax (income)/expense recognised in the Income Statement are:

	Note	2019 £000	2018 £000
Current income tax:			
UK Corporation Tax		(1,194)	(740)
Foreign tax		(52)	301
Adjustments in respect of previous periods		(45)	1,129
Total current income tax		(1,291)	690
Deferred tax:			
Origination and reversal of temporary differences		350	877
Adjustments in respect of previous periods		15	(1,170)
Adjustments in respect of Corporation Tax rate change		141	10
Total deferred tax	16(b)	506	(283)
Tax (income)/expense reported in the Income Statement		(785)	407

11. INCOME TAX (continued)

(b) Tax relating to items charged or credited to Other Comprehensive Income and Equity

The major components of tax (income)/expense recognised in the Statement of Comprehensive Income are:

	2019 £000	2018 £000
Deferred income tax:		
Net actuarial movements on defined benefit pension arrangements	(46)	53
Adjustments in respect of Corporation Tax rate change	4	(6)
Tax (income)/expense recognised directly in the Statement of Comprehensive Income	(42)	47

A tax expense of £750,000 was recognised directly in the Statement of Changes of Equity in 2019 (2018: nil) in respect of common control transactions. Details of these transactions are disclosed in note 29.

Deferred tax assets are disclosed in note 16.

(c) Reconciliation of total tax (income)/expense for the year

A reconciliation between the actual tax (income)/expense and the accounting loss multiplied by the Company's domestic tax rate for the years ended 31 October 2019 and 31 October 2018 is as follows:

	2019 £000	2018 £000
Loss before tax	(6,748)	(1,146)
At the Company's statutory income tax rate of 19.00% (2018: 19.00%)	(1,282)	(218)
Adjustments in respect of previous periods	(30)	(41)
Effect of tax in foreign jurisdictions*	56	239
Employee remuneration arrangements	300	397
Disallowed expenses	36	63
Corporation Tax rate change	141	10
Non-taxable income	(6)	-
Recognition of previously unrecognised losses	-	(100)
Tax on business transfer	-	57
Tax (income)/expense reported in the Income Statement	(785)	407

* The Company had several branches in overseas jurisdictions, as set out in note 33, which were all closed during 2019. The Company was charged Corporation Tax (or equivalent) at the relevant local rate in each of those jurisdictions, based on the profit as calculated according to the associated tax requirements of each jurisdiction. The Company will claim double tax relief for overseas tax suffered, where possible, against its profits chargeable to UK Corporation Tax.

(d) Effective rate of tax and factors affecting future tax expenses

The current Corporation Tax rate of 19.00% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19.00% for the year ended 31 October 2019 for the Company.

A future UK Corporation Tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2016. The continuing effect of this enacted rate change has been to decrease the deferred tax assets of the Company by a £141,000 charge through the Income Statement and a £4,000 charge through equity.

The reduction in the UK Corporation Tax rate will lead to a Company statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% from 2021 onwards. No additional rate changes have been substantively enacted since the reporting date.

12. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £000	Office furniture and equipment £000	Total £000
Cost:			
At 31 October 2018	498	55	553
Additions	-	3	3
Disposals	(69)	-	(69)
Transferred to another Group entity (see note 29)	(15)	(15)	(30)
At 31 October 2019	414	43	457
Depreciation:			
At 31 October 2018	492	11	503
Charge for the year	(1)	(1)	(2)
Disposals	(65)	-	(65)
Transferred to another Group entity (see note 29)	(12)	(4)	(16)
At 31 October 2019	414	6	420
Net book values:			
At 31 October 2018	6	44	50
At 31 October 2019	-	37	37

There are no restrictions on the Company's title to the above assets and none are pledged as security for liabilities.

The cost of fully depreciated property, plant and equipment which is still in use at 31 October 2019 is £420,000 (31 October 2018: £489,000).

13. INTANGIBLE ASSETS

	Software and licences £000
Cost:	
At 31 October 2018 and 31 October 2019	25
Amortisation and impairment:	
At 31 October 2018	24
Amortisation for the year	1
At 31 October 2019	25
Net book values:	
At 31 October 2018	1
At 31 October 2019	-

The cost of fully amortised software and licences which are still in use at 31 October 2019 is £22,000 (31 October 2018: £10,000).

14. INVESTMENTS IN SUBSIDIARIES

	£000
Cost:	
At 1 November 2017, 31 October 2018 and 31 October 2019	11,329
Cumulative impairment:	
At 1 November 2017, 31 October 2018 and 31 October 2019	(11,279)
Net book value:	
At 1 November 2017, 31 October 2018 and 31 October 2019	50

The Directors assess the Company's investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. In the opinion of the Directors, no such indicator of impairment has been identified in the reporting period.

Details of the Company's subsidiaries and joint arrangement were as follows:

Name of company	Country of incorporation	Nature of business	Class of shares held	Percentage interest and voting rights
F&C Unit Management Limited*†	England	OEIC/Unit trust management	Ordinary shares	100
FCEM Holdings (UK) Limited*†	England	Holding company	Ordinary shares	100
F&C Emerging Markets Limited†	England	Investment management	Ordinary shares	100
FOSCA Managers S.à.r.l.*#	Luxembourg	General Partner	Ordinary shares	50

* Direct holding by the Company.
† The registered office and principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.
# The registered office and principal place of business is 1, Rue Hildegard von Bingen, L-1282, Luxembourg.

