

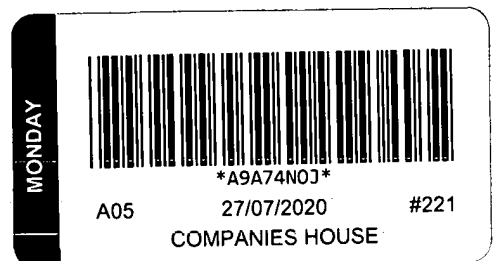
BMO Asset Managers Limited

(Registered number 2550699)

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

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BMO ASSET MANAGERS LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

2550699

DIRECTORS:

P J Doel
R A Watts

SECRETARY:

R D Burgin
95 Queen Victoria Street
London
EC4V 4HG

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

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 MANAGERS LIMITED

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company was the provision of investment management and administration services. However, with effect from 17 January 2019 the Company's remaining investment management agreements were novated to BMO Asset Management Limited, a fellow BMO Asset Management (Holdings) plc Group (the Group) subsidiary. The Company was authorised and regulated by the Financial Conduct Authority (FCA) until it was de-authorised in June 2019. The Company continues to earn interest on a loan to another Group subsidiary.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss after tax for the 2019 financial year of £382,000 (2018: profit of £52,000).

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	2018
	£000	£000
Revenue	316	1,611
Operating loss	(491)	(25)
Assets under management (at reporting date)	-	<u>£677m</u>

Trading performance and development of the business

The vast majority of the Company's revenue was derived from companies within the Friends Life Group (FL Group). The FL Group adopted a strategy of repatriating assets to be managed in-house, with a majority of their assets being withdrawn during 2014. Following the termination of the Company's remaining institutional segregated client mandate during 2019, the FL Group investment management mandate was novated to a fellow Group subsidiary, BMO Asset Management Limited, resulting in the Company no longer managing any client assets (31 October 2018: AUM of £677m).

Revenue for the year ended 31 October 2019 was £316,000 compared with £1,611,000 in 2018. The decrease in revenue reflects the transfer of AUM outlined above.

Operating expenses for the year ended 31 October 2019 were £807,000 compared to £1,636,000 in 2018. Revenue was the key driver for determining the share of the Group's UK operating platform costs attributed to the Company. However, when the Company ceased its investment management activities, it was no longer included in the Group's transfer pricing arrangements. The Company incurred a further expense of £463,000 in the year ended 31 October 2019 (2018: £nil), due to an impairment loss being recognised on the Company's intra-group loan receivable as a result of adopting IFRS 9 *Financial Instruments*. Further details are disclosed in note 2.2.2.

BMO ASSET MANAGERS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks as part of the overall risk management framework within the Group. 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. However, as the Company no longer has any external trading activity, the Directors are of the view that these risks are now significantly diluted from previous years. The principal risks and uncertainties facing the Company are broadly grouped as follows:

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 capital requirements.

Credit risk

The Company is exposed to credit risk if a counterparty to a financial instrument is unable to pay, in full, amounts when due. A significant proportion of receivables at the reporting date is in respect of to a loan owed by another Group subsidiary. As the Group's working capital is monitored on a group-wide basis, the risk of default is considered minimal, although an expected credit loss allowance has been recognised on the loan as a result of a review of the expected timing of its recoverability.

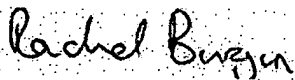
The Group's treasury policy limits the exposure to any one counterparty (in respect of cash and cash equivalents), recognising that each counterparty has been approved by the BMO GAM Counterparty Credit Committee. As at 31 October 2019, the Company's largest exposure was £8,994,000 in respect of deposits with an A credit rated bank (31 October 2018: £8,922,000 deposits with an A credit rated bank).

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.

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.

BY ORDER OF THE BOARD



R D Burgin
Secretary
3 June 2020

BMO ASSET MANAGERS 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 8. A Strategic Report for the same period is set out on pages 2 to 3.

The Company recognised a loss of £382,000 for the year ended 31 October 2019 (2018: profit of £52,000).

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2018: £nil) and no interim dividend was approved or paid during the year ended 31 October 2019 (2018: nil).

