

BMO Asset Management (Holdings) plc

Annual Report and Financial Statements 2019



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

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Definitions

"AUM" Assets Under Management

"BMO", "BMO Financial Group" Bank of Montreal and its subsidiaries

"BMO GAM" BMO Global Asset Management, the global asset management business within BMO

"BMO GAM EMEA", BMO Global Asset Management's business in Europe, the Middle East and Africa

"BMO GAM Europe" BMO Global Asset Management (Europe) Limited, the immediate parent company of BMO Asset Management (Holdings) plc

"BMO AM (H) plc", "BMO AM (H)", "Group" or "Company" BMO Asset Management (Holdings) plc and its subsidiaries (formerly "FCAM", "F&C", F&C Asset Management plc and its subsidiaries)

"BMO REP LLP" BMO Real Estate Partners LLP

"BMO REP", "BMO REP Group", BMO Real Estate Partners LLP and its subsidiaries

"BMO GAM Europe Group" BMO Global Asset Management (Europe) Limited and its subsidiaries

"ECL(s)" Expected Credit Loss(es)

"EIR" Effective Interest Rate

"FVTPL" Fair Value Through Profit or Loss

"LLP" Limited Liability Partnership

"LP" Limited Partnership

"NCI" Non-controlling interest

"OCI" Other Comprehensive Income

Forward-looking statements

This Annual Report and Financial Statements may contain certain "forward-looking statements" with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control including among other things: UK domestic and global economic and business conditions; market-related risks such as fluctuations in market indices, interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities; the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; estimates of assets to be managed for clients in the future; and the impact of changes in capital, solvency, accounting standards, tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. BMO AM (H) undertakes no obligation to update the forward-looking statements contained in this Annual Report and Financial Statements. Nothing in this publication should be considered as a profit forecast.

Chief Executive's Report

2019 was an exciting year for me as I took over the role of Head of BMO Global Asset Management. In the first few months I was delighted to visit many of our offices across the globe and I was extremely impressed by the breadth and depth of the calibre of all the employees I met.

Continuing our journey to be a truly global asset management business

The BMO Asset Management (Holdings) plc Group plays an integral role in BMO Global Asset Management and makes a significant contribution to BMO GAM EMEA.

2019 saw the delivery of a number of achievements as we continue our journey of building a fully integrated, competitive and relevant global asset management business.

During the year we made significant progress on the brand with the launch of BMO's Purpose. Whilst from an operational perspective we completed the first phase of the delivery of our integrated global operating platform.

Our Purpose – Boldly Grow the Good in Business and in Life

Our goal to further embed the BMO brand took an important step forward with the launch of BMO Financial Group's Purpose in the summer of 2019. Unifying all of the bank's business lines behind a single purpose – **Boldly Grow the Good in Business and in Life**, speaks to how everywhere we do business, we're focused on building, investing and transforming how we work to drive performance and continue growing the good.

Brexit

2019 also saw the completion of the Group's Brexit activity, which sought to ensure the Group could continue to do business effectively in Europe. As part of this restructuring, our Dutch office now acts as the European asset management business hub for BMO GAM. However, we remain alert to the uncertainties which exist until the terms of the future relationship between the EU and the UK are agreed.

Investment performance

Our fixed income investment performance continues to demonstrate a very competitive position with 88%, 80% and 86% of assets outperforming targets or benchmarks over one, three and five-year periods. Similarly, our long-term equity performance also shows a competitive position with 65% of our assets outperforming over one year, and 74% over both three and five-year time horizons. Longer-term property performance, with three and five-year levels of outperformance at 27%, continues to be dominated by the significant impact that retail market conditions have had on the performance of the largest fund within the constituent portfolios, however, one-year outperformance is higher at 43%.

Assets under management and business flows

Overall assets under management (AUM) ended the financial year at £89.1 billion, being £3.5 billion higher than at the start of the year. Investment performance added some £10.7 billion, although this was partially offset by £3.4 billion of net outflows, a negative £1.1 billion foreign exchange impact and a £2.7 billion transfer out of assets arising from the restructuring of Dutch mandates, although the latter had no revenue impact. Importantly, gross Consumer and Institutional inflows of £10.8 billion continue to demonstrate good business momentum. Third Party Institutional outflows of £9.6 billion were the largest contributor to the net outflows experienced during the year, but these were driven, in part, through a number of clients rebalancing their LDI portfolio, following significant increases in asset values. A full analysis of movements in AUM and flows is shown on pages 10 and 11.

Financial results

While the Group's net operating revenue for 2019 of £254.8 million was £21.6 million lower than 2018, this was driven by a £26.3 million reduction in performance-related management fees, recognising the Group earned an exceptional quantum of 'life-of-fund' performance fees last year, related to property funds. The Group's operating expenses of £254.0 million for 2019 include a £12.6 million restructuring charge associated with a number of cost reduction initiatives being undertaken by the Group. Therefore, the headline increase in operating expenses, of £10.7 million, in 2019 masks the underlying reduction in costs, excluding those relating to the restructuring charge. The combination of the reduction in performance-rated revenues and the recognition of the restructuring costs recognised in 2019, resulted in the profit of £1.4 million for the year being £22.6 million lower than the profit of £24.0 million report last year. The Group's key performance indicators are shown on pages 5 and 6 and a fuller review of the financial performance of the Group is given on pages 10 to 13.

Our dedicated employees

2019 saw many achievements as we continued our journey to achieve our global growth ambitions. Our Diversity and Inclusion programme went from strength to strength with the launch of Embracing Diversity workshops for people managers. These were supported by several employee-led initiatives aimed at promoting diversity and generating more conversations about inclusivity. Organisationally our employees developed and implemented initiatives to improve the efficiency with which we support our clients. Whilst our community work continued to be exemplary with CASCAID in the UK being one of the many initiatives which our employees went above and beyond to support. These achievements reflect the combined efforts and commitment of our employees across our business. Therefore, on behalf of the Board and the Management team, I would like to thank them for their contribution and ongoing support as we seek to achieve the global ambitions of BMO GAM.

Summary and outlook

In recent months, the impact of COVID-19 has hugely impacted our daily lives and the way we work. Our top priority has always been and will continue to be the health, safety and wellbeing of our employees and continuing to ensure we meet the needs of our clients. I have been impressed by the adaptability, resilience and ingenuity of our teams to continue to drive the business forward and find new ways of working with each other and our clients in a work-from-home environment. In these turbulent times we recognise it's more important than ever that we stay close to our clients - they are experiencing many of the same challenges we are; trying to deal with uncertainty, cope with fundamentally different ways of working and, in many cases, fielding questions and concerns from their own customers. We have therefore been proactive about sharing our views on markets and how we are managing the assets our clients have entrusted us with.

As we move forward in this new normal, I continue to be so proud of how our staff have collectively adapted to these unprecedented circumstances. We will continue to remain focussed on our client needs and empower our teams to make necessary changes to win. The future is bright.



Kristi Mitchem
Chief Executive Officer

22 July 2020

Strategic Report

This Strategic Report sets out an overview of the BMO Asset Management (Holdings) plc Group, our strategic objectives and the principal risks and uncertainties that could impact the Group's strategy.

The Group is an integral part of BMO Global Asset Management (BMO GAM), encompassing the BMO Financial Group's asset management businesses in EMEA, Canada, the US and Asia. While the Group lies at the heart of BMO GAM EMEA, its strategic objectives are an integral component of the strategic priorities of BMO GAM as a whole.

BMO GAM is already a significant and well diversified asset manager, which, over the last three years, has positioned its global business for growth by migrating all geographies to a single operating platform and rationalising its investment capability to focus on eleven core competencies. During 2019 BMO GAM made significant progress on four longer-term priorities to achieve our global ambitions:

- Streamlined organisational structure: a continued review of organisational structures, roles and efficiency to ensure optimal capabilities are in place to drive future profitable growth;
- Sharpened investment focus, by leveraging established capabilities to ensure delivery of relevant solutions to new markets;
- Further enhanced distribution focus to support growth in areas of definitive competitive advantage, including our deep commitment to responsible investment, our alternative capabilities and investment solutions; and
- Successfully completed the project to standardise the middle and back-office operating model across BMO GAM, enabling a scalable platform and continued a number of IT initiatives to deploy a suite of global front-office applications.

The forward-looking strategy of BMO GAM will continue to focus on executing our growth plans to be a leading global asset management business which is an end-to-end manufacturer and distributor and solutions provider, capitalising on our recognised investment capabilities. Our resources will be aligned to:

- Provide continued focus on traditional asset classes;
- Expanding our capability in alternatives asset classes;
- Embedding Responsible Investment as a key enabler at the heart of our investment capabilities; and
- Enhancing the BMO GAM integrated global technology platform to support our strategic growth ambitions, the demands of our clients and the ever-increasing regulatory requirements.

As an integral part of BMO GAM, through the execution of the above strategic objectives, the Group will seek to continue to grow our Consumer and Institutional business via the BMO GAM distribution resources and geographic locations, as well as those of the wider BMO Financial Group. The Group's recognised strengths in LDI, Environmental, Social and Governance (ESG) and Alternative products, means the Group's capabilities are pivotal to broader BMO GAM strategic ambitions.

What we do

Asset management is the focus of all that we do within BMO GAM. Our mission is to exceed our clients' expectations with innovative, relevant investment solutions that achieve their goals with refreshing clarity.

Our culture

We have a strong corporate culture which puts the client at the heart of everything we do. Our values define the character of our Company as individuals and as a business and our brand is what we stand for.

How we carry out our work on a daily basis is explained by a set of actions, which we refer to as 'Being BMO'. We believe that a strong culture is one that promotes a robust risk management framework, encourages challenge, provides appropriate incentives for employees and which is led by example from Senior Management. We consider culture within BMO, and the industry, to be vital in creating a set of internal controls which protect against failings and which support the right outcomes for consumers and the market. The BMO Financial Group brand values (integrity, empathy, diversity and responsibility), shown on the 'Being BMO' diagram on page 2, are seen as fundamental to the achievement of strategic goals.

A global investment structure

Richard Watts, our Global Chief Investment Officer, has established a global investment organisation centred around our 11 investment specialisations across six asset classes. Our global investment structure, set out below, supports the delivery of BMO GAM's strategy.

The Group's investment professionals represent a key and significant element of BMO GAM's overall global investment capability.

Key performance indicators

Assets under management by client category as at 31 October

	31 Oct 2019 £bn	31 Oct 2018 £bn
1 Third-Party Institutional	51.5	48.6
2 Strategic Partners	14.6	14.2
3 Investment Trusts	9.8	9.2
4 Retail	6.6	6.6
5 Wholesale	6.6	7.0

Assets under management by asset class as at 31 October

	31 Oct 2019 £bn	31 Oct 2018 £bn
1 Fixed Income	55.2	48.4
2 Equities	21.1	22.3
3 Property	7.4	7.2
4 Liquidity	3.5	6.0
5 Alternative Investments	1.9	1.7

Investment performance**Average percentage of fixed income assets above index, benchmark or peer group on an asset-weighted basis**

% (3 years)

80	2019
76	2018
56	2017

Average percentage of equity assets above index, benchmark or peer group on an asset-weighted basis

% (3 years)

74	2019
59	2018
69	2017

Average percentage of property assets above index, benchmark or peer group on an asset-weighted basis

% (3 years)

27	2019
26	2018
86	2017

Business flows**Net (outflows)/inflows from Consumer & Institutional business**

£bn

(3.3)	2019
5.8	2018
2.2	2017

Gross Third-Party Institutional new business

£bn

7.1	2019
7.2	2018
9.5	2017

Performance-related fees earned

£m

18.3	2019
44.6	2018
13.2	2017

Average basis points earned on assets under management*

basis points

25.3	2019
27.5	2018
27.1	2017

Underlying Operating Profit*

£m

0.7	2019
33.0	2018
13.8	2017

Operating Margin†

%

0.3	2019
11.9	2018
6.0	2017

Profit for the year

£m

1.4	2019
24.0	2018
6.3	2017

* Excluding performance fees.

Quantified as operating profit adjusted to exclude any expense relating to the amortisation of intangible assets – investment management contracts.

† Quantified as underlying operating profit expressed as a percentage of net operating revenue.

The key performance indicators shown above relate to the respective years to 31 October 2017, 2018 and 2019.

Managing principal risks and uncertainties

Across the entire BMO Financial Group, we believe risk management is every employee's responsibility and our risk culture encourages openness, constructive challenge and personal accountability. By maintaining a culture that emphasises the importance of a strong control environment through the application of rigorous disciplines and procedures, we can safeguard the interests of our clients and other key stakeholders.

In addition to the financial risks facing the Group, as outlined in note 34 of the Consolidated Financial Statements, relating to the market, interest rates and foreign currency, the Board has identified the following as the principal risks and uncertainties facing the business:

Failure to deliver Consumer and Institutional growth plans

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

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

COVID-19 pandemic

Key risk In recent months there has been a rise and rapid expansion of the coronavirus (COVID-19) pandemic outbreak across many continents, with many countries, including the United Kingdom (UK), suspending some business operations and imposing travel restrictions and quarantine measures. These measures and policies have significantly disrupted, and are expected to continue to disrupt, the activities of many entities and the wider global economy. As the pandemic continues, it is challenging at this juncture to predict the full extent and duration of its business and economic impact.

Mitigation This is a rapidly changing scenario, but the Group, as part of the broader BMO GAM business within the BMO Financial Group, is taking every precaution it can to safeguard employees, continue serving customers and keep operations running effectively. Key actions taken so far include:

- The BMO GAM business have formed an Emergency Response Team (ERT), comprised of the Heads of key business functions, co-ordinating actions to address the evolving situation;
- The Group have implemented Group-wide working from home options for all roles that can be performed remotely;
- The Group have engaged with the Group's key third-party outsource service providers, seeking to ensure maintenance of normal operations and service levels; and
- BMO GAM EMEA and BMO Financial Group are issuing regular communications to staff.

The Directors consider that as the impact of COVID-19 has arisen since the reporting date, there is no impact on the reported Statement of Financial Position of the Group as at the reporting date. However, it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the Group for the year to 31 October 2020 and potentially beyond that date. While the biggest impact is expected to be reduced revenues as a result of the impact of global markets on the value of the assets managed by the Group, it is not possible to estimate the overall future financial impact of COVID-19 on the Group given the unpredictable nature of the outbreak and the inherent uncertainties. However, given the relatively high percentage of fixed income assets managed by the Group (62% as at 31 October 2019) and the diversity of the Group revenues, the Group is considered to be relatively well positioned.

Uncertain economic outlook

Key risk The UK and global macroeconomic outlook remains uncertain, particularly recognising the current COVID-19 pandemic referred to above. Client investment preferences, and the Group's AUM and revenue, may be impacted by underlying economic and market conditions. In addition, a substantial proportion of the Group's revenues are denominated in Euros. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes. These changes include the UK's departure from the European Union (EU).

- As part of business continuity plans for the BMO Financial Group, a COVID-19 Steering Committee is in place and running the recovery strategy for BMO from Canada. The Chief Operating Officer of Wealth Management is a member of that Committee and a Director of the Company and therefore provides a direct link to the BMO GAM business;

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

Mitigation The Group offers competitive products across a range of asset classes, including equities, fixed income, alternatives and multi-asset, with this diversified range limiting its exposure to the impact of market volatility in any one market or asset class. Furthermore, a number of the Group's investment solutions products are much longer term in nature, and their performance and marketability are less impacted by short-term market volatility. The Group continues to closely monitor developments around the departure of the UK from the EU so as to ensure that any adverse impact is appropriately mitigated as far as possible in the management of European asset classes.

Investment performance

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

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

Loss of key employees

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

Mitigation The Group's compensation model targets the retention of key employees. All employees receive an annual appraisal which reviews their performance against clearly defined objectives with the aim of encouraging strong performance. Reliance on key

individuals is mitigated by the Group's team-based approach to investment management. Moreover, we seek to reduce our dependence on key staff through the recruitment of suitably-skilled individuals and by ensuring succession plans are in place for senior roles to provide emergency or immediate cover.

Breach of client or portfolio limits

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

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

Regulation

Key risk 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.

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

Reliance on third parties

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

Mitigation The Group conducts an extensive selection and due diligence process prior to selecting outsource providers and entering into the related contractual arrangements. The Group has established oversight teams who monitor such third-party service delivery and ensure there is appropriate oversight and effective resolution of issues. Arrangements are in place to ensure that key outsource partners provide the level of service that is required by the Group, with service levels being regularly monitored as part of the Group's ongoing governance arrangements.

Business continuity and information technology

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

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

Potential cyberattacks

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

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

Trading and financial performance

Assets under management and net new business

The Group provides asset management services to two groups of clients, which are classified as Consumer and Institutional and Strategic Partners.

Our proposition for Consumer and Institutional investors comprises a wide range of investment products and funds, sold to third-party Retail, Wholesale and Institutional clients. In line with our strategic ambitions, our Consumer and Institutional business has continued to grow during the year, to £74.5 billion, representing some 84% of AUM at 31 October 2019. During 2019, distribution activity continued to capitalise on the significant geographical footprint within the Group, as an integral part of

broader distribution resources of BMO GAM. This activity was supported by further new fund launches and client-focused investment solutions, seeking to meet the needs of our clients.

Strategic Partners represent a small group of insurance clients for whom the Group has historically managed assets under longer-term contractual arrangements, a number of which have reached the end of their 'lock-in' periods. Our focus with Strategic Partners is therefore on the retention of those clients and assets which we can manage on a profitable basis and which are aligned to the investment processes and priorities for the Group's Consumer and Institutional business.

