

BMO REP ASSET MANAGEMENT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

(Registered Number 1133893)

for the year ended 31 October 2019

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BMO REP ASSET MANAGEMENT PLC

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Directors and Advisers

Registered number: 1133893

Directors:

(appointed 2 August 2019) S BENNETT
D LOGAN
(appointed 14 August 2019) H C MOIR
(resigned 17 May 2019) N CRITICOS
(resigned 2 August 2019) J Z MOHAMMED

Company secretary:

W T CLARKE
95 QUEEN VICTORIA STREET
LONDON
EC4V 4HG

(resigned 12 March 2019) BMO ASSET MANAGEMENT (HOLDINGS) PLC
6th FLOOR QUARTERMILE 4
7A NIGHTINGALE WAY
EDINBURGH
EH3 9EG

Registered office:

5TH FLOOR
7 SEYMOUR STREET
LONDON
W1H 7JW

Auditor:

KPMG LLP
15 CANADA SQUARE
CANARY WHARF
LONDON
E14 5GL

BMO REP ASSET MANAGEMENT PLC

STRATEGIC REPORT

The Directors present their Strategic Report on BMO REP Asset Management plc (the Company) for the year ended 31 October 2019.

PRINCIPAL ACTIVITY

The principal activities of the Company are insurance mediation and property investment management services for clients within the BMO Real Estate Partners LLP Group (BMO REP Group). The Company is authorised and regulated by the Financial Conduct Authority. The Company had a branch located in Dublin, Ireland, although this was closed since the year-end.

BUSINESS AND FINANCIAL REVIEW

Results and dividends

The financial statements show a profit after tax of £2,081,000 for the year ended 31 October 2019 (2018: £608,000).

No interim dividend was paid during the year. (2018: £nil). The Directors do not recommend the payment of a final dividend in the year (2018: £nil).

Key performance indicators	Year ended 31 October 2019 £'000	Year ended 31 October 2018 * Restated £'000	Percentage Increase/ (decrease) %
Turnover	1,746	1,965	(11%)
Administrative expenses	(1,604)	(1,845)	(13%)
Profit on ordinary activities after taxation	2,081	608	242%

*The restatement is explained in note 2.

The key performance indicators ("KPI's") of the Company's economic output are turnover growth, maintaining or decreasing levels of administrative expenses and Profit on ordinary activities after taxation.

These are discussed below.

Trading performance and development of the business

The Company's turnover for the year ended 31 October 2019 was £1,746,000 (2018 restated: £1,965,000).

The year-on-year decrease in turnover reflects a lower level of insurance commission being earned as a result of certain property asset management contracts which ceased to be managed by the BMO REP Group.

Administrative expenses have decreased in the year to £1,604,000 (2018 restated: £1,845,000).

The decrease is largely due to lower BMO Real Estate Partners LLP group pooled UK administrative expenses and the respective share of the Company due to the UK transfer pricing policy, whereby the ultimate costs borne by BMO Real Estate Partners LLP, BMO REP Property Management Limited and the Company are based on their respective proportion of revenues earned.

The Company did not receive any dividends in the year (2018: £nil) from its subsidiary undertaking, BMO REP Property Management Limited.

The 2018 restatement

During 2019, the Company determined that it is acting as the principal in respect of an arrangement to recharge costs of employees operating in client premises. As such, staff cost recharges should be presented within turnover, with the associated employee costs included in administration expenses in the Income Statement.

BMO REP ASSET MANAGEMENT PLC

STRATEGIC REPORT (continued)

BUSINESS AND FINANCIAL REVIEW (continued)

The financial statements in respect of the year to 31 October 2018 netted the cost recovery against the employee expense as if it were acting as an agent, therefore understating both turnover and administration expenses by an equal and opposite amount in the Income Statement. The financial statements for the year ended 31 October 2018 have therefore been restated. There is no impact to the previously reported operating profit for the year ended 31 October 2018 and the balance sheet as at that date.

Future developments

The Company will continue to provide insurance mediation and property management services to its clients.