FUTURE DEVELOPMENTS

The Directors do not anticipate any major change in the activity of the business within the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the financial year were as follows:

D Logan	(resigned 22 August 2019)
J Z Mohammed	(resigned 22 August 2019)
D J Sloper	(appointed 19 August 2019)
R A Watts	(appointed 19 August 2019)
R C Wilson	(resigned 12 June 2019)
BMO Asset Management (Holdings) plc	(resigned 22 August 2019)

D J Sloper resigned as Director on 16 January 2020 and P J Doel was appointed as Director on 19 February 2020. No individual Director has any 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.

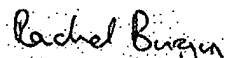
AUDITOR

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



R D Burgin
Secretary
3 June 2020

BMO ASSET MANAGERS 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.

BMO ASSET MANAGERS LIMITED

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

Opinion

We have audited the Financial Statements of BMO Asset Managers Limited ("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 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.

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 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.

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.

BMO ASSET MANAGERS LIMITED

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

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 5, 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.

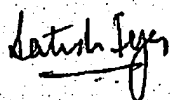
Auditor's responsibilities

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
3 June 2020

BMO ASSET MANAGERS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £000	2018 £000
Revenue	3	316	1,611
Operating expenses	4	<u>(807)</u>	<u>(1,636)</u>
OPERATING LOSS		(491)	(25)
Finance income	6	128	91
Finance costs	7	<u>-</u>	<u>(2)</u>
(LOSS)/PROFIT BEFORE TAX		(363)	64
Tax expense	8	<u>(19)</u>	<u>(12)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(382)</u>	<u>52</u>

All amounts relate to continuing operations at the reporting date.

There are no items of comprehensive income which have not already been presented in arriving at the profit or loss for the current or previous financial years. Accordingly, the result for both financial years is the same as the total comprehensive income or expense for that year.

The notes on pages 11 to 21 form an integral part of these Financial Statements.

BMO ASSET MANAGERS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

(Registered number 2550699)

	Notes	31 October 2019 £000	31 October 2018 £000
ASSETS			
Non-current assets			
Loan receivable	9	6,730	-
Current assets			
Trade and other receivables	10	15	256
Cash and cash equivalents	11	8,999	16,190
Total current assets		<u>9,014</u>	<u>16,446</u>
TOTAL ASSETS		<u>15,744</u>	<u>16,446</u>
LIABILITIES			
Current liabilities			
Other payables	12	31	351
TOTAL LIABILITIES		<u>31</u>	<u>351</u>
EQUITY			
Share capital	13	16,000	16,000
Retained earnings	14	(287)	95
TOTAL EQUITY		<u>15,713</u>	<u>16,095</u>
TOTAL LIABILITIES AND EQUITY		<u>15,744</u>	<u>16,446</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 3 June 2020. They were signed on its behalf by:



R A Watts
Director

The notes on pages 11 to 21 form an integral part of these Financial Statements.

BMO ASSET MANAGERS LIMITED

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

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 November 2017	16,000	43	16,043
Profit for the financial year	-	52	52
Balance at 31 October 2018	16,000	95	16,095
Loss for the financial year	-	(382)	(382)
Balance at 31 October 2019	16,000	(287)	15,713

The notes on pages 11 to 21 form an integral part of these Financial Statements.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

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

The results of BMO Asset Managers 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, the Company's functional and presentational currency 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) Financial instruments disclosures;
- (d) The effects of new but not yet effective IFRSs;
- (e) Disclosures of Key Management Personnel compensation; and
- (f) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Measurement convention

The Financial Statements are prepared under the historical cost convention.

Going concern

As part of the Directors assessment of going concern they have considered, as best they can, the potential impact of COVID-19 on the Company. Due to the nature of the Company's activities, the Directors do not currently expect this to have a significant direct or indirect impact on the Company, as outlined in note 16 'Events after the reporting period'. The Company has net assets and highly liquid current 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. Accordingly, the Financial Statements have been prepared on a going concern basis.