The movements in the Group's AUM during the latest two financial years are summarised below:

	1 November 2018 £bn	Inflows £bn	Outflows £bn	Net Flows £bn	Other movements* £bn	FX Impact £bn	Performance £bn	31 October 2019 £bn
Consumer and Institutional	71.4	10.8	(14.1)	(3.3)	(2.7)	(0.7)	9.8	74.5
Strategic Partners	14.2	0.9	(1.0)	(0.1)	-	(0.4)	0.9	14.6
Total	85.6	11.7	(15.1)	(3.4)	(2.7)	(1.1)	10.7	89.1

	1 November 2017 £bn	Inflows £bn	Outflows £bn	Net Flows £bn	Other movements* £bn	FX Impact £bn	Performance £bn	31 October 2018 £bn
Consumer and Institutional	64.9	13.5	(7.7)	5.8	(0.6)	0.4	0.9	71.4
Strategic Partners	16.7	0.7	(3.3)	(2.6)	-	0.1	-	14.2
Total	81.6	14.2	(11.0)	3.2	(0.6)	0.5	0.9	85.6

* Other movements comprise:

- During 2019 the £2.7 billion reduction in AUM comprised contractual changes in respect of Dutch clients, but these changes had no revenue impact.
- During 2018 the £0.6 billion reduction in AUM arose from similar contractual changes in respect of Dutch clients, but these changes had no revenue impact.

Consumer and Institutional

As noted earlier, Consumer and Institutional represents the primary growth driver for the Group. The table below shows the composition of the movements in AUM by client category during the year to 31 October 2019, together with comparable movements for the previous year.

	1 November 2018 £bn	Inflows £bn	Outflows £bn	Net Flows £bn	Other movements* £bn	FX Impact £bn	Performance £bn	31 October 2019 £bn
Investment Trusts	9.2	0.2	(0.1)	0.1	-	-	0.5	9.8
Retail	6.6	1.7	(2.0)	(0.3)	-	-	0.3	6.6
Consumer	15.8	1.9	(2.1)	(0.2)	-	-	0.8	16.4
Wholesale	7.0	1.8	(2.4)	(0.6)	-	-	0.2	6.6
Third-Party Institutional	48.6	7.1	(9.6)	(2.5)	(2.7)	(0.7)	8.8	51.5
Consumer and Institutional	71.4	10.8	(14.1)	(3.3)	(2.7)	(0.7)	9.8	74.5

	1 November 2017 £bn	Inflows £bn	Outflows £bn	Net Flows £bn	Other movements* £bn	FX Impact £bn	Performance £bn	31 October 2018 £bn
Investment Trusts	9.1	0.2	(0.1)	0.1	-	-	-	9.2
Retail	6.0	2.0	(1.3)	0.7	-	-	(0.1)	6.6
Consumer	15.1	2.2	(1.4)	0.8	-	-	(0.1)	15.8
Wholesale	4.4	4.1	(1.7)	2.4	-	0.1	0.1	7.0
Third-Party Institutional	45.4	7.2	(4.6)	2.6	(0.6)	0.3	0.9	48.6
Consumer and Institutional	64.9	13.5	(7.7)	5.8	(0.6)	0.4	0.9	71.4

* Other movements comprise:

- During 2019 the £2.7 billion reduction in AUM comprised contractual changes in respect of Dutch clients, but these changes had no revenue impact.
- During 2018 the £0.6 billion reduction in AUM arose from similar contractual changes in respect of Dutch clients, but these changes had no revenue impact.

New business

In 2019, the Group's distribution activity generated £10.8 billion of gross Consumer and Institutional new business inflows. While Third-Party Institutional new business flows of £7.1 billion were similar to those achieved 2018, Wholesale and Retail inflows were both lower, resulting in overall Consumer and Institutional inflows being £2.7 billion lower than 2018. Consumer and Institutional outflows were £14.1 billion in 2019 compared with £7.7 billion in 2018, with Third-Party Institutional outflows being the biggest driver of this, in part reflecting some clients rebalancing their LDI portfolios following significant asset growth. Overall Consumer and Institutional net outflows were £3.3 billion, in contrast to the £5.8 billion of net new inflows achieved in 2018.

Market backdrop

The Group is a manager of assets in equity, fixed income, property, alternatives and currency markets and its revenues are affected by movements in key variables within these markets. Equity and fixed income market levels in particular impact our AUM and, consequently, our revenues. At 31 October 2019 approximately 62% of the assets managed by the Group were invested in fixed income securities, and a further 24% in equities. During the reporting period the Group earned approximately 39% of its net operating

revenues in Euros, primarily in respect of assets managed on behalf of German, Dutch, Luxembourg and Portuguese-domiciled clients and funds. Depending on the nature of our products and mandates, revenues are typically determined by reference to daily, monthly or quarterly asset values.

Worldwide equity markets continued to display significant volatility during the financial year to 31 October 2019, although the 1.7% growth in the FTSE 100 during the year, closing at 7248, masks the extent of volatility, with its high and low points representing a divergence of some 15%. From a fixed income perspective, the Barclays Euro Aggregate Index, a broad fixed income index, achieved 5.4% growth during the year, closing at 218.2. During 2019, Sterling continued to be impacted by Brexit discussions and political uncertainty, but strengthened in the latter part of the year to close 2.9% higher against the Euro.

Since the year end, the impact of the COVID-19 pandemic has created unprecedented levels of market volatility across the globe. While this has impacted the Group's financial results in 2020, as explained on page 7, as the crisis arose after 31 October 2019, the Group reporting date, the Directors have concluded it had no impact on the Group's results or financial position for the 2019 reporting period.

Net operating revenue

The net operating revenue for the year ended 31 October 2019 reflects the impact of adopting IFRS 15 Revenue from Contracts with Customers. Note 1.3.1 explains that as the Group adopted IFRS 15 using the 'modified retrospective method', the results for 2018 have not been restated. However, an analysis provided in note 1.3.1 shows the components of the £3.8 million overall increase in net operating revenue for the year ended 31 October 2019 as a result of adopting IFRS 15. Excluding the impact of IFRS 15, net operating revenue of £254.8 million for 2019 is £25.4 million lower than 2018. The key reason for this being a £26.3 million reduction in performance-related management fees, recognising that in 2018 the Group earned an exceptional quantum of such revenues, driven primarily by the realised gains associated with property funds. Modest increases in management fees and other revenues earned from Consumer and Institutional clients of £2.6 million were partially offset by the further £1.7 million reduction in Strategic Partner revenues.

Revenue margin

The Consumer and Institutional revenue margin, excluding performance fees, measured as net management fee income divided by average AUM, declined to 28.6 basis points in 2019 from 31.2 basis points earned in 2018. The slight weakening in net fee rates was experienced across all client categories.

The revenue margin associated with Strategic Partners decreased from 9.9 basis points in 2018 to 8.9 basis points in 2019, reflecting the fee impact of the remaining asset mix in this category.

On a Group-wide basis, the average fee rate (excluding performance fees) of 25.3 basis points in 2019 was lower than the 27.5 basis points achieved in 2018, reflecting the relative impact of the slight decline in average effective fee rates outlined above.

Operating expenses

The Group's operating expenses were £254.0 million in the year to 31 October 2019 compared to £243.3 million for the year to 31 October 2018. A summary of all operating expenses for 2019 and 2018 is given in note 6(a) to the Consolidated Financial Statements.

While there is a headline £10.7 million increase in operating expenses in 2019, after adjusting for a £12.6 million restructuring cost, outlined below, and the £3.9 million increase arising from the gross-up of net operating revenues and expenses under IFRS 15, the underlying trend is a reduction of £5.8 million of expenses in 2019 compared with 2018. This reduction primarily reflects a significant decrease in the variable remuneration paid to Limited Partnership members and employees as a result of the lower level of performance-related fees earned during 2019, compared to the exceptional quantum earned in 2018.

As part of a BMO Financial Group focus to achieve increased operational efficiencies, the Group recognised an expense of £12.6 million at the end of the year, representing the redundancy provision associated with the planned cost reduction programme. The associated provision, shown in note 24, reflects a number of specific expense reduction initiatives, including the closure of the BMO GAM Exchange Traded Funds in Europe, announced before the end of 2019, and the closure of our Italian office. It also includes an estimate of the costs which are expected to arise in Portugal upon termination of some £12.5 billion of Strategic Partner assets on 1 July 2021, for which formal notice has now been received. Further details are provided in note 43(iii) to the Consolidated Financial Statements.

The Group's largest expense continues to be personnel-related costs. The Group's headcount, on a full-time equivalent basis, increased marginally from 714 at 31 October 2018 to 750 at 31 October 2019, reflecting an increase in activity across a number of areas of the business.

Operating margin

Operating margin represents one of management's key performance indicators and is measured as underlying operating profit as a percentage of net operating revenue. For this purpose, operating profit represents operating profit before deducting the expense in respect of the amortisation of intangible assets - investment management contracts.

The Group's operating margin for the year to 31 October 2019 decreased to 0.3% from 11.9% in 2018. This decrease in operating margin reflects both the significant reduction in performance-related fees and the impact of the £12.6 million restructuring charge, both outlined above, with the latter equating to almost a 5% impact on operating margin.

Finance income and costs

The Group's finance income of £6.2 million in 2019 comprises fair value gains on investments, net interest income associated with the Group's defined benefit pension surplus and other interest earned, which in aggregate was £2.3 million more than recognised in 2018. The largest individual component of such income was £2.9 million of gains associated with private equity and property carried interest investments (2018: £1.7 million). Operating expenses include some £0.4 million of distributions payable to employees or other limited partnership members in connection with these gains (2018: £0.8 million).

Finance costs for the year of £1.3 million were broadly similar to 2018, and comprised a facility fee of £0.9 million, payable to the BMO Financial Group, along with interest expense.

Statutory results

The Group reported a profit of £1.4 million for the year to 31 October 2019 compared with a profit of £24.0 million for the previous year. This decline in profitability primarily reflects a combination of both the significant reduction in performance-related fees, compared to the high level earned in 2018, and the £12.6 million restructuring charge, outlined above.

Dividends

The Board has determined that no dividend will be paid for 2019 (2018: £nil).

Cash resources

The Group continues to hold significant cash resources, although the absolute quantum declined marginally to £227.4 million at 31 October 2019 from £235.9 million at 31 October 2018.

Our strategic approach and commitment to corporate responsibility (CR)

Our CR approach

As an integral part of the BMO Financial Group, the Board is committed to maintaining the highest standards of governance and corporate citizenship. BMO is dedicated to pursuing growth in a responsible and sustainable manner. Our sustainability principles sit alongside our strategic priorities and represent the inextricable connection between financial performance and corporate responsibility. Our success as a business depends on meeting our commitments to our community and our planet, our employees and our customers, as outlined below.

Responsible investing

Responsible investing is core to BMO GAM, and touches everything we do in some form. There is a growing recognition of the critical role investors can play in taking a responsible approach to ethics and sustainability. Considering environmental, social and governance (ESG) factors in our investment and ownership activities supports the long-term financial performance our clients want, and helps us promote positive change across important issues like climate change, labour standards and human rights.

BMO GAM's heritage and commitment to ESG investing runs deep. We take our responsibility seriously and that includes considering the impact of our investments on society and the environment.

Over 30+ years we've developed a range that includes specialist ESG products, investment strategies with ESG integration and engagement incorporated, and our Responsible Engagement Overlay service, *reo*®.

Our approach is an active one. We contribute to public policy development and engage with companies on ESG matters, express our views and perspectives through voting and thought leadership as well as working to ensure that ESG analysis is integrated across our broader investment processes.

Employees

BMO is committed to maintaining a diverse and inclusive workplace in which employees know that they can be their authentic selves, speak candidly and can raise any concerns confidentially. We provide equitable opportunities to employees regardless of their gender, race, age, ethnicity, ability and sexual orientation, and maintain a workplace where all employees feel valued, respected and heard.

Supply chain

BMO's Supplier Code of Conduct sets out the standards we expect our suppliers to meet in regard to respecting human rights, upholding ethical business practices and complying with the law. We stand against all forms of modern slavery and human trafficking. BMO reports in accordance with the UK Modern Slavery Act (2015).

Reducing our environmental footprint

BMO has been carbon neutral, enterprise-wide, since 2010. Our ECO Strategy is an organizational framework that helps us:

- measure and reduce the environmental impacts of our operations, including our company-wide greenhouse gas emissions;
- lower our costs;
- gather data on our environmental performance and publicly report on our progress; and
- continually improve our environmental performance.

Contributing to our communities

We believe that building a successful future for our business and the customers we serve involves contributing to the health and resilience of the communities in which we operate. BMO seeks to provide support to communities through a variety of initiatives and programs such as corporate donations, sponsorships and employee volunteering.

During the year to 31 October 2019, the Group made contributions to charity of £147,000 (2018: £134,000).

Strategic Report summary

The Strategic Report on pages 3 to 14 of this document has been approved by the Board and signed on its behalf by:



David Logan
Director

22 July 2020

Company Directors

1	2	3	4
5	6	7	8

Non-executive Directors

- 1 **Kieran Poynter^{††}**
Non-executive Chairman
- 2 **Gilles Ouellette^{††}**
Non-executive Director
- 3 **William Smith^{††}**
Non-executive Director
- 4 **Charlie Porter^{*}**
Non-executive Director
- 5 **Ruth Sack[†]**
Non-executive Director

Executive Directors

- 6 **Kristi Mitchem**
Chief Executive Officer
- 7 **David Logan[†]**
Head of Distribution
- 8 **Joan Mohammed**
Chief Operating Officer

[†] Member of the Nomination Committee.

^{*} Member of the Risk & Remuneration Committee.

[†] Member of the Audit & Compliance Committee.

Report of the Directors

Results and business review

The Group's results for the year ended 31 October 2019 are shown in the Consolidated Income Statement on page 23. A Strategic Report for the same period is set out on pages 3 to 14.

The Group recognised a statutory profit after tax of £1.4 million for the year ended 31 October 2019 compared with a profit after tax of £24.0 million for the previous financial year. Further commentary on the results is provided on pages 10 to 13.

Principal activity and status

The Group's business is asset management. Details of the progress of the business during the year are contained in the Chief Executive's Report on pages 1 and 2 and the Strategic Report on pages 10 to 13.

The Company is registered as a Public Limited Company limited by shares in terms of the Companies Act 2006 and is registered in Scotland, registered number SC73508, and is domiciled in the United Kingdom.

Details of all entities within the Group are contained in note 36 to the Consolidated Financial Statements. At 31 October 2019 there were also seven branch offices in the Group outside the UK, in Germany, Italy, Sweden, France, Spain and Ireland.

The Board

The current composition of the Board is given on page 15. On 22 May 2019 Richard Wilson retired from his position as Chief Executive Officer of the Company and Kristi Mitchem, his successor, was also appointed on that date. Barry Cooper also retired from the Board, on 21 May 2019. The Board would like to express their sincere thanks and gratitude to both Richard and Barry for their valuable and significant contribution to the Group. The Board of Directors now comprises the Chairman, three Executive Directors and four Non-executive Directors.

The Board maintains a balance of skills, knowledge, experience, and perspectives taking into account the Group's strategy, risk profile and operations. It is collectively responsible for supervising the effective and prudent management of the business and affairs of the Group and for ensuring it has a robust corporate governance structure with well-defined, transparent and consistent lines of accountability. To enable the Board to discharge its duties, all Directors receive appropriate and timely information ensuring that they are properly briefed on issues for consideration in advance of meetings. In addition, all Directors have access to senior management and can request, either during meetings or at other appropriate times, further explanation or written papers on matters as they see fit.

The Board focuses mainly on strategy; investment and financial performance; the Group's control environment; and executive management and Board succession. The Board has a detailed list of matters specifically reserved to it – the 'Board Reserved List'. The Corporate Governance Framework ("CGF") sets out what authority is delegated from the Board to Board Committees and Management

and how those delegated activities are discharged. The Board Matters Reserved list is an Appendix of the CGF and only lists those matters explicitly reserved for Board approval. This ensures that matters of significance are overseen and reviewed by the Board prior to implementation. Examples of matters reserved for the Board as set out in the Board Reserved List are the approval of: the Group strategy; the annual budget; the composition and terms of reference of any of the Board Committees; the high-level organisational structure; and the review of the effectiveness of the Group's system of internal control.

The Board committees

The Board has delegated specific responsibilities to facilitate the smooth conduct of business within the Group.

The terms of reference of each Board committee, outlining its authority and duties, are reviewed and approved annually by the Board. There are three main Board committees, each of which is listed below together with an outline of their main responsibilities. Details of the membership of each committee is set out on page 15.

Audit & Compliance Committee

The Audit & Compliance Committee scrutinises the processes and controls surrounding the production and review of the Group's Financial Statements, including the interaction with and the reporting by the external auditors, and oversees, monitors and evaluates the effectiveness of the Company's Compliance and Internal Audit functions. It also receives and considers reports from the Money Laundering Reporting Officer, oversees compliance with Data Protection regulation and reviews internal whistleblowing arrangements.

Risk & Remuneration Committee

The Risk and Remuneration Committee is responsible for assisting the Board in fulfilling its oversight responsibilities with regard to the adequacy and effectiveness of the risk management framework and in reviewing any departure from the control environment and the standards of business practice and ethics. It is also responsible for assisting the Board in its review of remuneration arrangements.

Nomination Committee

The Nomination Committee is responsible for leading the process for appointments to the Board and making recommendations to the Board, ensuring the existence of a formal and transparent policy for the appointment of new Directors. The Nomination Committee is also responsible for reviewing the current structure, size, composition and performance of the Board and for succession planning.

Directors' and Officers' liability

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

The Directors have the benefit of an indemnity in accordance with the Company's Articles of Association at article 166 which is a qualifying third-party indemnity provision as defined in the Companies Act 2006.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or can have, an interest that conflicts, or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors.

Employee matters

Statement of diversity policy

The Group recognises the value of a diverse workforce and aims to attract and retain the best people from the widest pool of talent, experience and perspectives, drawn from all sections of society. We believe that differences in gender, background, perspective, expertise and culture are an asset to the Group.

Equal opportunities

The Group aims to provide equal opportunities for all, without discrimination on the grounds of race, religion, marital status, age, gender, sexual orientation or disability. We recruit and promote those best suited for the job. The Group respects the dignity of individuals and their beliefs. The Group does not tolerate any sexual, racial, physical or mental harassment of staff in the workplace.