MANAGING PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks as part of the overall risk management within the BMO Asset Management (Holdings) plc Group ("BMO AM Group"), a parent undertaking. Members of the BMO Global Asset Management EMEA Regional Committee are responsible for identifying and addressing any material or systemic issues or risks facing their areas of the business. The principal risks and uncertainties facing the Company are broadly grouped as follows:

Turnover risk

The Company earns commissions receivable from property insurance contracts. The Company does not participate in insurance underwriting activities and as such there is no inherent insurance risk from this turnover. However, the Company could be exposed to the potential loss of insurance commission when property mandates cease to be managed by the BMO REP Group.

The Company earns revenues on staff costs recharges to clients. There is no inherent risk. Turnover is completely based upon the recovery of specific costs borne by the Company. If these costs ceased, the revenue would also cease with minimal impact on the Company's profitability. Only the administrative fees receivable for the provision of staff to clients would impact profitability.

Financial risk (cashflow risk)

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

Currency 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 by repatriation of excess funds to sterling.

Credit risk

The Company's exposure to client default is considered to be relatively low, as the Company is engaged in property asset management services provided to its clients.

The quantum of accrued income and trade debtors at each reporting date is shown in note 15.

There is low inherent risk of non-collection of insurance commissions or management fees from clients as the Company's revenues are generally funded from the assets which are managed by BMO REP Group entities on behalf of clients.

The BMO AM Group's 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.

STRATEGIC REPORT (continued)

MANAGING PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk

The treasury policy set by the BMO AM 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.

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

Uncertain economic outlook

The UK and global macroeconomic outlook remains uncertain. Client investment preferences, and the BMO AM 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 insurance related 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) on 31 January 2020.

The BMO AM 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 asset classes and could impact the revenue earned by the Company.

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 core activities of investment management, client servicing and distribution.

The BMO AM 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 BMO AM Group's change management process and oversight provided through both the Regional Committee and Audit & Compliance Committee.

Business continuity and information technology

The Company's success is dependent on access to the BMO AM Group's robust IT infrastructure and appropriate IT systems. The BMO AM 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 BMO AM 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 BMO AM Group. The BMO AM Group maintains and periodically tests its business continuity arrangements.

BMO REP ASSET MANAGEMENT PLC

STRATEGIC REPORT (continued)

MANAGING PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Potential cyberattacks

The BMO AM 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 denial of services, loss of client data or other sensitive information, thereby potentially impacting the BMO AM Group financial results and/or its reputation.

The Company relies on the effectiveness of the BMO AM 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 BMO AM Group holds an ISO 27001 security accreditation.

BY ORDER OF THE BOARD



Director

Date: 13 February 2020

BMO REP ASSET MANAGEMENT PLC

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

GOING CONCERN

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

On the basis of their assessment of the Company's financial position the Directors have a reasonable expectation that the Company will be able to continue in operational existence for a period of 12 months from the date of approval of the financial statements.

DIVIDENDS

No interim dividend was paid during the year 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend in the year (2018: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

S Bennett (appointed 2 August 2019)
D Logan
H C Moir (appointed 14 August 2019)
N Criticos (resigned 17 May 2019)
J Z Mohammed (resigned 2 August 2019)

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

DIRECTORS' AND OFFICERS' LIABILITY

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

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.

FUTURE DEVELOPMENTS

The Strategic Report (on pages 3 to 6) provides details of future developments and the principal risks and uncertainties relating to the Company.

EXISTENCE OF BRANCH OUTSIDE THE UK

During 2019, the Company had one branch, as defined in s1046(3) of the Companies Act 2006, outside the UK. The branch is located in the Republic of Ireland. Subsequent to the year-end the Company has initiated the closure of this branch.

BMO REP ASSET MANAGEMENT PLC

REPORT OF THE DIRECTORS (continued)

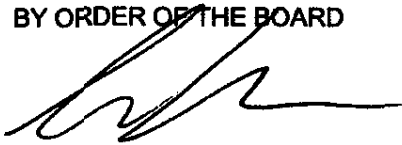
PILLAR 3

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

AUDITOR

KPMG LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD



W.T. Clarke
Company secretary
Date: 13 February 2020

BMO REP ASSET MANAGEMENT PLC

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the income statement of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 a 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.