15. LOAN RECEIVABLE

	31 October 2019 £000	31 October 2018 £000
Non-current:		
Loan owed by Group subsidiary	583	19,728
Allowance for expected credit losses	(3)	-
	580	19,728

The loan is to BMO AM Treasury Limited. The loan is unsecured, repayable on demand and is subject to interest at the 3-month LIBOR minus 0.25% margin. The Company does not expect to receive repayment of this loan within the next year.

An impairment analysis is performed on the loan receivable balance at each reporting date to measure expected credit losses. The calculation reflects the time value of money associated with recovery of the loan receivable.

As disclosed in note 2.2.2, on adoption of IFRS 9 the Company recognised an impairment allowance on the Company's loan receivable at 1 November 2018 of £112,000. The impairment allowance was adjusted by £109,000 during the year ended 31 October 2019 resulting in an impairment allowance of £3,000 at 31 October 2019.

16. DEFERRED TAX ASSETS

(a) Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	31 October 2019 £000	31 October 2018 £000
Employee benefits	4,199	4,460
Unused tax losses	3,403	3,535
Property, plant and equipment	362	435
Other provisions	7	-
Deferred tax asset	7,971	8,430

Based on the profit forecasts of the Company and the BMO UK Group, the Directors believe it is appropriate to recognise these deferred tax assets as it is considered probable that there will be suitable future taxable profits in the Company and BMO UK Group in the next five years from which the underlying temporary differences can be deducted. Under current UK Corporation Tax legislation, all of the temporary differences mentioned above can be carried forward indefinitely to utilise against appropriate future profits.

(b) Movement in temporary differences during the year

	1 November 2018 £000	Adjustment under adoption of IFRS 9 £000	(Charged)/ credited to profit or loss £000	Recognised in equity £000	Revaluation in year £000	31 October 2019 £000
Employee benefits	4,460	-	(305)	42	2	4,199
Unused tax losses	3,535	-	(132)	-	-	3,403
Property, plant and equipment	435	-	(73)	-	-	362
Other provisions	-	3	4	-	-	7
	8,430	3	(506)	42	2	7,971

	1 November 2017 £000	(Charged)/ credited to profit or loss £000	Recognised in equity £000	Revaluation in year £000	31 October 2018 £000
Employee benefits	5,344	(839)	(47)	2	4,460
Unused tax losses	2,317	1,218	-	-	3,535
Property, plant and equipment	531	(96)	-	-	435
	8,192	283	(47)	2	8,430

(c) Unrecognised deferred tax assets

At 31 October 2019 the Company has unrecognised gross tax losses of £18,841,000 (31 October 2018: £18,541,000 gross). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around the timing of when sufficient taxable profits will arise against which the losses can be offset.

17. OTHER RECEIVABLES

Other receivables are classified as debt instruments at amortised cost.

	Note	31 October 2019 £000	31 October 2018 £000
Non-current:			
Amounts owed by Group subsidiaries		13,140	13,140
Current:			
Accrued income*		-	8,282
Amounts owed by Group subsidiaries		3,097	10,709
Amounts owed by BMO Group entities		3,188	6,211
Group relief receivable		1,994	806
Other receivables		2,266	647
Reinsurance assets	24(a)	351	83
VAT receivable		-	272
Amounts owed by intermediate parent		-	134
		10,896	27,144

* As a result of adopting IFRS 15, accrued income has been recognised as a contract asset at 31 October 2019, as disclosed in note 3(b).

The Company does not expect to receive repayment of £13,140,000 of amounts owed by Group subsidiaries within the next year. Further detail in respect of this balance is provided in note 35.

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the receivable balances disclosed due to the short-term maturities of these receivables.

18. FINANCIAL INVESTMENTS

The following assets are classified as fair value through profit or loss:

	Note	2019 £000	2018 £000
Seed capital investments:			
At 1 November		239	238
Additions in the year		64	158
Disposals in the year		(222)	(153)
Net fair value losses in the year	10	(4)	(4)
At 31 October		77	239

The Company holds seed capital investments in open-ended funds (primarily SICAVs) managed by the Group. Seed capital allows the Company to maintain a track record in funds while they are being established in the market. The Company intends to hold these investments over the medium term. The Company is, therefore, exposed to market movements in the value of these assets.

All losses in the fair value of these seed capital investments are recognised within finance costs. The fair value measurement is considered to be recurring and is classified as a level 2 asset within the fair value hierarchy (techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly). There have been no transfers into or out of Level 2 in the fair value hierarchy in the current or previous year.

The Company also has a carried interest entitlement arising from an investment in FOSCA S.C.A., which is registered in Luxembourg. Any such entitlement is dependent upon the investment performance of the underlying property portfolio. At 31 October 2019, the Company is carrying this at £nil (31 October 2018: £nil).

19. CASH AND CASH EQUIVALENTS

	31 October 2019 £000	31 October 2018 £000
Short-term deposits	30,553	15,776
Cash at bank and in hand	6,805	12,207
	37,358	27,983

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. All short-term deposits are readily convertible to a known amount of cash and are not subject to significant risk of changes in value.