Internal control, the control environment and business risks

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness on a regular basis. Management's role is to implement and operate the Board's policies on risk and risk management. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud.

The procedures that the Directors have established are designed to provide effective control within the Group. A high-level overview of the ongoing process for identifying, evaluating and managing significant risks, is detailed below.

Control environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all areas of the business. The Group has in place appropriate procedures for the reporting and resolution of activities that do not meet the required standards of business conduct.

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations, including outsourced activities, in order to achieve its objectives. The structure is designed to provide clear responsibilities and a control framework for key areas of the Group's business.

Operational responsibility rests with the Chief Executive and is devolved through a documented executive structure with clearly delegated and appropriate levels of authority. Members of

management are, therefore, accountable for the operation of the systems of internal control within the Group's business.

Business risks

The identification of major business risks is carried out by the Board in conjunction with management and procedures to control these risks, where possible, are reviewed and agreed.

The key risks facing the Group at the year end and the mitigating actions assigned to these risks are detailed in the Strategic Report on pages 7 to 9.

Monitoring and corrective action

The Company has an independent compliance team which provides regulatory advice to the business, as well as a business unit compliance function which separately undertakes a programme of compliance monitoring on behalf of management. The Corporate Audit function also conducts regular monitoring of various business areas. Any issues of significance are brought to the attention of the Board by the Corporate Audit, Risk or the Compliance control functions and through the regular reporting process. Any necessary corrective actions are independently monitored for timely completion and reviewed by the Audit & Compliance Committee.

External auditor matters

Auditor

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

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.

Independence of the auditor

The Board has in place rigorous systems for ensuring the independence, objectivity and effectiveness of the Group's auditor and has satisfied itself that during the year no aspect of its work was impaired on these grounds. In maintaining a clear perception of independence and balancing that with the best interests of the Group, the Board has a clear policy, aligned to the wider BMO Financial Group's policy, that it follows when considering the award of non-audit work to the Group's auditor.

Details of audit and non-audit fees paid to KPMG LLP, the Group's external auditor, are disclosed in note 6(c) on page 52 of the Consolidated Financial Statements.

Political donations

No political donations or contributions were made or expenditure incurred during the reporting year (2018: £nil).

Financial instruments

The financial risk management objectives and policies of the Group, together with the Group's exposure to financial risks, are disclosed in note 34 to the Consolidated Financial Statements on pages 81 to 85.

Pillar 3

Under Pillar 3 of Capital Requirements Directive IV, the 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).

Future developments

The key focus of the Board continues to be the achievement of the Group's strategic objectives, as set out on page 3 of the Strategic Report.

Events after the reporting period

Details of significant events affecting the Group which have occurred since the end of the financial year are disclosed in note 43 to the Consolidated Financial Statements on page 99.

By order of the Board,

Paula Young

Secretary
95 Queen Victoria Street
London EC4V 4HG

22 July 2020

Statement of Directors' Responsibilities

in respect of the Annual Report, Strategic Report, Report of the Directors and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they have elected to prepare both the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

to the members of BMO Asset Management (Holdings) plc

Opinion

We have audited the Financial Statements of BMO Asset Management (Holdings) plc ("the Group and the Parent Company") for the year ended 31 October 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements 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 Group 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 Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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 Group's business model and analysed how those risks might affect the Group and 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 Group or 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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 19, 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 Group and Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

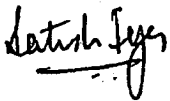
Auditor's responsibilities

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

22 July 2020

Consolidated Financial Statements

for the year ended 31 October 2019

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company Financial Statements of BMO Asset Management (Holdings) plc, included on pages 101 to 121, have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Consolidated Income Statement

for the year ended 31 October 2019

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Revenue from contracts with customers			
Investment management fees	2	254.3	286.1
Other revenue – customers	2	16.6	0.6
Fee and commission income	2	1.1	–
Total revenue from contracts with customers	2	272.0	286.7
Rental income		2.9	–
Total revenue		274.9	286.7
Cost of sales	3	(20.1)	(10.3)
Net operating revenue		254.8	276.4
Net investment guarantee expense	4	(0.2)	(0.1)
Operating expenses			
Operating expenses	6(b)	(236.8)	(221.1)
Distributions to members of LLPs and LPs	7	(17.2)	(22.2)
Total operating expenses	6(a)	(254.0)	(243.3)
Operating profit		0.6	33.0
Finance income	8	6.2	3.9
Finance costs	9	(1.3)	(1.4)
Profit before tax		5.5	35.5
Tax expense	10(a)	(4.1)	(11.5)
Profit for the year		1.4	24.0

All profits for the years ended 31 October 2019 and 31 October 2018 are attributable to the equity holders of the parent.

All amounts in respect of the years ended 31 October 2019 and 31 October 2018 are derived from continuing activities.

Consolidated Statement of Comprehensive Income

for the year ended 31 October 2019

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Profit for the year		1.4	24.0
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial (losses)/gains on defined benefit pension arrangements	30(d)	(20.0)	26.3
Tax income/(expense) on net actuarial (losses)/gains on defined benefit pension arrangements	10(a)	3.8	(5.0)
Corporation Tax rate change (expense)/income in respect of defined benefit pension arrangements	10(a)	(0.4)	0.5
Items which may be reclassified subsequently to profit or loss:			
Foreign exchange movements on translation of foreign operations		(1.5)	0.7
Other comprehensive (expense)/income for the year		(18.1)	22.5
Total comprehensive (expense)/income for the year		(16.7)	46.5

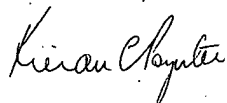
The total comprehensive (expense)/income for the years ended 31 October 2019 and 31 October 2018 are attributable to the equity holders of the parent.

Consolidated Statement of Financial Position

as at 31 October 2019

	Notes	31 October 2019 £m	31 October 2018 £m
Assets			
Non-current assets			
Property, plant and equipment	12	6.9	6.7
Intangible assets:			
- Goodwill	13	611.9	611.9
- Investment management contracts	13	0.3	0.4
- Software and licences	13	2.3	3.3
		614.5	615.6
Pension surplus	30	74.6	88.6
Trade and other receivables	14	1.0	0.8
Deferred acquisition costs	15	0.1	-
Deferred tax assets	16(a)	28.0	28.1
Total non-current assets		725.1	739.8
Current assets			
Financial investments	17(a)	9.4	7.1
Stock of units and shares	17(b)	-	0.6
Reinsurance assets	19(a)	0.4	0.6
Trade and other receivables	14	144.1	131.7
Deferred acquisition costs	15	0.1	-
Contract assets	20	34.4	-
Current tax receivable		6.7	7.7
Cash and cash equivalents	21	227.4	235.9
Total current assets		422.5	383.6
Total assets		1,147.6	1,123.4
Liabilities			
Non-current liabilities			
Pension deficit	30	13.0	11.5
Trade and other payables	22	4.6	5.6
Employee benefit liabilities	23	25.1	23.8
Provisions	24	10.8	4.2
Liabilities to members of LLPs and LPs		1.4	1.0
Contract liabilities	25	0.3	-
Deferred income	26	-	0.5
Other financial liabilities	27	0.9	0.9
Insurance contract liabilities	19(a)	0.9	0.7
Deferred tax liabilities	16(a)	13.3	17.5
Total non-current liabilities		70.3	65.7
Current liabilities			
Trade and other payables	22	140.2	98.7
Employee benefit liabilities	23	52.8	62.2
Provisions	24	12.8	7.6
Liabilities to members of LLPs and LPs		3.8	4.0
Current tax payable		4.1	5.4
Contract liabilities	25	1.2	-
Deferred income	26	-	0.2
Other financial liabilities	27	0.3	0.4
Total current liabilities		215.2	178.5
Total liabilities		285.5	244.2
Equity			
Share capital	28	0.9	0.9
Share premium account	29	406.6	406.6
Capital redemption reserve	29	0.8	0.8
Merger reserve	29	295.6	295.6
Other reserves	29	42.2	43.7
Retained earnings	29	116.0	131.6
Total equity attributable to equity holder of the parent		862.1	879.2
Total liabilities and equity		1,147.6	1,123.4

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 22 July 2020. They were signed on its behalf by:



Kieran Poynter
Chairman

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statement of Changes in Equity

for the year ended 31 October 2019

	Attributable to equity holder of the parent							
	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 November 2017		0.9	406.6	0.8	295.6	43.0	85.8	832.7
Profit for the year		-	-	-	-	-	24.0	24.0
Other comprehensive income		-	-	-	-	0.7	21.8	22.5
Total comprehensive income		-	-	-	-	0.7	45.8	46.5
At 31 October 2018		0.9	406.6	0.8	295.6	43.7	131.6	879.2
Effect of adopting IFRS 15 (note 1.3.1)		-	-	-	-	-	0.1	0.1
Effect of adopting IFRS 9 (note 1.3.2)		-	-	-	-	-	(0.1)	(0.1)
As at 1 November 2018 (as restated)		0.9	406.6	0.8	295.6	43.7	131.6	879.2
Profit for the year		-	-	-	-	-	1.4	1.4
Other comprehensive expense		-	-	-	-	(1.5)	(16.6)	(18.1)
Total comprehensive expense		-	-	-	-	(1.5)	(15.2)	(16.7)
Transactions with owners:								
Deferred tax on common control transactions	10(a)	-	-	-	-	-	0.3	0.3
Corporation tax on common control transactions	10(a)	-	-	-	-	-	(0.7)	(0.7)
At 31 October 2019		0.9	406.6	0.8	295.6	42.2	116.0	862.1

The total of the foreign currency translation reserve constitutes 'Other reserves' as disclosed in the Consolidated Statement of Financial Position and amounts to a credit of £42.2m at 31 October 2019 (31 October 2018: £43.7m credit).

Cumulative defined benefit pension scheme actuarial gains (as disclosed in note 30(d)) recognised as at 31 October 2019 are £29.0m and are included in retained earnings (31 October 2018: gains of £49.0m).

Consolidated Statement of Cash Flows

for the year ended 31 October 2019

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Cash flows from operating activities			
Profit before tax		5.5	35.5
Finance income		(6.2)	(3.9)
Finance costs		1.3	1.4
Adjustments for non-cash items	32(a)	4.3	4.0
Changes in working capital and provisions	32(a)	(3.1)	(9.6)
Cash inflows from operating activities		1.8	27.4
Income tax paid		(5.4)	(14.8)
Net cash (outflows)/inflows from operating activities		(3.6)	12.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(2.6)	(2.7)
Proceeds from disposal of property, plant and equipment		0.1	0.1
Purchase of software and licences		(1.0)	(1.2)
Payments to acquire investments		(0.2)	(0.3)
Proceeds from disposal of investments		0.2	0.5
Investment income – carried interest distributions, interest and dividends		1.5	2.1
Net cash outflows from investing activities		(2.0)	(1.5)
Cash flows from financing activities			
Interest and fees paid to BMO Group		(1.0)	(1.0)
Other interest paid		(0.3)	(0.2)
Net cash outflows from financing activities		(1.3)	(1.2)
Net (decrease)/increase in cash and cash equivalents		(6.9)	9.9
Effect of exchange rate fluctuations on cash held		(1.6)	0.8
Cash and cash equivalents at 1 November		235.9	225.2
Cash and cash equivalents at 31 October	21	227.4	235.9

Notes to the Consolidated Financial Statements

1. Accounting policies

1.1 Basis of preparation and statement of compliance

These are the Consolidated Financial Statements of BMO Asset Management (Holdings) plc and its subsidiaries (the Group) which have been prepared on a going concern basis, and under the historical cost convention, as modified by the fair value of financial assets and financial liabilities measured at fair value through profit or loss (FVTPL), and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU-adopted IFRS), and those parts of the Companies Act 2006 applicable to companies reporting under EU-adopted IFRS. These Consolidated Financial Statements are presented in millions of pounds Sterling (£m), rounded to one decimal place, except where otherwise indicated.

Certain figures reported in the 2018 Financial Statements have been reclassified for consistency with the presentation applied within these Financial Statements. These changes are presentational in nature and do not change the previously reported financial results for the year ended 31 October 2018 nor the aggregate assets and liabilities at that date.

1.2 Going concern

The Group's business 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 14. The financial position of the Group and its cash resources are also described in the Strategic Report. In addition, note 34 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital and its regulatory capital requirements; its financial risk management objectives; and details of its financial instruments and its exposure to credit risk, liquidity risk and market risk.

The Group has considerable financial resources, and benefits from a broad client base across different geographic areas and industries. However, as explained in the Managing Principal Risks and Uncertainties section of the Strategic Report on page 7 and in note 43, Events after the reporting period, COVID-19 has had and will continue to have an impact on the operations and financial results of the Group for the year to 31 October 2020 and potentially beyond. However, due to the inherent uncertainties it is not possible to quantify the impact of these on the Group. As part of the Directors' assessment of going concern they have considered, as best they can, the potential impacts of COVID-19 on the Group. While there can be no absolute certainty, having considered the current results of the Group, the potential impact of COVID-19 on the Group's results and operations and the current liquidity and net assets of the Group, the Directors are satisfied that it remains a reasonable assumption that the Group has sufficient resources to meet both its working capital and regulatory capital requirements for at least 12 months from the date of approval of the Financial Statements, although there is a risk that losses could be incurred by the Group during that period.

Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

1.3 New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. Details of the changes and effects resulting from adoption of these new accounting standards, implemented during the year ended 31 October 2019, 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 consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

1.3.1 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 the Group expects to be entitled in exchange for transferring services to a customer.

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

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 November 2018 and has applied the standard to contracts which are not completed at the date of initial application. Contracts are considered to be completed where the Group has transferred all of the services identified under previous standards.

The Group has applied the following practical expedients on transition to IFRS 15, as detailed in IFRS 15.C7A:

- 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 Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application. As the previous years' results have been presented in accordance with the prior revenue standards, the results are not directly comparable with the current year.

1. Accounting policies continued

The nature of the IFRS 15 adjustments at 1 November 2018 and the reasons for the significant changes in the Statement of Financial Position as at 31 October 2018 and 31 October 2019 and the Income Statement for the year ended 31 October 2019 are described below:

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

While the Group has elected not to restate the comparative period Statement of Financial Position, set out below are the amounts by which each financial statement line item is affected as at 1 November 2018 as a result of the adoption of IFRS 15:

	Notes	Amounts prepared under IFRS 15 £m	Amounts prepared under previous IFRS £m	Increase/ (decrease) £m
Assets				
Non-current assets				
Deferred acquisition costs	(i)	0.1	-	0.1
Total impact on non-current assets				0.1
Current assets				
Deferred acquisition costs	(i)	0.1	-	0.1
Trade and other receivables	(ii)	93.1	131.7	(38.6)
Contract assets	(ii),(v)	39.5	-	39.5 ⁽¹⁾
Total impact on current assets				1.0
Total impact on assets				1.1
Liabilities				
Non-current liabilities				
Contract liabilities	(iii)	0.3	-	0.3
Deferred income	(iii)	-	0.5	(0.5)
Total impact on non-current liabilities				(0.2)
Current liabilities				
Trade and other payables	(iii)(v)	97.7	98.7	(1.0) ⁽²⁾
Contract liabilities	(iii)	2.3	-	2.3
Deferred income	(iii)	-	0.2	(0.2)
Current tax payable	(i)	5.5	5.4	0.1
Total impact on current liabilities				1.2
Total impact on liabilities				1.0
Equity				
Retained earnings		131.7*	131.6	0.1
Total impact on equity				0.1
Total impact on liabilities and equity				1.1

* Excludes the impact for the adoption of IFRS 9, as shown in note 1.3.2 on page 33.

⁽¹⁾ This comprises £38.6m (adjustment (ii)) plus £0.9m (adjustment (v)), as explained below.

⁽²⁾ This comprises (£1.9m) (adjustment (iii)) plus £0.9m (adjustment (v)), as explained below.

1. Accounting policies continued**Impact on Consolidated Income Statement for the year ended 31 October 2019**

Set out below, are the amounts by which each financial statement line item is affected for the year ended 31 October 2019 as a result of the adoption of IFRS 15. The first column shows what the amounts would have been had IFRS 15 not been adopted, followed by the IFRS 15 adjustments, resulting in the amounts prepared under IFRS 15 in the final column:

	Amounts prepared under previous IFRS £m	Reclassification of rebates (note (iv)) £m	Gross up of revenue (note (v)) £m	Performance obligation reclassifications (note (vi)) £m	Reclassification of rental income (note (vii)) £m	Amounts prepared under IFRS 15 £m
Revenue from contracts with customers						
Investment management fees	256.1	2.8	10.0	(14.6)	-	254.3
Other income - customers	2.3	-	1.0	13.3	-	16.6
Fee and commission income	-	-	-	1.1	-	1.1
Total revenue from contracts with customers	258.4	2.8	11.0	(0.2)	-	272.0
Rental income	-	-	-	-	2.9	2.9
Total revenue	258.4	2.8	11.0	(0.2)	2.9	274.9
Cost of sales	(7.4)	(2.8)	(10.0)	0.1	-	(20.1)
Net operating revenue	251.0	-	1.0	(0.1)	2.9	254.8
Net investment guarantee expense	(0.2)	-	-	-	-	(0.2)
Net gain/(loss) on dealing in units and shares	-	-	-	-	-	-
Operating expenses						
Operating expenses	(232.9)	-	(1.0)	-	(2.9)	(236.8)
Distributions to members of LLPs and LPs	(17.2)	-	-	-	-	(17.2)
Total operating expenses	(250.1)	-	(1.0)	-	(2.9)	(254.0)
Operating profit	0.7	-	-	(0.1)	-	0.6
Finance income	6.2	-	-	-	-	6.2
Finance costs	(1.3)	-	-	-	-	(1.3)
Profit before tax	5.6	-	-	(0.1)	-	5.5
Tax expense	(4.1)	-	-	-	-	(4.1)
Profit for the year	1.5	-	-	(0.1)	-	1.4

The change did not have an impact on other comprehensive income for the period.