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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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, had no impact on the Income Statement the year ended 31 October 2019 and had no impact on the Statement of Financial Position at 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. The adoption of IFRS 9 had no impact on the recognition and measurement of the Company's financial instruments, however, the nature of the classification changes are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, 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, with the only change being as follows:

- 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 fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(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 fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 at 1 November 2018, no impairment was recognised on the Company's financial assets as the amounts were considered immaterial.

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.

The key source of assumption and estimation uncertainty at the reporting date, which could affect the future carrying amounts of assets, relates to the calculation of the allowance for ECLs on the Company's intra-group loan receivable balance. The Company uses a discounted cash flow model to determine the ECL which involves an estimation, under a number of scenarios, of the timing of when the loan balance will be repaid. Any change to the assumptions around the timing and amounts of cash flows could impact the allowance for ECLs at the reporting date.

2.4 Summary of significant accounting policies

(a) Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* is applicable for the year ended 31 October 2019. The adoption of IFRS 15 has not impacted the recognition of the Company's revenue.

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.

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 where the Company is considered to be the principal. The Company has concluded that it is the principal in its revenue arrangements, because it controls such services.

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.

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

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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

IAS 18 accounting policy for year ended 31 October 2018

Investment management fees generated from the Company's asset management activities are recognised in the Income Statement over the period which these asset 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.

(b) Finance income

Finance income comprises bank interest receivable and interest receivable on a loan from a group subsidiary and 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.

(c) Finance costs

Finance costs comprise interest payable on a loan from a group subsidiary and is recognised in the Income Statement on an EIR basis.

(d) Income tax

The income tax expense or income disclosed on the face of the Income Statement represents current tax.

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 assets are reviewed at each reporting date and are only recognised to the extent that it is considered probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits is also considered, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) 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.

j) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as debt instruments measured at amortised cost.

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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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

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 receivable, trade and other receivables and cash and cash equivalents.

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 considers the requirement to recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 loan receivables, 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. Corresponding movements in the ECL allowance are recognised in operating expenses.

The Company considers a financial asset to be 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 trade and other payables. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Company's financial liabilities consist of other 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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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, or when annual impairment testing for an asset is required, 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.

(f) 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.

(g) Share capital

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

3. REVENUE

Revenue recognised in the Income Statement comprises investment management fees from clients in:

	2019 £000	2018 £000
United Kingdom	206	1,091
Isle of Man	110	436
Jersey	-	84
	<hr/>	<hr/>
	316	1,611

Investment management revenue

Investment management services were provided to segregated clients. The fees earned were based on a percentage of the NAVs of each mandate and therefore varied over time with changes in asset values. These fees were generally quantified on a monthly or quarterly basis. The fee rates earned varied by asset class and the size or complexity of the client mandate or fund.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATING EXPENSES

Total operating expenses comprise the following:

	2019 £000	2018 £000
Impairment loss on loan receivable	463	-
Inter-company recharges	319	1,618
Other expenses	25	18
	<hr/> 807	<hr/> 1,636

Inter-company recharges comprise the share of the Group's UK operating platform costs attributed to the Company.

Audit fees attributable to the Company were £5,000 (2018: £14,000). 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 parent, BMO Asset Management (Holdings) plc.

The Company had no employees during the year ended 31 October 2018 (2018: nil). BMO Asset Management (Services) Limited, a subsidiary of BMO Asset Management (Holdings) plc, employs all of the Group's staff who provided services to the Company. The cost of employee services applicable to the Company is included within inter-company recharges.

5. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of their services to the Company during the year ended 31 October 2019 (2018: £nil). Their remuneration is paid by other BMO Financial Group companies.