Short-term deposits are generally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The Company determined that the expected credit losses on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at the reporting dates is as shown above.

20. PROVISIONS

	NIC on share schemes £000	Restructuring £000	Total £000
At 1 November 2017	114	-	114
Provided during the year	84	182	266
Utilised during the year	(3)	-	(3)
Released during the year	(21)	(17)	(38)
At 31 October 2018	174	165	339
Provided during the year	13	42	55
Utilised during the year	(108)	-	(108)
Transferred to another Group entity (see note 29)	(79)	(207)	(286)
At 31 October 2019	-	-	-
At 31 October 2019			
Non-current liabilities	-	-	-
Current liabilities	-	-	-
At 31 October 2018			
Non-current liabilities	61	-	61
Current liabilities	113	165	278

NIC on share schemes
The provision for National Insurance contributions (NIC), or equivalent non-UK social security costs, on share schemes represented the employer's potential NIC liabilities in respect of share-based payment schemes operated by the Company. The provision was subject to movements in the BMO share price, movements in the Sterling/Canadian dollar exchange rate and the extent to which awards are forfeited. Since the Company's branch employees have now transferred to another Group company, their associated NIC liability has transferred to that company.

20. PROVISIONS (continued)

Restructuring
During 2018, a restructuring provision of £182,000 was recognised, as part of a wider BMO Financial Group restructuring programme, reflecting the expected redundancy costs associated with the achievement of planned operational efficiencies. During 2019, an additional charge of £42,000 arose. The provision was transferred to another Group company in 2019 as part of the transfer of the business of the Company's branches to BMO NL.

21. PENSION BENEFITS

The Company contributed to a number of defined contribution schemes for its branch employees until the employees transferred to newly created branches of BMO NL during 2019. The total charge for Group defined contribution schemes in the year ended 31 October 2019 was £68,000 (2018: £144,000). The Company had no outstanding pension contributions as at 31 October 2019 (31 October 2018: £4,000).

The Company also provides an unfunded pension entitlement to a former Chairman of the Group, Mr RW Jenkins. This pension entitlement, which commenced in January 2011, is adjusted in line with the Retail Price Index on 1 January each year. The amount paid in respect of this obligation in the year ended 31 October 2019 was £151,000 (2018: £145,000). The Company has not earmarked any assets to date with respect to this liability.

The defined benefit pension obligation is disclosed in the Statement of Financial Position as a pension deficit.

An actuarial valuation review was updated at 31 October 2019 by qualified independent actuaries.

Value of Mr RW Jenkins unfunded pension obligation

	31 October 2019 £000	31 October 2018 £000
Actuarial value of benefit obligation	(4,206)	(4,000)

(a) Major assumptions used by actuaries in respect of benefit obligation

(i) Mortality assumptions

The mortality assumptions used for the defined benefit scheme at 31 October 2019 and 31 October 2018 are:

	31 October 2019	31 October 2018
Mortality assumption for a current male pensioner	96% S3PA L 2018 1.50%	93% S2PA L 2017 1.50%

(ii) Impact of mortality assumptions

To demonstrate what these mortality assumptions mean, the expected age at death of members retiring at age 60 is as follows:

	31 October 2019 Years	31 October 2018 Years
Expected age at death for a current male pensioner age 60	89	89

21. PENSION BENEFITS (continued)

(iii) Other assumptions

	31 October 2019	31 October 2018
Inflation assumption (rate of increase of pensions)	2.96%	3.31%
Discount rate	1.99%	2.87%

(iv) Sensitivities

An estimate of the sensitivities regarding the principal assumptions used to measure the obligation liabilities are set out below:

Assumption	Change in assumption	Estimated impact on benefit obligation
Inflation	Increase/decrease by 0.1%	Increase/decrease by 1.3%
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 1.4%
Life expectancy	Increase by 1 year	Increase by 4.3%

(v) Analysis of the amount charged to operating loss

There was no charge to operating loss during the year ended 31 October 2019 (2018: £nil).

(b) Obligation disclosures

	2019 £000	2018 £000
Change in benefit obligation		
Benefit obligation at 1 November	4,000	4,314
Interest cost on pension obligation	113	114
Net actuarial losses/(gains)	244	(283)
Benefits paid by the Company	(151)	(145)
Benefit obligation at 31 October	4,206	4,000
Pension deficit	(4,206)	(4,000)

The liability is unfunded and therefore there are no assets held in relation to this obligation at either 31 October 2019 or 31 October 2018.

21. PENSION BENEFITS (continued)

The amounts recognised in the Income Statement and the Statement of Comprehensive Income (SOCI) are as follows:

	Note	2019 £000	2018 £000
Finance costs:			
Net interest cost on pension obligation	10	(113)	(114)
Total defined benefit pension expense recognised in the Income Statement		(113)	(114)

	2019 £000	2018 £000
Actuarial (losses)/gains:		
Arising from changes in financial assumptions	(294)	46
Arising from changes in demographic assumptions	34	280
Effect of experience adjustments	16	(43)
Net actuarial (losses)/gains immediately recognised in the SOCI	(244)	283
Cumulative actuarial losses recognised in the SOCI*	(12,610)	(12,366)

* The cumulative actuarial losses includes the F&C Management Pension Plan. The obligation in respect of this Plan was transferred to BMO Asset Management (Services) Limited in 2007.