1. Accounting policies continued**Impact on Consolidated Statement of Financial Position as at 31 October 2019**

Set out below are the amounts by which each financial statement line item is affected as at 31 October 2019 as a result of the adoption of IFRS 15:

	Notes	Amounts prepared under IFRS 15 £m	Amounts prepared under previous IFRS £m	Increase/ (decrease) £m
Assets				
Non-current assets				
Deferred acquisition costs	(i)	0.1	-	0.1
Total impact on non-current assets				0.1
Current assets				
Deferred acquisition costs	(i)	0.1	-	0.1
Trade and other receivables	(ii)	144.1	177.5	(33.4)
Contract assets	(ii),(v)	34.4	-	34.4 ⁽¹⁾
Total impact on current assets				1.1
Total impact on assets				1.2
Liabilities				
Non-current liabilities				
Contract liabilities	(i),(iii)	0.3	-	0.3
Total impact on non-current liabilities				0.3
Current liabilities				
Trade and other payables	(iii),(v)	140.2	140.1	0.1 ⁽²⁾
Contract liabilities	(i),(iii)	1.2	-	1.2
Deferred income	(iii)	-	0.5	(0.5)
Total impact on current liabilities				0.8
Total impact on liabilities				1.1
Equity				
Retained earnings		116.1*	116.0	0.1
Total impact on equity				0.1
Total impact on liabilities and equity				1.2

* Excludes the impact for the adoption of IFRS 9 as shown in note 1.3.2 on page 33.

⁽¹⁾ This comprises £33.4m (adjustment (ii)) plus £1.0m (adjustment (v)), as explained below.

⁽²⁾ This comprises £0.1m (adjustment (i)), less (£1.0m) (adjustment (iii)) plus £1.0m (adjustment (v)), as explained below.

Impact on Consolidated Statement of Cash Flows for the year ended 31 October 2019

The changes from the adoption of IFRS 15 did not have a material impact on the operating, investing or financing cash flows for the year ended 31 October 2019.

1. Accounting policies continued

The nature of the IFRS 15 adjustments are described below:

(i) *Deferred acquisition costs and contract liabilities (deferred income)*

The Group receives initial fees on certain investments into open-ended funds and pays initial commissions in respect of certain new asset inflows into open-ended funds. The initial fees are recognised as contract liabilities in the Statement of Financial Position and are released to the Income Statement over the estimated period for which the investment is expected to be held. The initial commission costs are recognised as deferred acquisition costs in the Statement of Financial Position and are also amortised over the expected terms of the contracts (a similar period to contract liabilities).

The Group has reviewed the period over which the deferred acquisition costs and deferred income should be amortised. As a result of this review, the amortisation periods have been reduced from seven years to five years, reflecting the revised period over which the investments are expected to be held.

Upon adoption of IFRS 15, the Group recognised £0.2m of deferred acquisition costs at 1 November 2018 (£0.1m of this balance is non-current, with £0.1m recognised as a current asset). As at 31 October 2019, IFRS 15 increased deferred acquisition costs by £0.2m (£0.1m of this balance is non-current, with £0.1m recognised as a current asset).

As at 31 October 2019, IFRS 15 increased contract liabilities by £0.1m as the Group recognised additional deferred income for this amount.

The tax effect of the opening adjustments above resulted in a £0.1m increase in current tax payable at 1 November 2018.

(ii) *Contract assets*

Before adoption of IFRS 15, the Group recognised accrued income within trade and other receivables. Under IFRS 15, any earned consideration that is conditional should be recognised as a contract asset rather than a receivable. Therefore, upon adoption of IFRS 15, the Group reclassified £38.6m from trade and other receivables to contract assets as at 1 November 2018. As at 31 October 2019, IFRS 15 increased contract assets by £33.4m and reduced trade and other receivables by the same amount.

(iii) *Contract liabilities*

Under IFRS 15, deferred income of £0.7m was reclassified to contract liabilities at 1 November 2018 and £1.9m was reclassified from trade and other payables to contract liabilities (£0.3m of this balance is non-current, with £2.3m recognised as a current liability). £0.5m was reclassified from deferred income to contract liabilities at 31 October 2019 and £1.0m was reclassified from trade and other payables to contract liabilities (£0.3m of this balance is non-current, with £1.2m recognised as a current liability).

(iv) *Reclassification of rebates*

Before adopting IFRS 15, the Group recognised investment management fees and other revenue generated from the Group's asset management activities net of rebates. Following a review of contracts with customers, £2.8m of rebates have been reclassified from revenue to cost of sales in the year ended 31 October 2019, as they relate to amounts not payable directly to the customer from whom the revenue was originally received.

(v) *Gross up of revenue*

The Group has certain contracts with customers where the satisfaction of certain performance obligations are delegated to other BMO Financial Group companies, or outsourced to third parties. Before the adoption of IFRS 15, the Group concluded that, as the economic benefits associated with the transaction did not flow to the Group and there was no increase in the Group's equity, no revenue was recognised for the delegated/outsourced portfolio management services. Upon the adoption of IFRS 15, the Group has determined that it retains control of such services to customers, as it has the ability to direct the delegated portfolio manager to provide the service on the Group's behalf. The Group is responsible for the provision of services to the customers. Therefore, the Group has accounted for such delegated portfolio management contracts as a principal.

This change will result in increases in revenue from investment management services which are delegated or outsourced to other asset managers, and a corresponding recognition in cost of sales of the same amount to reflect the cost of delegated portfolio management activities. It will also result in an increase in contract assets in relation to the accrued income earned on outsourced services at the reporting date and an associated trade and other payable being recognised for the amounts payable to the third party or other BMO Financial Group companies for providing the asset management services.

In addition, there are certain contracts with customers where, before the adoption of IFRS 15, the Group deemed itself to be an agent and net off certain revenue with the associated costs for providing the service in operating expenses. Under IFRS 15, the Group has now determined that it is a principal and the amounts should be recorded in both revenue and operating expenses.

Upon adoption of IFRS 15, the Group recognised an additional contract asset of £0.9m and trade and other payables (accrued expenses) of £0.9m as at 1 November 2018. As at 31 October 2019, IFRS 15 increased contract assets by £1.0m and increased trade and other payables (accrued expenses) by £1.0m.

For the year ended 31 October 2019, IFRS 15 increased revenue from contracts with customers by £11.0m, increased cost of sales by £10.0m (being delegated portfolio management expenses) and increased operating expenses by £1.0m in respect of those expenses which were previously netted off.

(vi) *Reclassification due to performance obligations*

Before the adoption of IFRS 15, the Group classified all revenues from investment management contracts and similar activities as investment management fees. Under IFRS 15, the Group assessed that performance obligations in certain contracts are distinct from other investment management related services, and has reclassified the fees charged for such services and analysed these within 'other income' and 'fee and commission income', according to the nature of the service.

(vii) *Reclassification of rental income*

Before the adoption of IFRS 15, the Group netted off rental income for sublet properties with the associated rental costs in operating expenses. After adopting IFRS 15 principles, the Group has now determined that it is a principal and the amounts should be recorded gross in both rental income and operating expenses, although separately classified from revenue from contracts with customers.

1. Accounting policies continued

1.3.2 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 Group has applied IFRS 9 prospectively, with an initial application date of 1 November 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings at the date of initial application. As the previous years' results have been presented in accordance with the prior financial instrument standards, the results are not directly comparable with the current year.

The standard requires, in order to avoid the use of hindsight at a later date, that the Group considers the conditions which existed as at the date of the initial application.

The nature of these adjustments is described below:

(i) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (OCI). The classification is based on two criteria: the Group'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 Group'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.

Set out below is the reconciliation of the IAS 39 impairment losses at 31 October 2018 with the opening loss allowances determined in accordance with IFRS 9 at 1 November 2018.

	Allowance for impairment under IAS 39 as at 31 October 2018 £m	Remeasurement £m	ECL allowance under IFRS 9 as at 1 November 2018 £m
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9 and contract assets	0.6	0.1	0.7

The impact on the Statement of Financial Position at 31 October 2019 was also to increase the ECL allowance by £0.1m and reduce equity by £0.1m.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

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

- Trade receivables and other non-current financial assets 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 classified and measured as Debt instruments at amortised cost with effect from 1 November 2018.

The investments previously recognised at FVTPL remain unchanged.

The Group has designated its carried interest liabilities as financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

(ii) Impairment

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

Upon adoption of IFRS 9 the Group recognised additional impairment on the Group's contract assets (accrued income) of £0.1m which resulted in a decrease in retained earnings of £0.1m at 1 November 2018. The impact on impairment on the Group's trade receivables, other receivables and cash and cash equivalents was immaterial at 1 November 2018.

1. Accounting policies continued

New IFRS standards, amendments and interpretations to IFRS

The following amendments and improvements were effective during the reporting period, but had no significant impact on the Group:

- **IFRS 2 Classification and Measurement of Share-based Payment Transactions (amendments)**
The amendment to IFRS 2 addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments and therefore there is no impact on the Group's consolidated Financial Statements.
- **IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)**
The amendments concern implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities with insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.
- **Annual Improvements to IFRSs 2014 – 2016 cycle – various standards**
Improvements include clarification that IAS 28 Investments in Associates and Joint Ventures allows a qualifying entity an election to measure its investments in associates and joint ventures which are investment entities at FVTPL or when applying the equity method elect to retain the fair value measurement applied by that investment entity associated or joint venture associates or joint venture's interest in subsidiaries.
- **IFRIC 22 Foreign Currency Transactions and Advance Considerations**
The interpretation states that the spot exchange rate used upon recognition or derecognition of an asset or liability is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

1.4 Parent Company Financial Statements

The Parent Company has prepared its Financial Statements in accordance with FRS 101 and presented its individual Financial Statements prepared on that basis as permitted by section 395(1) of the Companies Act 2006, adopting the exemption of omitting the Income Statement and related notes conferred by section 408 of that Act. The Company Financial Statements, together with their respective accounting policies and notes, are presented on pages 101 to 121.

1.5 Accounting estimates, assumptions and judgements

The preparation of the 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 or require an adjustment to the carrying amount of assets or liabilities affected in future periods.

The critical judgements in applying accounting policies are disclosed, where appropriate, in the following notes to the Consolidated Financial Statements:

(a) Recognition of pension surplus

The Group has considered the availability of a refund or reduction in future contributions in recognising the surplus in respect of the F&C Asset Management Pension Plan (FCAM Plan), as disclosed in note 30.

(b) Consolidated Financial Statements, Joint Arrangements and Interests in Other Entities

The Group's assessment of whether it is an agent or principal in respect of funds it manages, its direct interest in these funds, and the assessment of whether funds are unconsolidated structured entities are key judgements, as disclosed in note 37.

(c) Revenue from contracts with customers

Identification of the customer

The Group has exercised considerable judgement in identifying whether the customer is the fund or the underlying investor, based on who the contracting parties are. A contract must create enforceable rights and obligations between two parties which result in the Group collecting revenue to which it will be entitled in exchange for services that will be provided to the customer. In the majority of instances where the Group manages pooled vehicles, the Group considers the fund to be the customer in the context of IFRS 15.

Identifying performance obligations in bundled sales of services

The Group has contracts which include several performance obligations. However, the Group considers that most of these performance obligations are bundled, and not distinct, in the context of the contracts with customers, as they are provided as a single service. Where performance obligations are not available as a separate service, they are generally considered as bundled performance obligations.

Principal versus agent considerations

The Group enters into certain contracts where satisfaction of certain performance obligations can be delegated or outsourced to third parties. Ascertaining who is in control of the services provided to the customer is key to determining the identification of who the principal or agent are in these circumstances.

1. Accounting policies continued

The key sources of assumptions and estimation uncertainties at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where appropriate, in the following notes to the Consolidated Financial Statements:

(a) Impairment testing of intangible assets

The perpetuity growth rates and discount rates applied to cash flow projections, as disclosed in note 13, as well as the quantum of cash flows.

(b) Pension assumptions

The mortality assumptions, discount rates, rates of salary increases and inflation increases, as disclosed in note 30. The sensitivities of the amounts recognised to changes in assumptions are disclosed in note 30(b)(iv).

(c) Deferred tax assets

The quantum of deferred tax assets recognised, as detailed in note 16, is based upon assumptions as to the future profitability of the Group and of the underlying companies to which the assets relate and the timing of when such profits arise.

(d) Investment protection guarantees

The Group provides investment protection guarantees to eligible investors in certain legacy investment trust savings products (Lifetime Guarantee), with these contracts classified as insurance contracts under IFRS 4 Insurance Contracts. At each reporting date, the Directors are required to assess the value of the insurance contract liabilities. By necessity, this entails making a number of assumptions and judgements which are subject to significant inherent uncertainty, whereby the actual cost of settling guarantee payouts could differ from the assumptions applied. Details of these key assumptions and the related sensitivities are provided in note 19(b).

(e) Carried interest investment valuations

The carried interest investments, as disclosed in note 17(a), are measured at fair values not based on observable market data. The techniques, inputs and sensitivities are disclosed in note 18.

(f) Share-based payments

The liability for share-based payments, as disclosed in note 31, is a cumulative estimate based on the BMO share price at the reporting date, the foreign exchange rate at the reporting date and the relative proportion of the vesting period for which services have been provided. The quantum of the liability, at any future reporting date and/or the vesting date, will be subject to changes in these variables.

1.6 Summary of significant accounting policies

The accounting policies set out below have been applied consistently throughout the Group's Consolidated Financial Statements for the years ended 31 October 2019 and 31 October 2018, with the exceptions of (d) Revenue from contracts with customers and (n) Financial instruments, where the adoption of IFRS 15 and IFRS 9 respectively has resulted in different accounting policies being adopted for the current and previous period. Further details are provided in notes 1.3.1 and 1.3.2.

(a) Consolidated Financial Statements, Joint Arrangements and Interests in Other Entities

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 October 2019.

(i) Consolidated Financial Statements

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company controls an investee if the Company has all of the following elements present:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Company's returns.

Where decision-making is controlled through voting rights that also expose the Company to variable returns, a majority of voting rights signifies control of the investee. Control may be held through voting rights or contractual arrangements. Control is required to be continually reassessed by the Group.

If the Group has power and variable returns, it must then assess whether it is acting as principal or agent. Power arises from rights, which include voting rights, potential voting rights, rights to appoint key personnel, decision making rights within a management contract, and removal or 'kick-out' rights. Power does not arise from protective rights alone. The Group must assess whether it is acting as a principal or agent in respect of the investee entity. If it acts as a principal it consolidates the investee; if it acts as an agent then it does not consolidate the investee.

Variable returns include management and performance fees, dividends, interest and other income attributable to the Group.

Evaluating the linkage between power and returns includes consideration of scope of authority, rights held by other parties, remuneration and exposure to variability from other interests.

A majority of the Company's subsidiaries and related undertakings have coterminous reporting periods, with the exceptions as listed in note 36.

The Consolidated Financial Statements incorporate the assets, liabilities, results and cash flows of the Company and its subsidiaries. The results of subsidiaries acquired or sold during the period are included in the consolidated results from the date of acquisition or up to the date of disposal respectively. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. When necessary, adjustments are made to the financial statements of subsidiaries, to align their accounting policies with those of the Group.

1. Accounting policies continued

Common control transactions are accounted for using the equity method. These have no impact on the Group's financial statements, except where the underlying tax position is not neutral on the Group. A change in ownership interest of a subsidiary is also accounted for as an equity transaction.

(ii) Joint Arrangements and Associates

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require unanimous consent of the parties sharing control. The terms of a contractual arrangement are used to evaluate whether joint control exists.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without control or joint control existing over those policies.

Interests in associates and joint ventures are accounted for using the equity method.

(iii) Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities (including sponsored entities).

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the decisions about the activities that significantly affect the returns of the arrangement are directed by means of contractual arrangements. Unconsolidated structured entities are structured entities that are not controlled by the reporting entity. The Group considers itself to be a sponsor of an entity where some or all of the following factors are present: it has been involved in determining the purpose and design of the entity; it is the majority user of the entity; the BMO or F&C name appears in the name of the entity; and/or BMO is involved in the marketing and promotion of the entity.

These disclosures are shown in note 37.

(iv) Business combinations

IFRS 3 (Revised) (relating to business combinations from 1 January 2010)

A business combination is the bringing together of separate entities or businesses into one reporting entity. The result is that one entity, the acquirer, obtains control of one or more entities or businesses. The acquisition date is the date on which the acquirer obtains control of the acquiree. Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred

or assumed at the date of exchange. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred for the acquisition, plus any non-controlling interests (NCI), over the fair value of the Group's share of identifiable net assets acquired, is recorded as goodwill. Acquisition-related expenses are expensed in the Income Statement.

(b) Foreign currencies

The Group's presentational currency is Sterling, which is also the Company's functional currency. Each entity in the Group determines its own functional currency, and amounts included in the financial statements of each entity are measured in that functional currency.

(i) Foreign currency translation

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

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

(ii) Foreign operations

The functional currency of foreign operations is predominantly the Euro.

The assets and liabilities of, or relating to, foreign operations are translated into Sterling at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Sterling at foreign exchange rates approximating to the rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations into Sterling, including related intangible assets, are recognised directly in the Group's Foreign Currency Translation Reserve, which is a separate component of equity, and reported in the Statement of Comprehensive Income. The amounts recognised as exchange differences are reclassified to profit or loss as income or expense in the period in which the disposal of foreign operations took place.

1. Accounting policies continued

(c) Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current or non-current classifications. An asset is current if it is expected to be realised within twelve months after the reporting period or held for the purpose of trading. A liability is current if it is due to be settled within twelve months after the reporting date or held for the purpose of trading. All other assets or liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current.

(d) Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers

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

The Group's primary source of revenue is fee income from investment management activities. The Group considers revenue to be the amount it is entitled to for the exchange of its investment management and associated services, and expected revenue is recognised as these services are provided to customers. The Group has generally concluded that it is the principal in its revenue arrangements, because it controls the services provided.