BMO REP ASSET MANAGEMENT PLC

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

Opinion

We have audited the financial statements of BMO REP Asset Management Plc ("the company") for the year ended 31 October 2019 which comprise the Income Statement, 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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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, 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.

BMO REP ASSET MANAGEMENT PLC

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 directors' report;
- 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 9, 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.

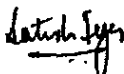
Auditor's responsibilities

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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary wharf, London E14 5GL
Date: 13 February 2020

BMO REP ASSET MANAGEMENT PLC

INCOME STATEMENT

For the year ended 31 October 2019

	Notes	Year ended 31 October 2019 £'000	Year ended 31 October 2018 *Restated £'000
Turnover	3	1,746	1,965
Administrative expenses		(1,604)	(1,845)
Operating profit	4	<u>142</u>	<u>120</u>
Profit on disposal of fixed assets		-	6
Dividends receivable	5	52	70
Interest receivable	6	33	19
Interest and similar charges payable	7	(1)	(1)
Fair value gains on investment	14	2,279	513
Profit on ordinary activities before taxation		<u>2,505</u>	<u>727</u>
Taxation on profit on ordinary activities	11	(424)	(119)
Profit on ordinary activities after taxation		<u>2,081</u>	<u>608</u>

*The restatement is explained in note 2.

All amounts relate to continuing operations.

There are no items of comprehensive income which have not already been presented in arriving at the profit for the current or previous financial years. Accordingly the profit on ordinary activities after taxation for both financial years is the same as the total comprehensive income for that year.

The notes on pages 15 to 28 form an integral part of these financial statements.

BMO REP ASSET MANAGEMENT PLC

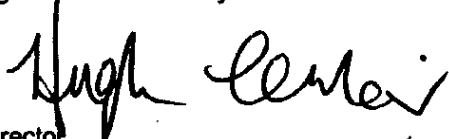
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STATEMENT OF FINANCIAL POSITION

As at 31 October 2019

	Notes	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Fixed assets			
Tangible fixed assets	13	28	40
Investments	14	<u>2,800</u>	<u>521</u>
		2,828	561
Current assets			
Debtors			
- due within one year	15	589	553
Cash at bank and in hand		3,255	2,953
Short-term deposits		<u>5,042</u>	<u>5,009</u>
		8,886	8,515
Creditors: amounts falling due within one year	16	<u>(537)</u>	<u>(387)</u>
Net current assets		8,349	8,128
Creditors: amounts falling due over one year	17	<u>(466)</u>	<u>(79)</u>
Net assets		<u>10,711</u>	<u>8,610</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Profit and loss account		9,691	7,610
Foreign currency translation reserve		20	-
Total shareholder's funds		<u>10,711</u>	<u>8,610</u>

The financial statements were approved by the Board of Directors and authorised for issue on. They were signed on its behalf by:



Director

Date: 13 February 2020

The notes on pages 15 to 28 form an integral part of these financial statements.

BMO REP ASSET MANAGEMENT PLC

STATEMENT OF CHANGES IN EQUITY

As at 31 October 2019

	Note	Called up share capital £'000	Foreign currency translation reserve £'000	Profit and loss account £'000	Total shareholder's funds £'000
As at 1 November 2017		1,000	-	12,002	13,002
Profit on ordinary activities after tax		-	-	608	608
Dividends paid	12	-	-	(5,000)	(5,000)
As at 31 October 2018		1,000	-	7,610	8,610
Profit on ordinary activities after tax		-	-	2,081	2,081
Foreign currency translation		-	20	-	20
As at 31 October 2019		1,000	20	9,691	10,711

The notes on pages 15 to 28 form an integral part of these financial statements.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

BMO REP Asset Management plc is a public limited company incorporated in England and Wales. The Company's registered office and principal place of business is 5th Floor, 7 Seymour Street, London, W1H 7JW, registered no. 1133893.

2. ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently for the years ended 31 October 2019 and 31 October 2018.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The Company has applied the amendments to FRS 102 issued in December 2017, prior to their mandatory effective date of accounting periods beginning on or after 1 January 2019.

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 REP Asset Management plc 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.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes;
- Share based payment arrangements; and
- Key management personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These 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 judgements using information and financial data available to them, the actual outcome may differ from these estimates.

Assumptions and estimations have been used in the fair value measurement of the Company's carried interest investments. The valuation of the carried interest entitlement uses significant unobservable inputs (Level 3 in the fair value measurement hierarchy). Additional significant judgement has been used in estimating the timing of the distribution of cash flows and in the risk adjusted discount rate which has been applied to these cash flows. A change to any of these variables could result in a significant change to the fair value measurement of the investment. Further details can be found in note 14.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Going concern

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 6.

After considering the Company's financial position and expected future trading activity, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Summary of significant accounting policies

The following accounting policies have been applied consistently throughout the reporting period in dealing with items which are considered material in relation to the Company's financial statements.

Turnover

Turnover comprises income from insurance mediation activities and investment management services. Asset management fees, investment advisory fees, staff cost recharges and other revenue generated by the Company's activities are recognised in the income statement over the period for which these services are provided.

Dividend recognition

Dividend receivables and liabilities are only recognised when the dividends have been declared and approved.

Interest receivable

Interest receivable comprises bank interest and is recognised in the income statement on an effective interest rate basis as it accrues.

Interest and similar charges payable

Interest payable comprises bank interest and charges payable and is recognised in the income statement on an effective interest rate basis.

Foreign currencies

The Company's financial statements are presented in pounds sterling, the Company's functional and presentational currency. The Company also has an Irish branch whose functional currency is in euros.

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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity, within the Foreign Currency Translation Reserve.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Expenditure on tangible fixed assets 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 an expense as incurred.

Tangible fixed assets are depreciated, using the straight-line method or 25% reducing balance basis for motor vehicles, to write off the cost of assets over their estimated useful lives, as follows:

Motor vehicles	- 25% reducing balance basis
Computer equipment	- over 3 years
Office equipment and furniture	- over 3-5 years

Depreciation 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 year in which it arises.

Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively and 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 de-recognition 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.

Investments

Investments in subsidiaries and associates are held at cost. The Company assesses investments in subsidiaries and associates 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.

Carried interest investments are designated as fair value through profit or loss (FVTPL) and are measured, on initial recognition, at fair value. Subsequent movements in fair value are recorded in the Income Statement in the period in which they arise. 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. Carried interest investments are based on the underlying property valuations and underlying agreements.

When financial instruments are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Cash at bank and short-term deposits

Cash at bank and short-term deposits comprise cash balances, deposits held at call with banks and other short-term deposits repayable within 3 months.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Current tax

Current tax is the expected tax payable or receivable 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. 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.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay less or receive more tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Related party disclosure

FRS 102, Section 33 - Related Party Disclosures requires disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of the exemptions available not to disclose transactions between BMO Asset Management (Holdings) plc Group companies which eliminate on consolidation.

Financial Instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at cost, less any impairment losses in the case of trade debtors.

Employee Benefits

a) Pension costs

The Company operates a defined contribution pension scheme with contributions charged to profit or loss as they become payable.

b) Termination benefits

Payments or other benefits arising from the termination of a person's employment is recognised as a liability and expensed when there is a detailed formal plan for the termination and there is no realistic possibility of the plan being withdrawn.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Share-based payments

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

The fair value of awards 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. Vesting of awards typically depends upon continued employment.

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 full 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 accelerated.

Prior year adjustment

During 2019, the Company determined that it is acting as the principal in respect of an arrangement to recharge costs of employees operating in client premises. As such, staff cost recharges should be presented within turnover, with the associated employee costs included in administration expenses in the Income Statement.