The cumulative actuarial losses in respect of the RW Jenkins obligation at 31 October 2019 were £1,727,000 (31 October 2018: £1,483,000).

(c) Future funding requirements

The benefits in respect of Mr RW Jenkins are paid directly by the Company. The expected pension payment for the year ended 31 October 2020 is £155,000 (2019: £151,000).

22. EMPLOYEE BENEFITS

	31 October 2019 £000	31 October 2018 £000
Non-current:		
Share-based payment liability	-	2,794
Current:		
Share-based payment liability	-	2,367
Bonus accruals	-	1,942
Employment related taxation accruals	15	205
Other employee benefit payables	4	189
	19	4,703

Since the Company's branch employees have now transferred to another Group company, their associated employee benefits liabilities have transferred to that company, as disclosed in note 29.

23. SHARE-BASED PAYMENTS

The Company operated share-based payment arrangements as part of its total employee compensation arrangements. Further details of awards are disclosed in the Group Annual Report and Financial Statements of BMO Asset Management (Holdings) plc, an intermediate parent company.

23. SHARE-BASED PAYMENTS (continued)

BMO Omnibus Restricted Share Unit Plan (BMO RSU)

The BMO RSU plan is a mid-term incentive plan designed to reward recipients for performance over the medium term. This is the main medium-term incentive scheme for the Group.

The BMO RSU awards are only subject to a time-vesting period, usually three years. The value of the awards will vary according to the BMO share price and the relevant foreign exchange rate. BMO RSUs also earn dividend equivalents that are credited to the employee's account as additional BMO RSUs. Once the awards vest, the value of the notional shares is paid to the employees in cash. Good and bad leaver clauses exist on the BMO RSU awards.

The BMO RSUs are all cash-settled in local currency.

The cumulative expense for each award is adjusted during, and at the end of, the vesting period, after allowing for actual forfeitures.

The price of BMO shares at 31 October 2019 was CAD 97.50 (31 October 2018: CAD 98.43).

The weighted average BMO share price for the year ended 31 October 2019 was CAD 98.14 (2018: CAD 101.22).

The following table summarises the inputs to the valuations used for awards granted and the fair values assigned, during the year ended 31 October 2019.

Award:	BMO RSU
Award date	17 December 2018
Number of awards granted	23,425.06
Share price at grant date	CAD 98.55
Exercise price	CAD 0.00
Vesting period	36 months
Full term of award	36 months
Expected dividend yield (%)	3.7%
Expected forfeiture rate (%)	0.0%
Fair value at measurement date (per award)	CAD 98.55
Valuation basis	market price

During the year, the employment contracts of the Company's non-UK branch employees were transferred to new branches of fellow Group subsidiary BMO NL. Accordingly, the liability to settle all of the BMO RSU awards for these employees was transferred to BMO NL.

24. INVESTMENT PROTECTION GUARANTEE

(a) Overview

The Company is exposed to insurance risk through an investment protection guarantee benefit provided in the United Kingdom to eligible investors in certain legacy investment trust savings products, whereby the Company agrees to compensate these investors for any shortfall between the guaranteed value of their investments and their market value in the event of death. The value of the investment guarantee is reviewed at 5 April each year with the guarantee increased in the event that the investment value on that date is higher than the previous measurement point.

The related investment plans closed to new investors in 2004, with the Company's current insurance risk exposure relating to the remaining investors eligible for the guarantee prior to this date. The investment protection component of the savings contracts are classified by the Company as insurance contracts under IFRS 4.

24. INVESTMENT PROTECTION GUARANTEE (continued)

The insurance risk is currently passed on in full to a third-party reinsurance company, under a rolling annual reinsurance contract which commenced on 1 July 2016.

Following a detailed review of the expected future discounted cash flows associated with the investment protection guarantee, an insurance contract liabilities balance has been recognised at 31 October 2018 and 31 October 2019 to reflect the net exposure to the Company. The reinsurance cash flows have not been considered in the calculation of the insurance contract liabilities, with the liability balance stated gross of reinsurance recovery.

The following is a summary of the Company's investment guarantee related balances included in the Statement of Financial Position at 31 October 2019 and 31 October 2018:

	Note	31 October 2019 £000	31 October 2018 £000
Insurance contract liabilities		884	723
Reinsurance assets	17	(351)	(83)
Net investment protection guarantee liabilities		533	640

The following table shows the movements in the insurance contract liabilities balance during the years ended 31 October 2019 and 31 October 2018:

	Note	2019 £000	2018 £000
Insurance contract liabilities			
At 1 November		723	561
Adjustment due to changes in assumptions:			
Lapses and mortality		(576)	110
Investment return and volatility		197	(413)
Investment composition		213	453
Discount rate		350	16
Inflation		(23)	(4)
	5	161	162
At 31 October		884	723

(b) Insurance risk

(i) Risk management overview

The investment protection guarantee provided by the Company exposes the Company to insurance risk due to the associated mortality element of the contracts, with any potential shortfall claim only occurring on the death of the investor.

The Company manages and currently mitigates its investment guarantee-related risk exposure by passing on its insurance risk, in full, through a rolling annual contract with a third-party reinsurance provider.