The Group enters into a variety of contracts to provide management and other services to segregated clients and investment vehicles structured as companies, trusts, open-ended funds or partnerships, which invest in a variety of different asset classes.

The Group applies a five-stage model to revenue recognition:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue when (or as) the entity satisfies a performance obligation

The Group's contracts are normally formal investment management agreements. Contracts could include verbal agreements or assumed practice in the absence of a formal agreement. The Group considers a customer to be a party that has contracted with a Group entity to obtain investment management services in exchange for remuneration. Determining which party the Group has enforceable rights and obligations with is key to identifying the customer. Each party must have rights identified in respect of the services to be transferred for a contract to exist. The Group's customer could be either a fund or individual investors. In certain circumstances, the Group will sub-contract or delegate its

performance obligations to a third-party or a BMO Financial Group company.

The Group recognises revenue when it provides a service to a customer. Revenue can be recognised either over time or at a point in time.

Certain contracts are subject to rebates or discounts. Where the rebates or discounts are due to the customer, these amounts are deducted from revenue. In certain circumstances, rebates or discounts could be repaid to investors or third parties not considered customers in the context of IFRS 15 which would result in these being disclosed within cost of sales.

Any rebates or discount liabilities owed to customers are included within trade and other payables.

(i) Performance obligations

The Group's contracts with customers contain many performance obligations. However, many of these performance obligations are sold as a combined package to customers and are therefore considered to be a single performance obligation within the context of IFRS 15. Therefore, many of the associated investment administration activities are not considered to be separate performance obligations. The Group generally does not provide these services separately from its investment management services. Where the Group could separately contract for such a service, the Group considers this to be a separate performance obligation in the context of IFRS 15, e.g. fund secretarial services.

Where a contract has multiple performance obligations, the Group allocates the transaction price by reference to their relative stand-alone selling prices. If such a price is not directly observable, the Group has estimated it.

(ii) Variable or fixed consideration

Most of the Group's revenues are variable in nature, being based on a percentage of Assets Under Management (AUM), although a few contracts provide for fixed annual management fees. Variable consideration can only be 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. Performance fees are only recognised by the Group at the end of the performance period when it is certain over the quantum of fees earned.

Some of the Group's revenues relate to specific activities, e.g. fees associated with property transactions. These are generally recognised at the point in time when the service has been delivered.

In some instances, revenue can be restricted by Total Expense Ratios (TER) agreed with the fund, capping the extent of costs borne by the funds. The revenue recognition process will reflect the extent of such TER obligations.

1. Accounting policies continued

(iii) Principal or Agent

When another party is involved in providing services to the Group's customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. Where the Group is responsible for and controls the delivery of service provided to the customer, it acts as a principal. In these circumstances it records revenue on a gross basis, including revenue relating to delegated portfolio management activity. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is considered to be an agent and will record revenue at the net amount that it retains for its agency services.

(iv) Contract balances

The standard requires an entity to present the following items separately in the statement of financial position:

- **Costs to obtain a contract**

The Group recognises the incremental costs of obtaining a contract as an asset if the entity expects to recover those costs. Any capitalised contract costs assets are amortised over a period that is consistent with the provision of services to the customer.

The costs to obtain a contract are presented as a separate class of asset (deferred acquisition costs) in the Statement of Financial Position and its amortisation is recognised within costs of sales as fee and commission expenses.

The Group's deferred acquisition costs are released to the Income Statement over an amortisation period of five years. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period.

- **Trade receivables**

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

- **Contract assets**

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs services for a customer before the customer is invoiced or before payment is due, a contract asset is recognised for the earned consideration that will become payable. The Group has classified accrued income as a contract asset.

- **Contract liabilities**

A contract liability is the obligation to provide future services to a customer for which the Group has received consideration from the customer. Deferred income or deferred front-end fees are considered to be contract liabilities.

Contract liabilities are subsequently recognised as revenue when the Group performs its services under the contract.

The Group determines contract assets and liabilities at the contract level and not at the performance obligation level. Contract asset or contract liability positions are determined for each contract on a net basis.

The Group has elected to use the following IFRS 15 practical expedients:

- Not to recognise a significant financing component if the period between a service is transferred to the customer and when the customer pays for that service will be one year or less.
- Recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

IAS 18 Revenue

The accounting policy applicable to the comparative period ended 31 October 2018 was as follows:

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment and excluding any taxes. Base management fees are stated net of rebates.

Initial fees received in advance, arising on open-ended funds, are taken to the Statement of Financial Position and released to the Income Statement over the period of the asset management service. Therefore, the period of provision of asset management services is estimated based upon the Group's experience of the average holding periods of investors. The average holding period is reassessed on an annual basis.

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

Performance fees include property-related transaction fees which crystallise on the acquisition or disposal of properties managed on behalf of clients.

(e) Leases

The Group has a review process for accepting new contracts which identifies whether any arrangement contains a lease obligation based on the substance of the arrangement.

1. Accounting policies continued

All leases entered into by the Group are operating leases, being leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. Rentals paid under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised by the Group as a reduction in the rental expense, allocated on a straight-line basis over the lease term. Accounting policy '(t) Provisions' discusses the recognition of provisions on onerous property leases when the leased space has ceased to be occupied by the Group.

(f) Fee and commission expenses

Fee and commission expenses comprise two main elements – costs associated with gaining new asset management contracts and subsequent renewal commission paid to agents. The costs associated with gaining contracts are deferred and amortised over the estimated term of the contracts, in line with the treatment of the associated initial fees received, as disclosed in policy (d)(iv), while the subsequent renewal commission paid to agents is expensed as the services are provided.

(g) Exceptional income and expenses

Where the Group incurs significant non-recurring expenditure or earns significant non-recurring income in respect of items that arise outside of the Group's normal business activities and which are sufficiently material to warrant separate disclosure, then such items are disclosed in the Income Statement as exceptional items, either separately or collectively, depending on their quantum and nature.

(h) Finance income

Finance income comprises interest, dividends, net interest income on any defined benefit pension surplus and net fair value gains recognised through the Income Statement. Dividend income is recognised when the right to receive payment is established. Interest income is recognised in the Income Statement on an effective interest rate (EIR) basis as it accrues. 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.

(i) Finance costs

Finance costs comprise bank interest and charges, other interest payable and facility fees. Borrowing costs are recognised in the Income Statement on an EIR basis.

(j) Income taxes

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.

Current income tax

Income tax is recognised in the Income Statement for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Comprehensive Income or Statement of Changes in Equity. In such cases the gain or loss shown in equity is stated separately from the attributable income tax, which is also recognised directly in equity.

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

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carry forward of unused tax credits, can be utilised, except:

- where the deferred tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss; or
- in respect of taxable or deductible temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Sales taxes

Expenses and assets are recorded net of the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1. Accounting policies continued

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Leasehold improvements	-	over 10 years (or lease term if shorter)
Computer equipment	-	over 3 years
Office furniture & equipment	-	over 3-5 years
Motor vehicles	-	25% reducing balance

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

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

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

(l) Intangible assets

(i) Goodwill

Goodwill arising from a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Business combinations arising after 31 December 2009 are accounted for under IFRS 3 (Revised) Business Combinations. Where the initial amount of goodwill can only be determined on a provisional basis at the end of the financial reporting period, adjustments are made to the amount of goodwill up to twelve months and from the date of acquisition to the extent that they relate to revisions to the quantum of net assets acquired. Any adjustment to the initial consideration, including amounts which are conditional upon performance criteria, are recognised in the Income Statement in the period in which the subsequent change arises.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Investment management contracts

Investment management contracts acquired separately are measured on initial recognition at cost.

The investment management contracts acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial fair value less accumulated amortisation and any accumulated impairment losses.

The useful lives of investment management contracts are finite and such contracts are amortised on a straight-line basis over their estimated useful lives or average contractual term, with amortisation being charged to the Income Statement. Details of estimated useful lives are shown in note 13.

(iii) Software and licences

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

Software – 3-7 years

Licences – 3 years

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

(m) Impairment of intangible assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment arising is recognised in the Income Statement. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a cash-generating unit that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

1. Accounting policies continued

(n) Financial instruments

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is applicable for the year ended 31 October 2019. The revised accounting policy for the Group applicable to the current reporting period is detailed below:

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

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

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

The Group'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.

The Group has determined that most of its financial assets relate to collecting cash flows.

Subsequent measurement

The Group's financial assets are classified into the categories described below, based on its business model for these assets:

(a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows

that are SPPI on the principal amount outstanding.

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.

The Group's financial assets at amortised cost includes cash and cash equivalents, contract assets, trade receivables and other receivables.

(b) Financial instruments at fair value through profit or loss

These include investments that are held for trading purposes or that have been specifically designated as FVTPL. Financial assets with cash flows that are not solely SPPI are classified and measured at FVTPL, irrespective of the business model.

They are carried in the Statement of Financial Position at fair value and movements in fair value are taken to the Income Statement in the period in which they arise. Interest and dividend income on these financial instruments are recognised within finance income.

The Group has adopted 'trade date' accounting for purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established in the marketplace concerned. Accordingly, such financial instruments are recognised on the date the Group commits to the purchase of the investment, and, are derecognised on the date it commits to their sale.

The Group's financial instruments at FVTPL include financial investments and stock of units and shares.

The Group has a number of investments which provide it with carried interest entitlement, which is typically linked to the investment performance of the underlying funds exceeding long-term hurdle rates. In a number of instances a share of such 'carry' falls to the benefit of the individual LP members.

These carried interest investments are classified as FVTPL and any amounts payable to individual LP members are included within member distributions in the Income Statement and recognised within other financial liabilities.

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.

Renegotiation of the terms of financial assets

Where financial assets past due have been renegotiated, the Group classifies these assets in accordance with the revised terms and conditions.

1. Accounting policies continued

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivable and the economic environment.

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

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, liabilities to Members of LLPs and LPs and other financial liabilities.

The Group has designated its carried interest liabilities at FVTPL to avoid an accounting mismatch, as the financial investment which underpins the financial liability is also at FVTPL.

Subsequent measurement

Financial liabilities are classified into the categories described below:

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the IFRS 9 criteria are satisfied. The Group has designated Other financial liabilities as at FVTPL in order to match the treatment with the associated carried interest investments.

(b) *Trade and other payables*

This is the category most relevant to the Group. After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method.

(c) *Derecognition of financial liabilities*

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

(iii) Offsetting of financial instruments

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

(iv) Financial guarantees

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

IAS 39 Financial Instruments: Recognition and Measurement

The accounting policy applicable to the comparative period ended 31 October 2018 was as follows:

Financial assets are classified, at initial recognition, as either financial assets at FVTPL or loans and receivables. Financial liabilities, within the scope of IAS 39 Financial Instruments: Recognition and Measurement, are classified as either financial liabilities at fair value through FVTPL and payables.

Financial assets and liabilities are recognised initially at fair value plus, where assets and liabilities are not classified as FVTPL, directly attributable transaction costs.

1. Accounting policies continued

The fair value of instruments that are actively traded in organised financial markets is determined by reference to market bid prices (mid price for OEICs) at the close of business on the reporting date. For investments where there is no active market, fair value is determined using appropriate valuation methodologies.

Financial instruments are classified into the categories described below:

- (i) *Financial instruments at fair value through profit or loss* include investments that are held for trading purposes or that have been specifically designated as FVTPL. They are carried in the Statement of Financial Position at fair value and movements in fair value are taken to the Income Statement in the period in which they arise. Interest and dividend income on these financial instruments is recognised within gains or losses on fair value of investments.

The Group has adopted 'trade date' accounting for purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established in the marketplace concerned. Accordingly, such financial instruments are recognised on the date the Group commits to the purchase of the investments, and are derecognised on the date it commits to their sale.

- (ii) *Loans and receivables* are measured on initial recognition at fair value plus any directly attributable transaction costs incurred. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the EIR method. Gains and losses are recognised in the Income Statement when loans and receivables are derecognised or impaired, as well as through the amortisation process.
- (iii) *Other financial liabilities* comprise amounts classified as liabilities to members of Limited Partnerships (LP members) which are recognised at FVTPL.

The remaining financial liabilities, including trade and other payables, are recognised at amortised cost using the EIR after initial recognition.

Carried interest entitlement

The Group has a number of investments which provide it with carried interest entitlement, which is typically linked to the investment performance of the underlying funds exceeding long-term hurdle rates. In a number of instances a share of such 'carry' falls to the benefit of the individual LP members.

These carried interest investments are classified as FVTPL and any amounts payable to individual LP members are included within member distributions in the Income Statement and recognised within other financial liabilities in the Statement of Financial Position.

Financial assets and liabilities

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.

Derecognition of financial liabilities

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

Renegotiation of the terms of financial assets

Where financial assets past due have been renegotiated, the Group classifies these assets in accordance with the revised terms and conditions.

Financial guarantees

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

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Evidence of impairment assessment includes review of the ageing of trade receivables as a potential indication of financial difficulty.

(o) Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group measures the fair value of an instrument using the quoted price in an active market where one is available for that instrument.

1. Accounting policies continued

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy and based on the lowest level input that is significant to the fair value measurement as a whole.

Transfers between levels in the fair value hierarchy are deemed to occur on the date of the event or change in circumstances that caused the transfer.

Carried interest investments are valued in accordance with the underlying property or private equity fund valuations and the underlying partnership agreements.

(p) 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.

(q) Accounting for Employee Benefit Trusts (EBTs)

The Group has an EBT which holds investments and liquid assets to enable it to satisfy future settlements of employee benefits. These assets, which relate to unsettled awards, are consolidated into the Group's results. Investments held by the EBT are recognised as assets at fair value in the Statement of Financial Position.

(r) Employee and member benefits

(i) Short-term employee benefits

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

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

(ii) Profit-sharing and bonus payments

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

(iii) Profit entitlement of members of Limited Liability Partnerships and Limited Partnerships

Where a member of a Limited Liability Partnership (LLP) or Limited Partnership (LP) has an automatic entitlement to distributions of partnership profits in respect of their services

or carried interest distributions, an expense (distributions to members of LLPs and LPs) and a liability (liabilities to members of LLPs or other financial liabilities) are recognised as their services are rendered during an accounting period.

(iv) Pension obligations

Defined benefit schemes

The Group operates a number of defined benefit pension arrangements. Defined benefit pension schemes provide benefits based on final pensionable salary.

The pension surplus or deficit recognised in the Statement of Financial Position is the present obligation of the employer, which is the estimated present value of future benefits that employees have earned in return for their services in the current and prior years, less the value of the plan assets in the schemes. A pension surplus is recognised where there is the availability of a refund to the sponsoring entity, reduction in future contributions, or residual interest in the plan. The discount rate applied to the employees' benefits is the appropriate corporate bond yield at the reporting date which has a maturity date similar to the terms of the Group's obligations. A qualified actuary performs the calculation annually using the projected unit credit method.

The defined benefit pension expense in the Income Statement is analysed into:

- current service costs, which are the actuarially calculated present value of the benefits earned by the active employees in each period;
- past service income or costs, which relate to employee service in prior periods, and arise as a result of the introduction of changes in, or improvements to, retirement benefits in the current period. These are recognised in the Income Statement at the earlier of when the plan amendment or curtailment occurs, and when the Group recognises related restructuring costs or termination benefits;
- settlements or curtailments to the extent that they are not allowed for in the actuarial assumptions. Gains or losses on settlements or curtailments are recognised at the date on which there is a demonstrable commitment to making a significant reduction in the number of employees covered by the plan, or an amendment to the terms of the plan; and
- the net interest on the net defined benefit surplus/(deficit). This represents the change during the period in the net defined benefit surplus/(deficit) that arises from the passage of time. A net interest expense is recognised in finance costs and net interest income is recognised in finance income.

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

1. Accounting policies continued

Defined contribution schemes

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

(v) Other long-term employee benefits

Other long-term employee benefits are recognised at the discounted present value of the obligation at the reporting date. The benefit is determined using actuarial techniques to estimate the amount of benefit employees have earned for their services at the reporting date.

(vi) Termination benefits

Termination benefits are recognised as a liability and an expense when the Group is committed to the termination of employment before the normal retirement date. Termination benefits are recognised only when the offer cannot be withdrawn, or when the related restructuring costs are recognised as a provision.

(s) Share-based payments

The Group operates share scheme arrangements for employees (in exchange for services rendered) which require to be accounted for as share-based payments.

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

Non-market related conditions are performance criteria not directly linked to BMO's share price, such as continued employment. The probability of meeting non-market conditions is incorporated into the expense charge via the estimate of the number of awards expected to vest. The total cumulative expense is reassessed at each reporting date and is ultimately adjusted to reflect the actual number of awards which vest. Therefore, if no awards vest, no cumulative expense charge is ultimately recognised.

IFRS 2 Share-based Payment makes a distinction between awards settled in equity and those settled in cash. All BMO Omnibus Restricted Share Unit Plan (BMO RSU) awards are cash-settled and are therefore charged to the Income Statement with a corresponding credit to liabilities. The estimated fair value of awards is re-measured at each reporting date until the payments are ultimately settled.

Awards to employees treated as good leavers continue to be settled on the vesting date, although the remaining expense of the awards is charged to the Income Statement immediately. In respect of the BMO RSU awards, the vesting period for any employee who becomes eligible to retire is accelerated.

(t) Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

Where the Group expects some or all of a provision to be recovered from external parties, the recovery is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the Group has obligations under property leases, and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected subletting arrangements.

(u) Investment protection guarantees

Introduction

The investment protection guarantees provided under the Lifetime Guarantee and Investor Protection products have been classified by the Group as insurance contracts under IFRS 4 Insurance Contracts. The investment protection element of these products is currently passed on in full to third-party reinsurance providers.

The reinsurance-related balances in the Financial Statements are presented separately from those balances relating to the underlying insurance contracts.