6. FINANCE INCOME

	2019 £000	2018 £000
Financial assets measured at amortised cost:		
Bank interest receivable	125	91
Interest receivable on loan owed by group subsidiary	3	-
	<hr/> 128	<hr/> 91

7. FINANCE COSTS

	2019 £000	2018 £000
Financial liabilities measured at amortised cost:		
Interest payable on loan from group subsidiary	-	2
	<hr/> -	<hr/> 2

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INCOME TAX

(a) Analysis of tax expense in the year

The major components of tax expense recognised in the Income Statement are:

	2019 £000	2018 £000
Current income tax:		
<i>UK Corporation Tax</i>		
Current tax on (loss)/profit for the year	19	12
Tax expense reported in the Income Statement	<u>19</u>	<u>12</u>

(b) Reconciliation of total tax expense for the year

A reconciliation between the actual tax expense and the accounting (loss)/profit 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)/profit before tax	<u>(363)</u>	<u>64</u>
At the Company's statutory income tax rate of 19.00% (2018: 19.00%)	(69)	12
Disallowed expenses	<u>88</u>	<u>-</u>
Tax expense reported in the Income Statement	<u>19</u>	<u>12</u>

(c) Effective rate of tax and factors affecting future tax charges

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 reduction in the UK Corporation Tax rate would have led to a Company statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% from 2021 onwards.

The Chancellor of the Exchequer's Budget on 11 March 2020 announced that the UK Corporation Tax rate will remain at 19.00% from 1 April 2020 rather than reduce to 17.00%, and this change was substantively enacted on 17 March 2020. The statutory UK Corporation Tax rate for the Company will therefore remain at 19.00% from 2020 onwards.

(d) Unrecognised deferred tax assets

At 31 October 2019 the Company has unrecognised gross tax losses of £169,000 (31 October 2018: £169,000), that are available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around when sufficient taxable profits will arise in the Company against which the losses can be offset.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. LOAN RECEIVABLE

	31 October 2019 £000	31 October 2018 £000
Non-current:		
Loan owed by group subsidiary	7,193	-
Allowance for expected credit losses	(463)	-
	<hr/> 6,730	<hr/> -

The loan is between the Company and BMO AM Treasury Limited. The loan is unsecured, repayable on demand and subject to interest at the 3-month LIBOR less 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. An impairment allowance of £463,000 was recognised at 31 October 2019.

10. TRADE AND OTHER RECEIVABLES

	31 October 2019 £000	31 October 2018 £000
Current:		
Interest receivable	15	26
Trade receivables	-	211
Accrued income	-	18
Amounts owed by group subsidiary	-	1
	<hr/> 15	<hr/> 256

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.

11. CASH AND CASH EQUIVALENTS

	31 October 2019 £000	31 October 2018 £000
Short-term deposits	8,994	16,183
Cash at bank	5	7
	<hr/> 8,999	<hr/> 16,190

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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. OTHER PAYABLES

	31 October 2019 £000	31 October 2018 £000
Current:		
Group relief payable	31	2
Amounts owed to group subsidiaries	-	263
VAT payable	-	86
	<hr/> 31	<hr/> 351

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.

13. SHARE CAPITAL

	31 October 2019 £000	31 October 2018 £000
Authorised:		
20,000,000 Ordinary shares of £1 each	<hr/> 20,000	<hr/> 20,000
Issued and fully paid:		
16,000,000 Ordinary shares of £1 each	<hr/> 16,000	<hr/> 16,000

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. The shares do not confer any rights of redemption.

14. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 10. Movements in retained earnings comprise net profits and losses recognised through the Income Statement.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is FP Asset Management Holdings Limited, a company 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.

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.

BMO ASSET MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. EVENTS AFTER THE REPORTING PERIOD

Since the reporting date, there has been a rise and rapid expansion of the coronavirus (COVID-19) pandemic outbreak across many continents, with many countries, including the UK, suspending some business operations and imposing travel restrictions and quarantine measures. These measures and policies have significantly disrupted, or are expected to disrupt, the activities of many entities and the wider global economy. The Directors have assessed that as the impact of COVID-19 has arisen since 31 October 2019, there is no impact on the reported Statement of Financial Position of the Company as at the reporting date. There is, however, likely to be some impact on the results of the Company for the year to 31 October 2020 and potentially beyond. In particular, as a result of falling interest rates, the interest earned by the Company could become an interest charge, or there could be an increase in the ECL allowance in respect of the intra-group loan receivable. While crystallisation of these events could result in a loss being recognised by the Company in the short to medium-term, given the scale of the net assets of the Company, it is not currently expected to have a significant impact on the Company's financial position nor impact the going concern basis of preparing these Financial Statements.