(ii) Key assumptions – insurance contract liabilities measurement

The Directors have applied significant judgement in measuring the insurance contract liabilities obligation and in determining the underlying key valuation assumptions. The assumptions applied are based on a combination of past experience, internal data, along with external market indices and benchmarks which reflect current observable prices and other published information. The assumptions are reviewed at each reporting date and are recalculated at that point on a prudent basis.

24. INVESTMENT PROTECTION GUARANTEE (continued)

The key assumptions to which the estimation of the insurance contract liabilities is particularly sensitive are outlined below. These assumptions are modelled consistently across the entire investment guarantee portfolio due to the uniformity of the product offering and risk profile of the eligible investment accounts.

Investment return
The average investment return assumptions are based on externally sourced long-term growth rates as adjusted to reflect a margin for risk, with the valuation model allowing for both capital growth and the reinvestment of investment income associated with the underlying assets.

Equity volatility
The volatility assumptions are derived from the average standard deviation of the FTSE 100 over the five years to the reporting date, as adjusted to reflect a margin for risk.

Investor withdrawals (lapses)
Withdrawals relate to voluntary, investor-initiated, movements of assets out of products eligible for investment protection, with these withdrawn assets no longer being eligible for the investment guarantee. Withdrawal assumptions are based on an assessment of the Company's historical withdrawals experience.

Mortality
The mortality assumptions are based on a benchmarking review of UK insurers using standard, recognised insurance industry mortality tables, and are adjusted to reflect the Company's historical guarantee payout data, with assumptions applied differentiated by the sex of the underlying investor. The mortality rates applied include a margin for risk and are deemed to be appropriate to the specific investor population and related investment protection product.

Discount rate
The expected net cash flows associated with the investment trust savings products are discounted according to Bank of England gilt forward rate curves as related to the expected remaining duration of the product future cash flows. The single discount rate equating to a weighted average of these gilt curves is disclosed in the table of key assumptions below.

Key assumptions

The key assumptions that have the largest impact on the valuation of the Company's insurance contract liabilities are listed below:

	31 October 2019	31 October 2018
Average investment return (per annum)	4.75%	4.85%
Equity volatility (per annum)	16.00%	15.50%
Lapses (per annum)	3.00%	1.50%
Mortality		
Males	84% of AMC00	84% of AMC00
Females	84% of AFC00	84% of AFC00
Discount rate (per annum)	1.11%	1.92%

(iii) Sensitivity analysis – insurance contract liabilities
The following sensitivity analysis is performed for reasonably possible movements in individual key assumptions applied in the valuation of the insurance contract liabilities at 31 October 2018 and 31 October 2019, while holding all other assumptions constant. In practice, it is unlikely that any assumption would change in isolation. The impact of these changes on insurance contract liabilities is set out in the following table:

24. INVESTMENT PROTECTION GUARANTEE (continued)

Key assumptions	Change in key assumptions	Increase/(decrease) in insurance contract liabilities 31 October 2019 £000	31 October 2018 £000
Average investment return (per annum)*	+2%	(1,832)	(2,478)
Equity volatility (per annum)	+3%	1,573	2,178
Lapses (per annum)	+1.5%	(407)	(533)
Mortality rate#	+10%	213	237
Discount rate (per annum)	+1%	(285)	(373)
Average investment return (per annum)	-2%	1,833	2,362
Equity volatility (per annum)*	-3%	(1,427)	(1,991)
Lapses (per annum)	-1.5%	621	844
Mortality rate#	-10%	(251)	(282)
Discount rate (per annum)	-1%	380	509

* The impact on profit or loss and equity of the change in the key assumption would be capped at the value of the recognised insurance contract liabilities.
\# Indicates the impact of a 10% increase or decrease in the probability of an investor dying in each future year of the expected contract duration, as calculated individually for each insurance contract.

(iv) Credit risk – reinsurance asset
The Company is exposed to concentration of credit risk through its contractual arrangement with a single third-party reinsurance provider. The Company operates a policy to manage its reinsurance counterparty exposure by only contracting with reinsurers with acceptable credit ratings, with the existing arrangement in place with a company with a credit rating of 'A+'.

None of the Company's reinsurance assets at the reporting date, as disclosed in note 17, are considered by the Directors to be impaired (2018: none), with the carrying amount of the reinsurance asset representing the Company's maximum exposure to credit risk.

(v) Liquidity risk
The following table shows the estimated timing of the undiscounted net cash flows used to determine the insurance contract liabilities balance at 31 October 2019 and 31 October 2018:

	31 October 2019 £000	31 October 2018 £000
Net cash inflows/(outflows) – undiscounted:		
Within 1 year, or repayable on demand	149	263
Within 1-2 years	131	219
Within 2-5 years	236	452
Within 5-15 years	(220)	(12)
More than 15 years	(1,607)	(2,762)
	(1,311)	(1,840)

In the normal course of business, the Company recovers the associated reinsurance assets within a reasonable timeframe from settlement of any investment protection guarantee claims.

(vi) Currency risk
The insurance assets and liabilities are not exposed to any significant currency risk for the years ended 31 October 2018 and 31 October 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. INVESTMENT PROTECTION GUARANTEE (continued)

(vii) Market risk
The Company is exposed to market risk through the potential for market value changes to increase the level of guarantee payout, thus negatively impacting the Company's profitability. The sensitivity impact of market price and interest rate fluctuations on the Company's insurance contract liabilities are set out in 24(b)(iii). This risk is currently eliminated through the overall reinsurance arrangement.