Measurement of insurance contract liabilities

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

Insurance contract liabilities are calculated using a stochastic valuation in line with UK insurance-related actuarial standards, guidance and principles, with the valuation based on a range of economic scenarios and outcomes, fully capturing both the intrinsic value and the time value associated with the investment protection guarantee. The liabilities are determined as the sum of the discounted value of estimated future cash flows relating to the guarantee, assessed on a best estimate basis as adjusted to reflect a margin for risk, including asset management income, expenses and future claim payouts. The key valuation assumptions applied at the reporting date are disclosed in note 19(b).

1. Accounting policies continued*Investment guarantee income*

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

Investment guarantee payouts (claims)

Investment guarantee claims incurred, as recognised in the Income Statement, reflect the cost relating to reported claims arising during the year. Investment guarantee claims owed to investors are included within trade and other payables, with the balance representing outstanding payments on claims incurred.

Reinsurance

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

Reinsurance assets disclosed in the Statement of Financial Position represent claims recoverable from the reinsurance provider. Reinsurance assets are assessed for impairment at each reporting date.

(v) Share capital

When shares are issued, any component that creates a financial liability of the Company or Group is presented as a liability in the Statement of Financial Position, measured initially at fair value, net of transaction costs and thereafter at amortised cost until extinguished, on conversion or redemption.

The remainder of the issue proceeds is allocated to the equity component and included in shareholder's equity, net of transaction costs.

Dividends on Ordinary shares are recognised on the date of payment or, if subject to approval, the date approved by the shareholder.

1.7 New standards and interpretations issued but not yet effective

The International Accounting Standards Board has issued the following standards, amendments and interpretations which have either not yet been applied or have an effective adoption date after the date of these Financial Statements:

International Accounting Standards (IAS/IFRS)		Effective for accounting periods beginning on or after
Endorsed by the European Union and available for early adoption:		
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation (amendments)	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (amendments)	1 January 2019
Annual improvements to IFRS	2015-2017 Cycle - various standards	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (amendments)	1 January 2019
IAS 1 and IAS 8	Definition of Material (amendments)	1 January 2020
Conceptual Framework	References to the Conceptual Framework in IFRS Standards (amendments)	1 January 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (amendments)	1 January 2020
IFRS 3	Business Combinations (amendments)	1 January 2020
Not yet endorsed by the European Union:		
IFRS 16	Covid 19 - Related Rent Concessions (amendment)	1 June 2020
Annual improvements to IFRS	2018-2020 Cycle - various standards	1 January 2022
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023

1. Accounting policies continued

Impact of new accounting standards

The following accounting standards, which are effective for periods beginning on or after 1 January 2019, will affect the Group for the period beginning 1 November 2019.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to recognise a liability to make lease payments together with a corresponding right-of-use asset, and recognise interest expense on the lease liability and depreciation expense on the right-of-use asset separately. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events. The standard includes two recognition exemptions for leases – leases of low value assets (e.g. personal computers) and short-term leases (leases with a lease term of 12 months or less). The lessee's revised pattern for lease expense recognition will generally be accelerated compared to the current recognition. There are also more extensive disclosure requirements under IFRS 16. Lessees can adopt the standard using either a full retrospective or modified retrospective approach.

The Group intends to adopt the leasing standard in the year ended 31 October 2020 using the modified retrospective approach.

Transition to IFRS 16

During 2019, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be as follows:

Expected impact on the Statement of Financial Position as at 31 October 2019:

	Increase/(decrease) £m
Assets	
Right-of-use assets	32.3
Property, plant and equipment	(0.2)
Liabilities	
Lease liabilities	(34.9)
Trade and other payables	2.8
Net impact on equity	-

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12.

The interpretation specifically addresses whether an entity considers uncertain tax treatments separately and whether it is probable that a particular tax treatment will be accepted by tax authorities. If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity has to determine taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most probable outcome of the tax treatment when determining taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides the best prediction of the likely resolution of the uncertainty.

As the Group operates in a multinational tax environment, applying the Interpretation may impact its Consolidated Financial Statements.

IAS 12 Income Taxes: Annual Improvements 2015-2017

An entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised past transactions or events.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The Amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost and net interest for the remainder of the period after the event. The Amendments also clarify that an entity determines the effect of the asset ceiling after the impact of the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The IAS 19 Amendment is effective for the year ended 31 October 2020 and will apply only to any future events.

Other standards, interpretations and amendments effective beyond 31 October 2019, which could impact the Group include:

Conceptual framework

In March 2018, the IASB issued the revised Conceptual Framework ('Framework') which sets out the fundamental concepts for financial reporting to ensure consistency in standard-setting decisions and that similar transactions are treated in a similar way, so as to provide useful information to users of financial statements. The revised Framework is effective for periods beginning on or after 1 January 2020 and will inform future standard-setting decisions but does not impact existing IFRS.

Amendments to IAS 1 and IAS 8: Definition of material

The definition of material is to be standardised as "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Amendment is effective for the year ended 31 October 2021.

IFRS 17 Insurance Contracts

IFRS 17 will apply to all types of insurance contracts and certain guarantee contracts. It provides an accounting model for all insurance contracts. IFRS 17 provides a comprehensive model for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 is effective for the year ended 31 October 2024, with comparatives required.

The Group is assessing the impact of these new and revised standards to be implemented in 2021 and beyond. The Group intends to adopt the standards in the reporting period in which they become effective.

2. Revenue from contracts with customers

2.1 Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers. Further information about the nature and timing of performance obligations in contracts with customers, and the uncertainties surrounding revenues and cash flows, including significant payment terms, are detailed in section 2.2 below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are disclosed in note 1.5.

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Investment management fees			
Base management fees		236.0	241.5
Performance-related management fees		18.3	44.6
	2.2(a)	254.3	286.1
Other revenue – customers			
Investment Trust Savings Schemes revenue*	2.2(b)(i)	5.7	-
Responsible Engagement Overlay fees*	2.2(b)(ii)	4.0	-
Marketing services provided to funds*	2.2(b)(iii)	2.3	-
Other income	2.2(b)(iv)	4.6	0.6
		16.6	0.6
Fee and commission income			
Commission income		0.7	-
Front-end fee income		0.4	-
	2.2(c)	1.1	-
Total revenue from contracts with customers		272.0	286.7

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

In the years ended 31 October 2019 and 31 October 2018, the Group had no single client contributing 10% or more of total revenue.

Geographical information

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

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Revenue by location of clients		
United Kingdom	158.5	145.7
Germany	32.5	50.2
The Netherlands	24.5	29.4
Luxembourg	14.0	18.5
Canada	10.5	8.0
Ireland	9.7	13.0
Other countries	22.3	21.9
Total revenue from contracts with customers	272.0	286.7

Currency of revenues

The Group's revenues are subject to fluctuations in changes to foreign exchange rates. Total revenue from contracts with customers can be analysed by denomination of revenues by currency as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Currency of revenue		
GBP	148.1	n/a
Euros	106.8	n/a
Canadian dollars	10.4	n/a
US dollars	6.6	n/a
Other	0.1	n/a
Total revenue from contracts with customers	272.0	n/a

2. Revenue from contracts with customers continued

Timing of revenue recognition

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Services transferred over time	260.7	n/a
Services transferred at a point in time	11.3	n/a
Total revenue from contracts with customers	272.0	n/a

Revenues based on a fixed or variable fee

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Services subject to a variable fee	251.2	n/a
Services subject to a fixed fee	20.8	n/a
Total revenue from contracts with customers	272.0	n/a

Revenues by client category

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Investment Trusts	62.8	n/a
Retail	55.1	n/a
Consumer	117.9	n/a
Wholesale	34.7	n/a
Third-Party Institutional	108.3	n/a
Consumer and Institutional	260.9	n/a
Strategic Partners	11.1	n/a
Total revenue from contracts with customers	272.0	n/a

2.2 Performance obligations

The Group's revenue is measured based on the consideration specified in contracts with customers.

(a) Investment management fees

The majority of investment management contracts are for a rolling period of time and contain a pre-determined notice period connected with termination of the contract by either party, which range between zero to six months. However, the underlying investors within open-ended funds generally have short or no notice periods for removing their assets. The terms and conditions of contracts can vary between customers and by the nature of the mandate.

Revenue is recognised when the investment management services have been provided, which is usually over a period of time. Investment management is a continual process for most clients, including investment research, asset selection, dealing, investment accounting and/or related administration services. While a number of these activities can be captured in the contract, these can normally be considered to be a single performance obligation in the context of IFRS 15, as the contract is performed in totality as a combination of all these investment-related activities.

Generally, investment management fees are variable in nature as they are normally based on fund valuations at a point in time. Fees are typically quantified on a daily, monthly or quarterly basis, while invoicing usually takes place on a monthly or quarterly basis. However, in a few instances, the Group receives fixed annual investment management fees. Sales invoices generally have 30-day payment terms from date of receipt of the invoice.

The Group also performs some services which involve completion of a specific task, e.g. property transactions. Fees for these task-based services are generally recognised and invoiced upon completion of the specific performance obligation.

Certain management contracts have a performance fee arrangement as well as a base management fee, which is based on absolute performance or outperformance of a stipulated benchmark or set objective. These generally cover one or three-year performance periods and only become payable if the performance exceeds the benchmark. In the case of certain property funds, the performance fees can be measured over the life of the fund and would generally only crystallise towards, or at the end of, the life of the fund.

Fund valuations can be volatile, depending on the asset class, and can increase or decrease with inflows or outflows of assets. The Group's revenues and the associated cash flows received are therefore impacted by such changes in valuation.

The Group's client base is diversified, primarily across the UK and Europe. The tables in section 2.1 above provide an analysis of revenues by geography of client and the underlying currency of revenues.

2. Revenue from contracts with customers continued

(b) Other revenue – customers

The Group obtains revenue from customers in respect of other investment-related activities:

- (i) 'Investment Trust Savings Schemes revenues' – The Group operates Investment Trust Savings Schemes which generate fees for administration and associated dealing charges. These fees are mainly fixed per customer and collected at certain points in time during the year, although the services are performed over a period of time.
- (ii) 'Responsible Engagement Overlay fees' – The Group provides Responsible Engagement Overlay (reo®) advisory services to customers. These services focus on engagement, voting and sharing environmental, social and governance (ESG) analysis on holdings. Reo® services, which are generally provided over a period of time, can be exclusive of contracts for investment management services. Fees can either be fixed or based on AUM and invoices are generated on either a monthly or quarterly basis.
- (iii) 'Marketing services provided to funds' – The Group provides marketing services for certain customers to promote funds or investment trusts. This can include a range of general and targeted marketing. Fees can be either fixed or based on AUM. Invoices are generated on either a monthly or quarterly basis in arrears.
- (iv) 'Other income' – Other income from customers includes secretarial and accounting services provided to certain funds, property service fees and provision of staff to property funds. Services are predominantly provided over time. Generally, fees in respect of secretarial and accounting services are fixed annual amounts in accordance with the contracts. Invoices are generated in accordance with the terms of each contract, usually either monthly or quarterly in arrears.

(c) Fee and commission income

This comprises:

- Commission income on arrangement of insurance for properties which is recognised over the period of the insurance cover; and
- Front-end fees on open-ended products which are deferred and released to the income statement over the estimated period over which the investments are expected to be held. Further details are shown in note 25.

2.3 Contract balances

Trade receivables, contract assets and contract liabilities from contracts with customers are summarised as follows:

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Trade receivables	14	20.4	n/a
Contract assets	20	34.4	n/a
Contract liabilities	25	1.5	n/a

Trade receivables represent consideration for services completed and invoiced at the reporting date. They are generally receivable within 30 days of receipt of the invoice and are non-interest bearing. At 31 October 2019 £0.2m (1 November 2018: £0.2m) was recognised as a loss allowance for ECLs on trade receivables.

Contract assets are recognised for revenue relating to the Group's rights to consideration for services completed but not invoiced at the reporting date (primarily accrued income). These are usually invoiced on a monthly or quarterly basis after the reporting date and follow standard payment terms thereafter. At 31 October 2019 £0.1m (1 November 2018: £0.1m) was recognised as a loss allowance for ECLs on contract assets.

The amount of revenue recognised in the year ended 31 October 2019 from performance obligations satisfied (or partially satisfied) in previous periods is £0.4m. This is mainly due to revisions to the valuation estimations recognised at the reporting date resulting from non-coterminous invoice or measurement periods. Invoices raised are often dependent upon finalisation of net asset values of certain funds which can only be determined after the reporting date.

Information about the Group's exposure to credit risk is disclosed in notes 34 and 35(a).

Contract liabilities comprise deferred income for consideration paid in advance of services being provided, including front-end fees. £2.4m of the contract liabilities recognised at the beginning of the reporting period have been recognised as revenue during the year ended 31 October 2019.

3. Cost of sales

Cost of sales comprises:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Sub-contract management fee expenses	10.0	–
Fee and commission expenses	9.5	10.0
Reinsurance premiums	0.6	0.3
	20.1	10.3

4. Net investment guarantee expense

Net investment guarantee expense recognised in the Income Statement relates to the investment protection guarantee products and consists of the following components:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Investment guarantee claims	0.4	0.4
Reinsurance recovery of investment guarantee claims	(0.4)	(0.4)
Insurance contract liabilities movement	0.2	0.1
Net investment guarantee expense	0.2	0.1

Further details of the investment protection guarantee are provided in note 19.

5. Net gain/(loss) on dealing in units and shares

Gains and losses on the creation and repurchase of units and shares in OEICs and Unit Trusts can be summarised as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
OEIC and Unit Trust sales	2,687.9	n/a
OEIC and Unit Trust cost of sales	(2,687.9)	n/a
Net result on dealing in stock of units and shares	–	n/a

The net gain/(loss) on dealing in units and shares would be disclosed as a separate component within operating profit. However, as the net amount is immaterial for the year ended 31 October 2019, it is not presented on the face of the Consolidated Income Statement.

Before the adoption of IFRS 15 and IFRS 9, OEIC and Unit Trust sales and cost of sales were disclosed within revenue (as disclosed in note 1.3.1).

6. Expenses

(a) Total operating expenses

Total operating expenses can be summarised into the following categories:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Employee and member benefits and related expenses*	170.2	170.3
Communication and information technology expenses	25.5	24.6
Third-party administration expenses	19.7	15.0
Premises expenses	12.1	8.5
Promotional and client servicing expenses	7.1	5.9
Depreciation, amortisation and impairment expenses	4.3	4.0
Other expenses	15.1	15.0
Total operating expenses	254.0	243.3

* This includes £7.2m (2018: £7.6m) of employment-related expenses (e.g. travel, training, etc.), which are not employee benefit expenses and are therefore excluded from the table in note 7.

6. Expenses continued**(b) Operating expenses**

Operating expenses include the following:

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Depreciation of owned property, plant and equipment	12	2.0	1.8
Amortisation of intangible assets	13	2.3	2.2
Auditor's remuneration	6(c)	1.1	1.2
Operating lease rentals – land and buildings (head leases)		8.0	8.1
Operating lease rentals – motor vehicles		0.3	0.3
Operating lease rentals – other		3.2	3.0
Net foreign exchange losses		0.2	0.3

All amounts included within operating lease rental expenses represent minimum lease payments.

(c) Auditor's remuneration

Fees payable to the Group's auditor are summarised as follows:

	Note	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Group auditor – KPMG LLP			
Annual audit fees		0.2	0.2
Fees payable to the Group's auditor for the audit of the Group and Company's annual Financial Statements		0.2	0.2
Audit of Financial Statements of subsidiaries pursuant to legislation		0.5	0.5
Total audit fees of the Group		0.7	0.7
Audit-related assurance services		0.2	0.2
Other assurance services		0.2	0.2
Other non-audit services		–	0.1
Total auditor's remuneration	6(b)	1.1	1.2

Fees paid by investment funds and client portfolios

In addition to the above, fees of £0.1m (2018: £0.2m) were paid by client funds for services provided directly by KPMG LLP, for which a Group company is responsible for the selection of the respective service provider.

7. Employee and member benefit expenses

Total employee benefit expenses, including remuneration of the Directors and expenses relating to LLP and LP members, were:

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Short-term employee and member benefits:			
Salaries and related benefits		65.8	62.0
Bonus		27.9	34.2
Wages and salaries		93.7	96.2
Distributions to members of LLPs and LPs		17.2	22.2
Social Security costs		14.0	14.0
		124.9	132.4
Post-employment benefits:			
Defined contribution pension expense	30(h)	5.6	4.6
Defined benefit pension expense	30(d)	0.7	2.3
		6.3	6.9
Total of wages and salaries, distributions to members of LLPs and LPs, Social Security costs and post-employment benefits		131.2	139.3
Share-based payment expense	31	19.1	21.2
Termination expenses		12.7	2.2
Other long-term employee benefits		–	–
Total employee and member benefit expenses		163.0	162.7

The monthly average number of employees and members (including Executive Directors) of the Group during the year ended 31 October 2019 was 808 (2018: 762). The Company had no employees during either year.

8. Finance income

		Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
	Note		
Financial assets measured at amortised cost:			
Bank interest receivable		0.8	0.6
Other interest receivable		0.1	-
Bank interest receivable from BMO Group		-	0.1
Investments designated as FVTPL:			
Gains on fair value of investments		2.9	1.7
Dividends receivable		0.1	0.1
Other finance income:			
Net interest income on pension obligations	30(d)	2.3	1.4
Total finance income		6.2	3.9

9. Finance costs

		Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Interest expense on financial liabilities recognised using the effective interest rate method:			
Bank charges and other interest payable		0.3	0.4
Bank interest payable to BMO Group		0.1	0.1
Total interest expense		0.4	0.5
Facility fees payable to BMO Group		0.9	0.9
Total finance costs		1.3	1.4

10. Income tax

(a) Analysis of tax expense in the year

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

		Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Current income tax:			
UK		(1.6)	(1.8)
Foreign		5.9	7.4
Adjustments in respect of previous periods		0.3	1.1
Deferred tax:			
Relating to origination and reversal of temporary differences		0.3	5.6
Adjustments in respect of previous periods		(1.4)	(0.9)
Adjustments in respect of Corporation Tax rate change		0.6	0.1
Tax expense reported in the Income Statement		4.1	11.5

The major components of tax expense recognised in the Statement of Changes in Equity and Statement of Comprehensive Income are:

		Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Deferred and current income tax related to items charged or credited directly to equity:			
Tax (income)/expense on net actuarial losses/(gains) on defined benefit pension arrangements		(3.8)	5.0
Adjustments in respect of Corporation Tax rate change in respect of defined benefit pension arrangements		0.4	(0.5)
Corporation tax expense on common control transactions		0.7	-
Deferred tax income on common control transactions		(0.3)	-
Tax (income)/expense recognised directly in the Statement of Changes in Equity and the Statement of Comprehensive Income		(3.0)	4.5

Deferred tax assets and liabilities are shown in note 16.