The financial statements in respect of the year to 31 October 2018 netted the cost recovery against the employee expense as if it were acting as an agent, therefore understating both turnover and administration expenses by an equal and opposite amount in the Income Statement. The financial statements for the year ended 31 October 2018 have therefore been restated. There is no impact to the previously reported operating profit for the year ended 31 October 2018 and the balance sheet as at that date. The following table summarises the impact on the Company's financial statements:

For the year ended 31 October 2018	As previously reported £'000	Adjustment	As restated £'000
Turnover	1,053	912	1,965
Administrative expenses	(933)	(912)	(1,845)

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. TURNOVER**

Analysis of turnover earned in each year is as follows:	Year ended	Year ended
	31 October 2019	31 October 2018
	£'000	*Restated £'000
Management fees	44	44
Management fees – performance fees	(1)	1
Commission receivable	682	985
Staff cost recharges (Note 8)	997	912
Other miscellaneous revenue	24	23
	<u>1,746</u>	<u>1,965</u>

An analysis of the Company's turnover by geographical location of the clients is set out below.

	Year ended	Year ended
	31 October 2019	31 October 2018
	£'000	*Restated £'000
United Kingdom	1,356	1,338
Channel Islands	347	582
Ireland	43	45
	<u>1,746</u>	<u>1,965</u>

*The restatement is explained in note 2.

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Year ended	Year ended
	31 October 2019	31 October 2018
	£'000	£'000
Depreciation of tangible fixed assets	12	14
Loss/(gain) on foreign exchange	51	(8)
Intra-group recharges – service charges*	208	632

Amounts payable to the auditor for other services are disclosed in the financial statements of a parent undertaking, BMO Asset Management (Holdings) plc.

Audit fees in the current year are borne by a parent undertaking, BMO Real Estate Partners LLP. Audit fees are not specifically charged to the Company. The allocation to the Company for audit fees is £6,000 (year ended 31 October 2018: £6,000).

*Intra-group recharges – service charges relate to BMO Real Estate Partners LLP group pooled UK administrative expenses and the respective share attributed to the Company due under the UK transfer pricing policy, whereby the ultimate costs borne by BMO Real Estate Partners LLP, BMO REP Property Management Limited and the Company are based on their respective proportion of revenues earned.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. DIVIDENDS RECEIVABLE**

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Dividends receivable from investments	<u>52</u>	<u>70</u>

6. INTEREST RECEIVABLE

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Bank interest	<u>33</u>	<u>19</u>

7. INTEREST AND SIMILAR CHARGES PAYABLE

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Bank interest and charges	<u>1</u>	<u>1</u>

8. STAFF NUMBERS AND COSTS

The Company employs twenty individuals (2018: 21) directly. One individual was seconded to the Irish branch of the Company but his employment terminated on 31 January 2020. Staff costs are analysed as follows:

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 *Restated £'000
Direct staff costs include the following:		
Wages and salaries	925	867
Social security costs	103	98
Other pension costs	63	64
Termination costs	97	-
	<u>1,188</u>	<u>1,027</u>

The above staff costs include those individuals performing services in client premises whose costs are recharged to clients. Such recharges are recognised in revenue (see note 3).

* The restatement is explained in note 2.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. SHARE-BASED PAYMENTS

BMO RSU awards are utilised by the Company 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.

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

10. DIRECTORS' REMUNERATION

No director received any remuneration in respect of their services to the Company during the year ended 31 October 2019 (2018: £nil), as they are remunerated by a fellow subsidiary undertaking.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Current Taxation		
UK corporation tax on profit for the year	37	30
Adjustments in respect of previous years	-	1
Total current tax charge for the year	<u>37</u>	<u>31</u>
Deferred tax charge	<u>387</u>	<u>88</u>
Total tax charge for the year	<u><u>424</u></u>	<u><u>119</u></u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

The differences are explained below.