25. TRADE AND OTHER PAYABLES

	31 October 2019 £000	31 October 2018 £000
Non-current:		
Other payables	101	438
Current:		
Accruals	10,196	13,025
Amounts owed to Group subsidiaries	9,213	9,946
Other payables	1,970	2,122
Amounts owed to BMO Group entities	1,508	1,578
Trade payables	721	340
VAT payable	219	-
	23,827	27,011

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the payable balances disclosed due to the short-term maturities of these amounts payable.

26. INTEREST-BEARING LOANS AND BORROWINGS

	31 October 2019 £000	31 October 2018 £000
Current:		
Loan owed to Group subsidiary	2,474	2,553

The loan is from F&C Ireland Limited. The loan is unsecured, repayable on demand and is subject to interest at the 3-month EURIBOR.

HSBC overdraft facility
During the year ended 31 October 2018, the Company entered in to a £5.0m overdraft facility to assist in meeting regulatory requirements if required. Interest on the overdraft facility is payable at the rate of 1% per annum over Base Rate on the amount overdrawn. This facility was not drawn upon in 2018 or 2019.

27. SHARE CAPITAL

	31 October 2019 £000	31 October 2018 £000
Authorised:		
33,302,000 Ordinary shares of £1 each	33,302	33,302
Issued and fully paid:		
32,331,742 Ordinary shares of £1 each	32,332	32,332

The holder of Ordinary shares is entitled to receive dividends as declared from time to time, is entitled to capital distribution rights (including on a winding up), and is entitled to one vote per share at meetings of the Company. They do not confer any rights of redemption.

28. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 17.

Nature and purpose of reserves:
Share premium account
The share premium account is used to record the issue of share capital in excess of par value.

Capital redemption reserve
The capital reserve was created on liquidation of a former subsidiary.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Retained earnings
Movements in retained earnings comprise:
- net profits and losses recognised through the Income Statement;
- actuarial gains and losses recognised on pension obligations;
- deferred tax on actuarial gains and losses;
- transactions relating to equity-settled share-based payments, and deferred tax movements on share-based payments reflected through equity; and
- the net impact of common control transactions and the associated tax impact.

29. COMMON CONTROL TRANSACTIONS

During 2019, the business of the Company's branches were transferred to newly created branches of BMO NL and the Company's branches were subsequently closed. Certain assets and liabilities, and the branch employees were transferred from the Company's branches to the new branches. A payment, representing the fair value of the business transferred was paid by the new branches to the Company's branches. A summary of the amounts received and assets and liabilities transferred is shown below:

	£000	£000
Consideration received		2,506
Less net assets transferred:		
Property, plant and equipment	(14)	
Trade and other receivables*	(5,196)	
Prepayments	(75)	
Cash and cash equivalents	(177)	
Trade and other payables	63	
Employee benefits	5,113	
Provisions	286	
Net assets transferred	-	
Consideration received in excess of book value of net assets transferred		2,506

* The trade and other receivables balance transferred related to amounts owed by Group subsidiaries.

30. COMMITMENTS

Operating leases

The Company has the following future minimum rentals payable in respect of non-cancellable operating leases and other contracts at the reporting date:

	Premises		Other contracts	
	31 October 2019 £000	31 October 2018 £000	31 October 2019 £000	31 October 2018 000
Within one year	-	115	-	80
Later than one year and not later than five years	-	-	-	89
Later than five years	-	-	-	-
	-	115	-	169

Due to the closure of the Company's branches during 2019, the Company no longer has operating lease commitments.

Other commitments

The Company receives third-party administration services under a contract with minimum fee arrangements, although the actual amounts payable under the contract varies according to the level of services received. The minimum amounts payable under the terms of the contract are as follows:

	31 October 2019 £000	31 October 2018 £000
Within one year	10,900	3,477
Later than one year and not later than five years	38,250	40,150
Later than five years	8,750	17,750
	57,900	61,377

A number of other BMO Financial Group entities are also party to this contract. The operating costs recognised by all BMO Financial Group entities in respect of this contract are currently in excess of the associated minimum fees payable under the contract for the reporting period. It is currently anticipated that the future expense to be recognised by the Company will continue to be greater than its share of these minimum fees. Therefore, no additional cost is expected to be borne by the Company as a result of the minimum fee arrangements.

31. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company carried out transactions with related parties, as defined by IAS 24 *Related Party Disclosures*. The Company has taken advantage of the FRS 101 exemption to not disclose related party transactions between wholly-owned subsidiaries of BMO Financial Group.

RW Jenkins pension obligation

Mr RW Jenkins is a former Chairman of the Group. Full details of his pension obligation are disclosed in note 21.

BMO ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

32. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(a) Significant judgements and assumptions

The Company has made assessments as to whether it is an agent or principal in relation to the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees and direct interests held through investments) received from these funds and the linkage between power and variable returns.

The Company has determined that it does not control the funds it manages by reviewing fund structures and voting rights, including the rights to remove the Company as fund manager. Accordingly, the Company has categorised these funds as unconsolidated structured entities. The Company has also assessed that segregated mandates managed on behalf of clients do not qualify as structured entities, with these mandates excluded from the disclosures outlined below.