10. Income tax continued**(b) Reconciliation of the tax expense for the year**

A reconciliation between the actual tax expense and the accounting profit multiplied by the Group's domestic tax rate for the years ended 31 October 2019 and 31 October 2018 is as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Profit before tax	5.5	35.5
Tax at the Group's statutory income tax rate of 19.00% (2018: 19.00%)	1.1	6.7
Adjustments in respect of previous periods	(1.1)	0.2
Disallowed expenses	0.4	0.4
Non-taxable income	(0.1)	-
Employee remuneration arrangements	(0.3)	(0.1)
Foreign tax at different rates ⁽¹⁾	1.4	3.8
Disallowed distributions to LLP and LP members	3.3	4.2
Non-taxable income attributable to LLP and LP members	(3.3)	(4.2)
Share-based payments	0.6	0.5
Restructuring expenses ⁽²⁾	1.5	-
Corporation Tax rate change	0.6	(0.1)
Unrecognised losses	-	(0.1)
Tax expense reported in the Income Statement	4.1	11.5

Effective tax rate

The effective tax charge of 74.55% is higher than the statutory rate of 19.00%. The most significant items are as follows:

- ⁽¹⁾ The foreign tax at different rates is largely in relation to the fact that the UK statutory tax rate is now lower than that of other jurisdictions in which the Group has a significant presence.
- ⁽²⁾ Restructuring expenses are not allowed as deductible expenses in some non-UK jurisdictions.

(c) 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 years ended 31 October 2019 and 31 October 2018 for the Group.

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 Group statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% for 2021 onwards. Deferred tax assets and liabilities as at the reporting date were valued on this basis.

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 Group will therefore remain at 19.00% from 2020 onwards. It is estimated that the effect of this change to the future Corporation Tax rate will lead to an increase in the value of the Group's deferred tax asset of £1.2m.

11. Ordinary dividends

No final dividend has been proposed at either 31 October 2019 or 31 October 2018.

12. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Cost:					
At 1 November 2017	5.7	8.2	2.8	0.5	17.2
Additions	1.0	1.0	0.3	0.2	2.5
Disposals	(0.3)	(0.7)	-	(0.2)	(1.2)
At 31 October 2018	6.4	8.5	3.1	0.5	18.5
Additions	0.7	1.0	0.4	0.2	2.3
Disposals	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)
At 31 October 2019	7.0	9.4	3.4	0.5	20.3
Depreciation and impairment:					
At 1 November 2017	3.2	6.4	1.2	0.3	11.1
Depreciation charge for the year	0.4	0.9	0.4	0.1	1.8
Disposals	(0.3)	(0.6)	-	(0.2)	(1.1)
At 31 October 2018	3.3	6.7	1.6	0.2	11.8
Depreciation charge for the year	0.5	1.0	0.4	0.1	2.0
Disposals	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
At 31 October 2019	3.7	7.6	1.9	0.2	13.4
Net book values:					
At 31 October 2017	2.5	1.8	1.6	0.2	6.1
At 31 October 2018	3.1	1.8	1.5	0.3	6.7
At 31 October 2019	3.3	1.8	1.5	0.3	6.9

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

The cost of fully depreciated property, plant and equipment which is still in use at 31 October 2019 is £8.9m (31 October 2018: £7.5m).

13. Goodwill and other intangible assets

	Goodwill £m	Investment management contracts £m	Software and licences £m	Total £m
Cost:				
At 1 November 2017	611.9	702.7	15.1	1,329.7
Additions	-	-	1.0	1.0
Disposals	-	-	(0.2)	(0.2)
At 31 October 2018	611.9	702.7	15.9	1,330.5
Additions	-	-	1.2	1.2
Disposals	-	-	(0.4)	(0.4)
At 31 October 2019	611.9	702.7	16.7	1,331.3
Amortisation and impairment:				
At 1 November 2017	-	702.3	10.5	712.8
Amortisation charge for the year	-	-	2.2	2.2
Disposals	-	-	(0.1)	(0.1)
At 31 October 2018	-	702.3	12.6	714.9
Amortisation charge for the year	-	0.1	2.2	2.3
Disposals	-	-	(0.4)	(0.4)
At 31 October 2019	-	702.4	14.4	716.8
Net book values:				
At 31 October 2017	611.9	0.4	4.6	616.9
At 31 October 2018	611.9	0.4	3.3	615.6
At 31 October 2019	611.9	0.3	2.3	614.5

Software and licences additions consists of £0.8m (2018: £0.6m) of internally generated software and £0.4m (2018: £0.4m) of acquired licences.

The cost of fully amortised software and licences which are still in use at 31 October 2019 is £6.4m (31 October 2018: £5.0m).

13. Goodwill and other intangible assets continued

Goodwill

Goodwill has arisen from various business combinations and is represented by two cash-generating units (CGUs), as follows:

	31 October 2019 £m	31 October 2018 £m
CGU		
Investment Management, exc. BMO REP (IM)	484.0	484.0
BMO REP	127.9	127.9
	611.9	611.9

Goodwill is not amortised but is tested for impairment annually at an individual CGU level, or when indicators of potential impairment are identified. The carrying value of goodwill attributable to each CGU was tested for impairment as at 31 October 2019, as described below; to date, neither of the CGUs has suffered any impairment of goodwill.

Investment management contracts (management contracts)

Management contracts predominantly relate to contracts arising from business acquisitions.

Management contracts are amortised over their expected useful lives and are tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified since the last impairment review undertaken, as at 31 December 2013, and therefore no impairment review of management contracts has been undertaken this year. Details of the last full impairment review of management contracts undertaken are disclosed in note 14 of the 2013 Annual Report and Financial Statements of the Group.

Accumulated historical impairment losses on management contracts at the year end are as follows:

	31 October 2019 £m	31 October 2018 £m
CGU		
Investment Management, exc. BMO REP	218.3	218.3
BMO REP	1.4	1.4
	219.7	219.7

The management contracts, their carrying amounts at the reporting date, remaining amortisation periods and estimated useful lives are as follows:

	31 October 2019			31 October 2018		
	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)
Private equity fund of funds	0.3	5.5	20	0.4	6.5	20

Impairment testing of goodwill

The recoverable amounts of the CGUs have been determined using their values in use (including terminal value) at each respective testing date for 2019 and 2018. The values in use are calculated by discounting the cash flow projections as based on the latest annual financial budgets and management forecasts. A Euro/Sterling exchange rate of €1.12/£1 which was assumed for the purposes of both the 2020 budget (2019 budget: €1.13/£1) and management forecast period (2021 to 2024), has been retained at a constant level in determining future cash flows. A market standard perpetuity growth rate and constant discount rate are applied to calculate a terminal value in addition to the projected discounted net cash flows over the management forecast period, reflecting the nature of the Group's business, and the Board's current view that there is no reason to believe that the CGUs will not continue to operate in perpetuity.

The key long-term assumptions adopted in these calculations for each operating segment are as follows:

	31 October 2019		31 October 2018	
	IM	BMO REP	IM	BMO REP
Discount rate	11.80%	11.80%	10.55%	10.55%
Perpetuity growth rate	2.00%	2.00%	2.00%	2.00%

The discount rates for 2019 and 2018 are determined using the Capital Asset Pricing Model, with key model inputs based on applicable market data, including data relating to market participants, which are similar to the Group, in order to calculate a market relevant rate, taking into account the relative risks associated with the Group's revenue streams. The same discount rate has been applied to the Investment Management and BMO REP segments, reflecting the similar risk profiles and client base of these segments. The discount rates used in the impairment testing of goodwill, as disclosed in this note, are stated on a pre-tax basis.

13. Goodwill and other intangible assets continued

Revenue in year one of the net present value model for each operating segment is based on the budget for 2020, with revenue for years two to five based on management forecasts for those years. The forecasts inherently reflect management's growth projections relating to net new business. Whilst no further adjustment is made for net new business beyond the management forecast period, all revenues and operating expenses have been grown from year six onwards at the perpetuity growth rate. Operating expenses are based on the 2020 budget and management forecasts up to and including 2024, with expenses for those years grown in line with management's expense inflation assumptions. Thereafter, expenses have been grown at the perpetuity growth rate applied to revenues as disclosed in the table above.

Values in use are compared to the carrying values of goodwill, attributable management contracts and other intangible assets (net of associated deferred tax provisions), and property, plant and equipment in order to ascertain whether any impairment exists.

As this annual impairment review of goodwill indicated surpluses in both segments, no impairment has been recognised in the year in respect of goodwill (2018: £nil).

In order to assess the sensitivity of the key assumptions on the carrying values of goodwill, an analysis was conducted to ascertain the change that would be required to derive values in use which approximated to the carrying values of goodwill, and beyond which impairment would arise.

The absolute rates, on a standalone basis, of the key long-term assumptions, which most closely resulted in a match in the values in use to the carrying values of goodwill, were as follows:

	31 October 2019		31 October 2018	
	IM	BMO REP	IM	BMO REP
Discount rate	12.16%	14.62%	16.00%	14.33%
Perpetuity growth rate	1.49%	(2.66%)	(7.22%)	(4.44%)

14. Trade and other receivables

	Note	31 October 2019 £m	31 October 2018 £m
Non-current:			
Other receivables		0.6	0.7
Prepayments		0.4	0.1
		1.0	0.8
Current:			
Trade receivables*	2.3	20.4	17.7
OEIC and unit trust receivables		108.4	56.9
Employee benefit receivables		0.5	0.7
Other receivables		3.6	3.7
Prepayments		7.6	6.4
Amounts owed by BMO Group entities		3.6	6.3
Accrued income		-	38.6
VAT receivable		-	1.4
		144.1	131.7

* Trade receivables are generally receivable within 30 days and are non-interest bearing.

Set out below is the movement in the allowance for ECLs for trade receivables and other receivables:

	Other receivables		Trade receivables	
	2019 £m	2018 £m	2019 £m	2018 £m
As at 1 November	0.5	-	0.2	0.1
Allowance for ECLs/impairment loss	-	0.5	0.1	0.1
Write-off	-	-	(0.1)	-
As at 31 October	0.5	0.5	0.2	0.2
Gross impaired receivables	0.5	0.5	0.2	0.2

The Group's ECLs for trade receivables and contract assets at 31 October 2019 have been determined using a provision matrix based on historic loss rates and adjusted for forward looking estimates. It estimates risk weighting percentages based on product and customer types with similar risk characteristics. The 2018 comparatives were measured using the previous impairment accounting policy.

14. Trade and other receivables continued

The Group has estimated this provision matrix based using the following ranges of losses as a percentage of contract assets and trade receivables at each reporting date:

Estimated loss rate	Current (not overdue)*	0-30 days overdue	31-60 days overdue	61-90 days overdue	Over 90 days overdue
At 1 November 2018	0.10%-0.125%	0.15%-0.25%	0.25%-0.50%	1.50%-3.00%	3.00%-6.00%
At 31 October 2019	0.10%-0.125%	0.15%-0.25%	0.25%-0.50%	1.50%-3.00%	3.00%-6.00%

* Includes accrued income.

15. Deferred acquisition costs

	Note	2019 £m	2018 £m
At 31 October (as previously stated)		-	
Opening adjustment for IFRS 15	1.3.1	0.2	
At 1 November		0.2	0.1
Deferred in the year		0.1	-
Recognised as cost of sale in the year		(0.1)	(0.1)
At 31 October		0.2	-
		31 October 2019 £m	31 October 2018 £m
Split as follows:			
Non-current assets		0.1	-
Current assets		0.1	-
		0.2	-

Deferred acquisition costs represent the initial commission paid in respect of certain new asset inflows into open-ended funds. These costs were amortised over the expected terms of the contracts, in line with the initial fees received from investors, as disclosed in note 25.

16. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 October 2019			31 October 2018		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Employee benefits*	3.6	(12.6)	(9.0)	3.3	(15.0)	(11.7)
Share-based payments and other deferred schemes	9.0	-	9.0	9.4	-	9.4
Unused tax losses	10.5	-	10.5	10.4	-	10.4
Property, plant and equipment	4.4	-	4.4	5.0	-	5.0
Receivables, payables and provisions	0.2	-	0.2	-	(2.2)	(2.2)
Intangible assets	0.3	-	0.3	-	-	-
Tax on fair value revaluations	-	(0.7)	(0.7)	-	(0.3)	(0.3)
Net deferred tax assets/(liabilities)	28.0	(13.3)	14.7	28.1	(17.5)	10.6

* Includes deferred tax on defined benefit pension arrangements.

Based on profit forecasts, the Directors believe it is appropriate to recognise a deferred tax asset for a proportion of unused losses, and for all other underlying timing differences, because it is considered probable that there will be suitable future taxable profits and gains within the Group in the next five years from which they can be deducted. Under current UK Corporation Tax legislation, unused trading losses and all other categories of temporary differences disclosed can be carried forward indefinitely to be utilised against future trading profits in the respective company or other BMO UK entities.

16. Deferred tax assets and liabilities continued

(b) Movement in temporary differences during the year

	1 November 2018 £m	Tax (expense)/ income recognised in profit or loss £m	Tax income recognised in OCI £m	Tax income recognised in equity £m	Revaluation in year £m	31 October 2019 £m
Employee benefits	(11.7)	(0.6)	3.4	-	(0.1)	(9.0)
Share-based payments and other deferred schemes	9.4	(0.4)	-	-	-	9.0
Unused tax losses	10.4	0.1	-	-	-	10.5
Property, plant and equipment	5.0	(0.6)	-	-	-	4.4
Receivables, payables and provisions	(2.2)	2.4	-	-	-	0.2
Intangible assets	-	-	-	0.3	-	0.3
Tax on fair value revaluations	(0.3)	(0.4)	-	-	-	(0.7)
	10.6	0.5	3.4	0.3	(0.1)	14.7

	1 November 2017 £m	Tax (expense)/ income recognised in profit or loss £m	Tax expense recognised in OCI £m	Tax income recognised in equity £m	Revaluation in year £m	31 October 2018 £m
Employee benefits	(6.9)	(0.4)	(4.5)	-	0.1	(11.7)
Share-based payments and other deferred schemes	12.2	(2.7)	-	-	(0.1)	9.4
Unused tax losses	9.4	1.0	-	-	-	10.4
Property, plant and equipment	5.7	(0.8)	-	-	0.1	5.0
Receivables, payables and provisions	(0.3)	(1.9)	-	-	-	(2.2)
Tax on fair value revaluations	(0.3)	-	-	-	-	(0.3)
	19.8	(4.8)	(4.5)	-	0.1	10.6

(c) Unrecognised deferred tax assets

At 31 October 2019 the Group has unrecognised tax losses, of which the tax effect is £19.9m (31 October 2018: £16.4m), available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around whether there will be sufficient taxable profits that will arise against which the losses can be offset and when such profits would arise. These losses can be carried forward indefinitely, with the exception of £7.9m (31 October 2018: £7.8m) which can only be carried forward for either a further 16 or 17 years.

17. Financial instruments

Analysis of financial assets at the reporting date

Financial investments have been classified within current assets due to the ability to realise these assets at short notice. Stocks of units and shares are held in relation to fund management activities and are classified as 'held for trading' within current assets. Trade and other receivables included within current and non-current assets are measured at amortised cost.

(a) Financial assets at fair value through profit or loss

Financial investments	Notes	31 October 2019 £m	31 October 2018 £m
Carried interest investments	(i)	6.3	4.0
NIC hedge	(ii)	2.7	2.7
Seed capital	(iii)	0.1	0.2
Other partnership investments	(iv)	0.3	0.2
	18	9.4	7.1

- (i) 'Carried interest investments' - investments in property and private equity funds which entitle BMO AM (H) to a share of future profits upon exceeding predetermined performance hurdles.
- (ii) 'NIC hedge' - investments in equities and other assets made via an Employee Benefit Trust for the purpose of funding future National Insurance Contributions (NIC) on legacy employee share plans. The provision for the NIC liability is separately recognised.
- (iii) 'Seed capital' - investments in Sociétés d'Investissement à Capital Variable (SICAVs) and Irish offshore funds for the purpose of launching new fund share classes.
- (iv) 'Other partnership investments' - represent investments into Private Equity vehicles. The beneficial entitlement to these rests with employees, although the investment is made via a subsidiary of the Company. Therefore, a corresponding liability has been separately recognised.

The net fair value gains on these financial investments are disclosed in note 8.

17. Financial instruments continued**(b) Held for trading**

	Note	31 October 2019 £m	31 October 2018 £m
Stock of units and shares	18	-	0.6

The Group holds a stock of units and shares (the 'manager's box') in respect of its OEIC and unit trust operations which is valued using observable prices. The Group is therefore exposed to market value movements in the value of these assets.

(c) Debt instruments at amortised cost

	31 October 2019 £m	31 October 2018 £m
Cash and cash equivalents	227.4	235.9
Trade and other receivables:		
Contract assets	34.4	-
Trade receivables	20.4	17.7
Accrued income	-	38.6
OEIC and unit trust receivables	108.4	56.9
Other receivables	4.2	4.4
Amounts owed by BMO Group entities	3.6	6.3
	398.4	359.8

18. Fair value measurement**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by category of valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers between categories generally occur when the status of available prices changes.