Profit on ordinary activities before tax	<u>2,505</u>	<u>727</u>
Profit on ordinary activities multiplied by the UK corporation tax of 19.00% (2018: 19.00%)	476	138
<i>Effect of:</i>		
Disallowed expenses	3	3
Non taxable income	(9)	(13)
Amounts relating to corporation tax rate change	(46)	(10)
Adjustments in respect of previous years	-	1
Total tax charge for the year	<u><u>424</u></u>	<u><u>119</u></u>

DEFERRED TAXATION

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Balance at 1 November	(79)	9
Charged during the year	<u>(387)</u>	<u>(88)</u>
Balance at 31 October (note 17)	<u><u>(466)</u></u>	<u><u>(79)</u></u>
Tax on fair value revaluations	(475)	(88)
Depreciation in advance of capital allowances	9	9
Total deferred tax	<u><u>(466)</u></u>	<u><u>(79)</u></u>

The Directors believe it is appropriate to recognise a deferred tax asset in respect of depreciation in advance of capital allowances because it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Effective rate of tax and factors affecting future tax charges

A future UK corporation tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2018. No additional rate changes have been substantively enacted since the reporting date.

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.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. DIVIDENDS ON EQUITY SHARES**

	Year ended 31 October 2019 £'000	Year ended 31 October 2018 £'000
Final dividends for the year ended 31 October 2019 £nil (2018: 500p per ordinary share)	-	5,000

The Directors do not recommend the payment of a final dividend for the year ended 31 October 2019 (2018: nil pence per ordinary share).

13. TANGIBLE FIXED ASSETS

	Motor vehicles £'000	Office equipment and furniture £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 November 2018	44	3	46	93
Additions	-	-	1	1
Disposals	-	-	(1)	(1)
At 31 October 2019	44	3	46	93
Accumulated depreciation:				
At 1 November 2018	(6)	(3)	(44)	(53)
Depreciation charge for the year	(11)	-	(1)	(12)
At 31 October 2019	(17)	(3)	(45)	(65)
Net book value:				
At 31 October 2019	27	-	1	28
At 31 October 2018	38	-	2	40

14. INVESTMENTS

Total fixed asset investments comprise:

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Investment in subsidiary and associate (measured at cost)	4	4
Carried interest investment (measured at FVTPL)	2,796	617
	2,800	521

Investment in a subsidiary

The Company holds one £1 ordinary share in the following subsidiary:

Name of company	Country of incorporation	Nature of business	Class of shares held	Percentage interest and voting rights
BMO REP Property Management Limited*	England (I)	Property asset management	Ordinary shares	100%

* Principal trading subsidiary

(I) Address: 5th Floor, 7 Seymour Street, London, W1H 7JW

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. INVESTMENTS (continued)**

The investment in a subsidiary is held at cost. The Directors assess the Company's investment in subsidiary 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.

Investment in an associate

The Company has an investment in the following associate:

	Country of Incorporation	Nature of business	Class of shares held	Percentage of share capital held
FOSCA II Manager S.à.r.l.	Luxembourg (ii)	Property asset management	Ordinary shares	33.3%
(ii) Address: FOSCA II Manager S.à.r.l., 1, Rue Hildegard von Bingen, L-1282, Luxembourg				

The Company holds 167 ordinary shares of 25 Euros each in FOSCA II Manager S.à.r.l.

Cost:	£'000
At 1 November 2017, 31 October 2018 and 31 October 2019	<u>4</u>

The investment in an associate is held at cost. The Directors assess the Company's investment in its associate 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.

Carried interest investment

The Company holds 450,000 preference shares of 0.01 Euros each in FOSCA II S.C.A., a Luxembourg limited liability partnership. The Company's associate, FOSCA II Manager S.à.r.l., holds a participating interest in FOSCA II S.C.A.

The Company's preference share holding entitles the Company to earn carried interest based on the achievement of an investment performance return of the underlying property portfolio in excess of the hurdle rate.

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Fair value through profit or loss:		
At 1 November	517	4
Fair value gain on Investment	<u>2,279</u>	<u>513</u>
At 31 October	<u>2,796</u>	<u>517</u>

The investment is measured at fair value through profit or loss and is classified as level 3 assets within the fair value hierarchy (assets are valued using inputs not based on observable market data).