(b) Interests in unconsolidated structured entities

Nature, purpose and activities of structured entities
The Company and the broader Group have facilitated the set-up of certain investment funds which are considered to be structured entities and currently provides investment management and other related services to these funds. The structured entities provide a mechanism for clients to invest into various asset management vehicles across a range of asset classes. The Company or the broader Group are generally involved, to varying degrees, in the operation and distribution of these structured entities. While the Company obtains a variable return from these structured entities (in the form of management fees), the level of return and the limited extent of direct interest held are not considered to be sufficient to meet the criteria of control and therefore such investment funds are not consolidated.

The Company considers the following funds to be unconsolidated structured entities: SICAVs, Pooled Undertakings for Collective Investment in Transferable Securities (UCITs), OEICs, Exchange Traded Funds and certain other pooled or mutual funds.

The Company generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The Company's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds through its seeding of certain SICAVs. The Company routinely recognises trade receivable and/or contract assets balances with these funds in respect of management fees.

As the risks and rewards of fund performance resides mostly with investees, the Company's direct exposure is limited to the impact of performance on the management fees the Company obtains, thereby aligning the Company's interests to that of its clients.

Funding of unconsolidated structured entities
The structured entities generally raise funds from third-party clients through one-off or ongoing fundraising. The Group promotes the external fundraising in these funds through marketing activity but does not generally invest into these funds. The structured entities are generally open-ended funds which vary in size depending on levels of creations and cancellations. These vehicles are fundamentally financed through the issue of shares or units to investors.

Nature of risks associated with unconsolidated structured entities
The Company does not consider itself to be exposed to significant risks from its operation of unconsolidated structured entities, although it does face some risks. The main risk is a loss of management fees if clients withdraw their assets, thereby reducing the net asset value of these funds. Achieving good investment performance and providing excellent client service are major elements in the management of this risk.

32. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

The Company generally has limited direct exposure to the value of the assets it manages within these investment funds, with the exception of the value of seed capital it holds in certain SICAVs. The Company receives the majority of its management fees directly from the unconsolidated structured entities it manages and will therefore have direct credit exposure in respect of such fees until the amounts are settled. Management fees for certain AIFs managed by the Company are received from another Group company (the AIFM), who has appointed the Company to be the portfolio manager of these funds. The Company receives these management fees indirectly and will therefore have indirect credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk.

The Company also has the following risk exposures associated with unconsolidated structured entities:

- The Company offers investment protection to investors in certain investment trust savings products for which the Company has currently offset any exposure by means of its reinsurance arrangements. Further details are disclosed in note 24.
- The Company may have its fees restricted by 'Total Expense Ratio' clauses in certain funds, which cap certain costs borne by specific funds.

While not unique to the Company's interest in unconsolidated structured entities, as a fund manager the Company is also exposed to the financial risk of any operational errors, which the Company would need to rectify, together with any associated reputational risk. The Group carries professional indemnity insurance thereby seeking to limit the maximum financial exposure arising from any such matters.

Size of unconsolidated structured entities
The total gross AUM in respect of unconsolidated structured entities managed by the Company (including delegated portfolio management) at the reporting dates are as follows:

	31 October 2019 £m	31 October 2018 £m
Structured entity type:		
UK open-ended funds*	5,067	5,499
Non-UK open-ended funds	25,157	3,278
	30,224	8,777

* The Company obtains a variable return from the AUM related to these structured entities through its appointment as Investment Adviser by the ACD.

The following tables summarise the carrying values recognised in the Statement of Financial Position of the Company in relation to its interests in unconsolidated structured entities:

As at 31 October 2019			**Total**	
	UK open-ended funds £000	**Non UK open-ended funds £000**	**Assets £000**	**Liabilities £000**
Other receivables	1,096#	8,248*	9,344	-
Financial investments	-	68	68	-
Trade and other payables	(23)	(1,703)	-	(1,726)
	1,073	6,613	9,412	(1,726)

£1,040,000 of these other receivables reflect outstanding management fees payable by another Group subsidiary who is contractually responsible for billing certain unconsolidated structured entities.
* £6,376,000 of these other receivables reflect outstanding management fees payable by another Group subsidiary who is contractually responsible for billing certain unconsolidated structured entities.

32. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

As at 31 October 2018	UK open-ended funds £000	Non UK open-ended funds £000	Total Assets £000	Total Liabilities £000
Other receivables	12,014*	1,875	13,889	-
Financial investments	-	228	228	-
Trade and other payables	(27)	(2,199)	-	(2,226)
	11,987	(96)	14,117	(2,226)

* These other receivables reflect outstanding management fees payable by another Group subsidiary who is contractually responsible for billing certain unconsolidated structured entities.

Maximum exposure to loss
As at the end of each reporting period, the maximum exposure to losses connected with unconsolidated structured entities is considered to be the extent of assets recognised in the Statement of Financial Position, as shown above. However, the maximum exposure to future loss as a result of the Company's direct interests and fee generation from unconsolidated structured entities is not readily quantifiable and is contingent in nature. The Company's most significant potential exposure would be from the reduction in future management fees. The Company could incur losses through the crystallisation of the risks discussed above.