The fair value of the carried interest entitlement is based on the expected carried interest cash flows which are discounted by a risk premium over time. The underlying timing of distributions and valuations determines when the carried interest threshold is met and the level of expected future cash flows. The main assumptions used in the valuation methodology are a risk adjusted discount rate of 12% (2018: 36%) per annum on future cash flows. The future cash flows are based upon the underlying property valuations which are performed by an independent valuer using recognised property valuation techniques.

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. INVESTMENTS (continued)**

Subsequent to the reporting date, the final properties were sold. The carried interest proceeds will be quantified and received once the final underlying distributions have been made from the Fund to investors. The Directors are of the opinion that the events subsequent to 31 October 2019 do not have any significant impact on the fair value disclosed above.

15. DEBTORS: Amounts falling due within one year

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Amounts due from a parent undertaking	51	-
Amounts due from subsidiary undertakings	-	2
Amounts due from fellow subsidiary undertakings	2	-
Trade debtors	33	102
Accrued income	366	358
Other debtors	137	90
Interest receivable	-	1
	<u>589</u>	<u>553</u>

16. CREDITORS: Amounts falling due within one year

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Amounts due to parent undertakings	-	53
Amounts due to fellow subsidiary undertakings	95	77
Other taxes and social security	49	52
Group relief due to a parent undertaking	72	33
Liability for employee compensation	74	-
Trade creditors	36	24
Other creditors	18	35
Accruals and deferred income	193	113
	<u>537</u>	<u>387</u>

17. CREDITORS: Amounts falling due over one year

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Deferred tax (note 11)	<u>466</u>	<u>79</u>

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. SHARE CAPITAL**

	As at 31 October 2019 £'000	As at 31 October 2018 £'000
Allotted, called up and fully paid: 1,000,000 ordinary shares of £1 each	1,000	1,000

The Company has one class of ordinary shares which carry no right to fixed income.

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

999,999 ordinary shares are held by BMO Real Estate Partners LLP, the immediate parent undertaking.

1 ordinary share is held by BMO Asset Management (Holdings) plc, an intermediate parent undertaking.

19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company carried out transactions with related parties, as defined by FRS 102 Section 33 *Related Party Disclosures*. The Company has taken advantage of the FRS 102 exemption to not disclose related party transactions between wholly-owned subsidiaries of BMO Financial Group.

During the current or prior years, the Company entered into the following transactions with group subsidiaries which were not wholly-owned:

FOSCA II Manager S.à.r.l.

On 4 January 2010, the Company acquired 33.3% of the shares in FOSCA II Manager S.à.r.l. from BMO Asset Management Limited for consideration of £4,000.

Dividends from FOSCA II Manager S.à.r.l.

During the year ended 31 October 2019, the Company received £52,000 from FOSCA II Manager S.à.r.l. (2018: £70,000)

Management fees

During the year ended 31 October 2019, the Company received £410,000 (2018: £632,000) of property management fees from FOSCA II Manager S.à.r.l. This revenue is subsequently passed to the underlying entity performing the asset management services. The balance outstanding at 31 October 2019 was £nil (31 October 2018: £nil). The Company also incurred £1,300 of recoverable expenses in the year ended 31 October 2019 (2018: £1,000) of which £nil was outstanding from FOSCA II Manager S.à.r.l. at 31 October 2019 (31 October 2018: £nil).

BMO REP ASSET MANAGEMENT PLC

FOR THE YEAR ENDED 31 OCTOBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CONTINGENT ASSET/LIABILITY

The Company has issued proceedings against a client in respect of a major contract, which relates to a dispute over payment of a performance fee that BMO alleges is owed pursuant to a management agreement.

The case is scheduled for trial by the courts in April 2020.

While the Company has expensed all of the costs it has incurred to date which are connected with this claim, it has been estimated that the Company could incur costs upwards of €1,000,000 should the action be unsuccessful, although the actual quantum of costs would only be known once the outcome of the dispute is determined. The Company expects that 30% of any such costs would be recoverable from a 3rd Party.

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is BMO Real Estate Partners LLP,

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, Quatermie 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.

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year-end the Company has initiated the closure of its branch in the Republic of Ireland.