Non-contractual support provided to unconsolidated structured entities
The Company has no commitments or guarantees in respect of these funds, nor does it provide commitments for any fundraising activities in respect of the funds or routinely supply non-contractual financial support to structured entities. The Company does, however, provide certain administrative and operational support to a number of the structured entities it manages. The remuneration for these services is generally included within the management fee it receives.

Losses incurred from unconsolidated structured entities
No material losses have been recognised by the Company in connection with its interests in unconsolidated structured entities in either of the reporting periods. The Company has reimbursed any operational errors arising during the course of the year which are connected with unconsolidated structured entities. These costs are included within operating expenses.

Income from interests in unconsolidated structured entities
Net operating revenue includes £40,580,000 (2018: £30,397,000) of fees received in respect of the management of unconsolidated structured entities.

33. COUNTRY-BY-COUNTRY REPORTING

The Company is subject to The Capital Requirements (Country-by-Country Reporting) Regulations 2013 and the following disclosure is presented on a consolidated basis in respect of the Company, its subsidiaries and its branches. The branch disclosures are in respect of the period until their closure in the year ended 31 October 2019.

Year ended 31 October 2019

Country/Geographical location	Turnover £000	Average number of employees on a full-time equivalent basis No.	(Loss)/profit before tax £000	Accounting tax credit/ (charge) £000	Corporation tax (received)/ paid £000
United Kingdom	106,259	-	(7,123)	928	(2)
Germany	3,105	5	322	(90)	154
Spain	671	1	49	(15)	23
Italy	495	1	44	(47)	-
Sweden	478	1	35	(10)	47
France	204	-	12	3	81
Aggregate country total	111,212	8	(6,661)	769	303
Consolidation adjustments	(4,953)	-	-	-	-
Sub-Group total	106,259	8	(6,661)	769	303

Revenues in some countries are earned on an intra-group basis only; where these are earned cross-border they are included in the country turnover figures above and are eliminated within the consolidation adjustments.

The Company employs no staff in the UK. Where Group staff supporting the Company are not employed by the Company, their costs are recharged as disclosed in note 7.

Corporation Tax (received)/paid amounts represent the cash tax (receipts)/payments made in the year in respect of profits/losses of any (current or previous) accounting period in respect of that country.

The accounting tax credit/(charge) is not a mandatory disclosure under the regulations; however, the Company has chosen to include these figures in the interests of transparency and completeness of information.

The Company received no public subsidies during the year.

33. COUNTRY-BY-COUNTRY REPORTING (continued)

The table below describes the nature of business activities undertaken in each country where the Company, its branches (until their closure) and subsidiaries operate, together with the names of the entities included in the consolidated information above.

Country/Geographical location	Entity Name	Nature of Activities
United Kingdom	BMO Asset Management Limited	Investment management and advisory services for a range of institutional and wholesale clients, including associated marketing, distribution and client servicing; supporting overseas Group companies in these activities and in their service to clients. Subsidiary holding company.
	F&C Emerging Markets Limited	Non-trading.
Germany	BMO Asset Management Limited Niederlassung Deutschland	Marketing of investment management services including responsible engagement overlay services, product distribution and client servicing.
Spain	BMO Asset Management Limited, Sucursal en España	Investment management marketing, product distribution and client servicing.
Italy	BMO Asset Management Limited – Italian branch	Investment management marketing, product distribution and client servicing.
Sweden	BMO Asset Management Limited - Stockholm Filial	Investment management marketing, product distribution and client servicing.
France	BMO Asset Management Limited – French branch	Investment management marketing, product distribution and client servicing.

34. CONTINGENT LIABILITIES

Ongoing business operations

In the normal course of its business, the Company may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

35. GUARANTEES

The Company has agreed to provide ongoing finance to one of its subsidiary undertakings, FCEM Holdings (UK) Limited, to enable it to continue operating and to meet its liabilities as they fall due. As at 31 October 2019, its deficit of liabilities over assets was £115,405,000 (31 October 2018: £115,405,000). No support was provided during the years ended 31 October 2019 or 31 October 2018.

The Company has subordinated the amounts owed to it by FCEM Holdings (UK) Limited to the prior payment in full of all their other liabilities until 19 July 2020. At 31 October 2019, the Company was owed £128,546,000 (31 October 2018: £128,546,000) by FCEM Holdings (UK) Limited and has provided £115,406,000 (31 October 2018: £115,406,000) against this, resulting in a net loan receivable of £13,140,000 (31 October 2018: £13,140,000), as disclosed in note 17.

BMO Asset Management Limited has agreed to indemnify BMO REP Asset Management plc from any obligations in respect of FOSCA II Manager S.à.r.l. prior to 4 January 2010. This follows the transfer of BMO Asset Management Limited's investment in FOSCA II Manager S.à.r.l. to BMO REP Asset Management plc on the same date.

36. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is BMO AM Holdings Limited, which is registered in England.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is BMO Asset Management (Holdings) plc. Copies of the BMO Asset Management (Holdings) plc Annual Report and Financial Statements can be obtained from its registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

In the Directors' opinion the Company's ultimate parent undertaking and controlling party is Bank of Montreal, a company incorporated in Canada. The consolidated financial statements of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.