Fair value measurement

In the Directors' opinion there are no discernible differences between the amortised cost carrying amount and the fair values of the trade and other receivables, cash and cash equivalents and trade and other payables balances disclosed, due to the short-term maturities of these financial instruments.

The following tables provide the fair value measurement hierarchy of the Group's other financial assets and liabilities together with their carrying amounts disclosed in the Statement of Financial Position. There were no transfers between the Level 1, 2 and 3 hierarchies during 2019 or 2018.

18. Fair value measurement continued

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2019:

	Notes	Carrying amount at 31 October 2019 £m	Fair value at 31 October 2019 £m	Fair value measurement		
				Level 1 £m	Level 2 £m	Level 3 £m
Financial assets measured at fair value						
Financial assets at FVTPL:						
Financial investments	17(a)	9.4	9.4	0.9	1.9	6.6
Held for trading:						
Stock of units and shares	17(b)	-	-	-	-	-
		9.4	9.4	0.9	1.9	6.6
Financial liabilities measured at fair value						
Financial liabilities at FVTPL:						
Other financial liabilities						
LP member liabilities	27	(1.2)	(1.2)	-	-	(1.2)

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2018:

	Notes	Carrying amount at 31 October 2018 £m	Fair value at 31 October 2018 £m	Fair value measurement		
				Level 1 £m	Level 2 £m	Level 3 £m
Financial assets measured at fair value						
Financial assets at FVTPL:						
Financial investments	17(a)	7.1	7.1	0.7	2.2	4.2
Held for trading:						
Stock of units and shares	17(b)	0.6	0.6	-	0.6	-
		7.7	7.7	0.7	2.8	4.2
Financial liabilities measured at fair value						
Financial liabilities at FVTPL:						
Other financial liabilities						
LP member liabilities	27	(1.3)	(1.3)	-	-	(1.3)

Fair values of assets and liabilities

The above tables disclose the financial instruments which are measured at fair value.

The Level 1 assets are valued using quoted prices in active markets. These are listed funds or equities and assets with daily quoted prices which are traded on recognised exchanges.

The Level 2 assets have directly observable market inputs other than Level 1 inputs. These generally constitute pooled liquidity funds, offshore mutual funds, funds traded on 'over the counter' exchanges or funds not quoted on a daily basis.

The Level 3 assets are fair valued using inputs not based on observable market data and consist of direct holdings and carried interest holdings in private equity and property funds.

Carrying value is assumed to be a reasonable estimate of fair value for the Group's cash and cash equivalents.

Valuation techniques, assumptions and inputs used to measure fair value

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments:

Listed securities and stock of units and shares

The fair value of listed investments is based on quoted bid market prices at the reporting date without any deduction for transaction costs. The fair value of the stock of units and shares and SICAVs is based on the daily market prices at the reporting date.

Unquoted investments

The fair value of the unquoted investments is estimated using International Private Equity and Venture Capital Valuation Guidelines or property valuation techniques and in accordance with the underlying limited partnership agreements.

The Directors believe that the estimated fair values resulting from the valuation technique applied to unquoted investments which are recorded in the Statement of Financial Position, and the related fair value gains recorded in the Income Statement, are reasonable and the most appropriate at the reporting date.

Where other pricing models are used, inputs are based on market-related data at the reporting date.

18. Fair value measurement continued

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Financial investments – carried interest investments and LP member liabilities	<p>Property and private equity carried interest investments: valued in accordance with property valuation techniques or International Private Equity and Venture Capital Valuation Guidelines.</p> <p>The carried interest valuation is based on the expected carried interest cash flows which are discounted by a risk premium over time. The underlying fund LP distributions and valuations determines when the carried interest threshold is met and the level of expected future cash flows.</p>	<p>The main assumptions used in the valuation methodology are:</p> <p>(a) Discount rates:</p> <ul style="list-style-type: none"> • 15% on private equity future cash flows where the rate of return threshold has been achieved and the carry conditions have been met. • 40% on private equity future cash flows where the rate of return threshold has currently been achieved but the distributions to satisfy the carry conditions have not yet been met. • 11.63% on property future cash flows where the rate of return threshold has currently been achieved but the distributions to satisfy the carry conditions have not yet been met. <p>(b) The underlying fund investment valuations are determined in accordance with International Private Equity and Venture Capital Valuation Guidelines or property valuation techniques.</p>	<p>The estimated fair value of the carried interest investments and LP member liabilities would increase or decrease if the:</p> <ul style="list-style-type: none"> • Underlying investments in the LP fund were realised at a significantly different amount to their valuation; • Timing of the carried interest distributions changed significantly; • Risk-adjusted discount rate was lower or higher; or • Valuation of the underlying property and private equity funds changed the valuation of the carried interest investments. <p>The LP member liabilities move in a similar but opposite manner to the investments.</p>
Financial investments measured at FVTPL	<p>ETFs, OEICs, SICAVs and pooled liquidity funds: net asset value of the fund divided by the number of units, with the frequency of calculation determined on a fund by fund basis in accordance with the relevant fund rules.</p> <p>SICAVs are priced on a forward basis under a single swinging price regime once daily. The net asset value of the fund is dictated by the latest mid-market prices of the underlying securities.</p>	ETFs, OEICs, SICAVs and pooled liquidity funds where some are not on quoted markets and some prices are calculated infrequently.	The significant unobservable inputs of ETFs, OEICs, SICAVs and pooled liquidity funds should have little impact on the fair value measurement.

18. Fair value measurement continued**Level 3 assets/(liabilities) measured at fair value on a recurring basis**

	Financial assets at FVTPL	Financial liabilities at FVTPL
Fair value movements	Financial investments £m	Other financial liabilities £m
At 1 November 2017	3.6	(1.7)
Additions	0.2	-
Settlements, realisations or disposals	(1.3)	0.9
Total gains or losses:		
In profit or loss	1.7	(0.5)
In other comprehensive income	-	-
At 31 October 2018	4.2	(1.3)
Additions	0.1	-
Settlements, realisations or disposals	(0.5)	0.2
Total gains or losses:		
In profit or loss	2.8	(0.1)
In other comprehensive income	-	-
At 31 October 2019	6.6	(1.2)

Total gains or expenses included in the Income Statement for the year are as follows:

2019		
Distributions to members of LLPs and LPs	-	(0.1)
Finance income	2.8	-
	2.8	(0.1)
2018		
Distributions to members of LLPs and LPs	-	(0.5)
Finance income	1.7	-
	1.7	(0.5)

The gains or losses included in profit or loss for the years presented were all in respect of assets or liabilities held at the reporting date.

Sensitivities for Level 3 assets/liabilities at the reporting date**Carried interest investments and LP member liabilities**

The use of different assumptions in the valuation of the carried interest investments could lead to different measurements of fair value. Certain significant unobservable inputs may be interrelated and therefore the effect of changes in the unobservable inputs may be linked. In relation to the carried interest investments and LP member liabilities, changing one or more of the significant unobservable inputs to reasonably possible alternative assumptions, holding the other inputs constant, would have the following effects:

31 October 2019	Profit or (loss)	
	Increase £m	Decrease £m
Carried interest fair value (10% movement)	0.3	(0.3)
Discount rate (5% change)	0.2	(0.2)

The result of the above movements in carried interest investments and LP member liabilities represents the net effect on the profit or loss of the combined changes in fair value gains or losses and LP member liabilities, which change in opposite directions.

19. Investment protection guarantee**(a) Overview**

The Group is exposed to insurance risk through investment protection guarantee benefits provided in the UK to eligible investors in certain legacy investment trust savings products (Lifetime Guarantee) and investors in certain share classes within the Lifestyle and Navigator range of OEICs (Investment Protection). The Group agrees to compensate investors in these products for any shortfall between the guaranteed value of their investments and their market value in the event of the death of the investor. The value of the investment guarantee in relation to the Lifetime Guarantee product is reviewed at 5 April each year, with the guarantee rebased in the event that the investment value on that date is higher than at the previous measurement point. The investment protection components of these products are classified by the Group as insurance contracts under IFRS 4.

19. Investment protection guarantee continued

During the year ended 31 October 2019, notification was provided to investors who have investment protection within the Lifestyle and Navigator OEICs, that the investment protection guarantee will be withdrawn from 31 December 2019. Under the terms of the cover, claims require to be submitted to the Group within three months of the insured's date of death, with the impact being that the final claims incurred position for the product will be fully reported and quantified by 31 March 2020. The insurance risk relating to the Investment Protection product is passed on in full to a third-party reinsurance provider, with this cover also being discontinued from 31 December 2019.

The Lifetime Guarantee investment plans closed to new investors in 2004, with the Group's current insurance risk exposure relating to the remaining investors who were eligible for the guarantee prior to this date.

The insurance risk associated with the Lifetime Guarantee product is currently passed on, in full, through a rolling annual contract with a third-party reinsurance provider.

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

	Note	31 October 2019 £m	31 October 2018 £m
Insurance contract liabilities		0.9	0.7
Investment guarantee claims owed to investors	22	-	0.5
Gross investment protection guarantee liabilities		0.9	1.2
Reinsurance assets		(0.4)	(0.6)
Net investment protection guarantee liabilities		0.5	0.6

The above balances relate to Lifetime Guarantee and Investment Protection products, with the exception of insurance contract liabilities, which are in respect of the Lifetime Guarantee product only. Following a detailed review of the expected future discounted cash flows associated with the Lifetime Guarantee product, the insurance contract liabilities provision was re-assessed to reflect the net exposure to the Group at the reporting date. The reinsurance cash flows were not considered in the calculation of insurance contract liabilities, with the liability stated gross of reinsurance recovery.

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

	Note	2019 £m	2018 £m
Insurance contract liabilities			
At 1 November		0.7	0.6
Adjustment due to changes in assumptions:			
Lapses and mortality		(0.6)	0.1
Investment return and volatility		0.2	(0.4)
Investment composition		0.2	0.4
Discount rate		0.4	-
	4	0.2	0.1
At 31 October		0.9	0.7

The Directors performed an overall review, at 31 October 2019 and 31 October 2018, of the cash flows associated with the Investment Protection product and believe them to be sufficient to cover the related expense and investment guarantee obligations. Therefore, no insurance contract liability has been recognised by the Group in relation to this product at the reporting date (2018: £nil).

(b) Lifetime Guarantee - insurance contract liabilities measurement

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

19. Investment protection guarantee continued**Key assumptions**

The key assumptions that have the largest impact on the valuation of the Group's insurance contract liabilities are listed below. These assumptions are modelled consistently across the entire Lifetime Guarantee portfolio due to the uniformity of the product offering and risk profile of the eligible accounts.

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

The assumptions set out in the table above are based on the following key inputs:

- Average investment return – externally sourced long-term growth rates as adjusted to reflect a margin for risk, with the valuation allowing for both capital growth and the reinvestment of investment income associated with the underlying assets.
- Equity volatility – average standard deviation of the FTSE 100 over the five years to the reporting date, as adjusted to reflect a margin for risk.
- Investor withdrawals (lapses) – assessment of the Group's historical withdrawals experience, with withdrawals relating to voluntary, investor-initiated movements of assets out of Lifetime Guarantee related products. Withdrawn assets are no longer eligible for the guarantee.
- Mortality – benchmarking review of UK insurers using standard, recognised insurance industry mortality tables, as adjusted to reflect the Lifetime Guarantee's historical payout data. The mortality rates applied include a margin for risk and are deemed appropriate to the specific investor population and related investment protection product.
- Discount rate – Bank of England gilt forward rate curves as related to the expected remaining duration of the product future cash flows. The single discount rate equating to a weighted average of these gilt curves is disclosed in the table of key assumptions above.

Sensitivity analysis

The following sensitivity analysis is performed for reasonably possible movements in individual key assumptions applied in the valuation of the insurance contract liabilities at each reporting date, while holding all other assumptions constant. In practice, it is unlikely that any assumption would change in isolation. The impact of these changes on insurance contract liabilities is shown below.

	Change in key assumptions	(Decrease)/increase in insurance contract liabilities	
		31 October 2019 £m	31 October 2018 £m
Key assumptions			
Average investment return (per annum) [#]	+2%	(1.8)	(2.5)
Equity volatility (per annum)	+3%	1.6	2.2
Lapses (per annum)	+1.5%	(0.4)	(0.5)
Mortality rate [*]	+10%	0.2	0.2
Discount rate (per annum)	+1%	(0.3)	(0.4)
Average investment return (per annum)	-2%	1.8	2.4
Equity volatility (per annum) [#]	-3%	(1.4)	(2.0)
Lapses (per annum)	-1.5%	0.6	0.8
Mortality rate [*]	-10%	(0.3)	(0.3)
Discount rate (per annum)	-1%	0.4	0.5

^{*} Indicates the impact of a 10% increase or decrease in the probability of the death of an investor in each future year of the expected contract duration, as calculated individually for each Lifetime Guarantee contract.

[#] The impact on profit or loss and equity of the change in the key assumption would be capped at the value of the recognised insurance contract liabilities.

19. Investment protection guarantee continued**Liquidity risk**

The following table shows the estimated timing of the undiscounted net cash flows used to determine the Lifetime Guarantee insurance contract liabilities at 31 October 2019 and 31 October 2018:

	31 October 2019 £m	31 October 2018 £m
Net cash inflows/(outflows) – undiscounted		
Within 1 year	0.2	0.3
Within 1-2 years	0.1	0.2
Within 2-5 years	0.2	0.5
Within 5-15 years	(0.2)	-
More than 15 years	(1.6)	(2.8)
	(1.3)	(1.8)

(c) Insurance risk management

The Group manages and currently mitigates its investment guarantee-related insurance risk by passing on its exposure, in full, through contracts with third-party reinsurance providers. The Group expects to continue to renew its reinsurance arrangements in respect of the Lifetime Guarantee contract. As explained above, the Investor Protection guarantee was withdrawn from 31 December 2019, with the reinsurance cover also being discontinued from this date.

The Group only contracts with reinsurers with acceptable credit ratings, thus mitigating its concentration of reinsurance-related credit risk, with an existing arrangement in place with an 'A+' credit-rated company in relation to the Lifetime Guarantee product. None of the Group's reinsurance assets at the reporting date are considered by the Directors to be impaired (2018: Enil). The carrying amount of the reinsurance assets represents the Group's maximum exposure to credit risk.

The Group is exposed to market risk through the potential for market value changes to increase the level of guarantee payout, thus negatively impacting the Group's profitability. The sensitivity impact of market price and interest rate fluctuations on the Group's Lifetime Guarantee-related insurance contract liabilities is set out in (b) above. The Group's market risk is currently eliminated through the overall reinsurance arrangements in place.

20. Contract assets

	31 October 2019 £m	31 October 2018 £m
	Note	
Current assets:		
Accrued income	34.5	n/a
Allowance for ECLs	(0.1)	n/a
	2.3	34.4
		n/a

Contract assets relates to accrued income which has been recognised as revenue earned at the reporting date but not yet invoiced.

Upon adoption of IFRS 15, at 1 November 2018, £39.5m of assets were classified as contract assets.

The reduction in the value of the contract assets at 31 October 2019 compared to 1 November 2018 is explained primarily by a significant performance fee accrued at 1 November 2018.

In addition to the above, amounts owed by entities in the wider BMO Financial Group at 31 October 2019 includes £1.0m in relation to accrued income for intra-group revenues. These are included within amounts owed by BMO Group entities within note 14.

ECLs on contract assets are summarised below.

	Note	ECL allowance £m
At 31 October 2018		-
Adjustment for adoption of IFRS 9	1.3.2(ii)	0.1
At 1 November 2018 (as restated) and 31 October 2019		0.1

Further details of the estimated loss rate provision matrix applied on contract assets are disclosed in note 14.

21. Cash and cash equivalents

	31 October 2019 £m	31 October 2018 £m
Cash at bank and in hand	45.0	45.9
Short-term deposits	182.4	190.0
Total cash and cash equivalents	227.4	235.9

Cash and cash equivalents are held by the Group 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 Group, and earn interest at the respective short-term deposit rates. The Group determined that the ECLs on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at 31 October 2019 is £227.4m (31 October 2018: £235.9m).

Restrictions on the use of cash

There are no direct restrictions on the Group's use of the cash and cash equivalents, other than any associated impact on regulatory capital.

22. Trade and other payables

	Note	31 October 2019 £m	31 October 2018 £m
Non-current:			
Accruals		2.4	2.6
Other payables		2.2	3.0
		4.6	5.6
Current:			
Trade payables*		2.7	5.3
Accruals		21.0	25.9
OEIC and unit trust payables		108.7	57.3
Other payables		4.5	7.0
Amounts owed to BMO Group entities		2.0	1.7
Investment guarantee claims owed to investors	19(a)	-	0.5
VAT payable		1.3	1.0
		140.2	98.7

* Trade payables are non-interest bearing and are settled in accordance with the individual contractual arrangements.

23. Employee benefit liabilities

	Note	31 October 2019 £m	31 October 2018 £m
Non-current:			
Share-based payment accruals	31	23.1	20.5
Bonus accruals		-	1.1
Employment related taxation accruals		0.1	0.3
Other employee benefit payables		1.9	1.9
		25.1	23.8
Current:			
Share-based payment accruals	31	16.1	22.1
Bonus accruals		28.8	32.8
Employment related taxation accruals		4.8	4.5
Other employee benefit payables		3.1	2.8
		52.8	62.2

24. Provisions

	Onerous premises contracts £m	NIC on share schemes £m	Restructuring £m	Long-term sickness £m	End of lease dilapidations £m	Long-term service award £m	Total £m
At 1 November 2017	1.2	10.4	-	1.3	0.2	0.1	13.2
Provided during the year	-	2.7	2.2	-	-	-	4.9
Released during the year	-	-	(0.2)	-	-	-	(0.2)
Utilised during the year	(0.4)	(4.9)	(0.6)	(0.2)	-	-	(6.1)
At 31 October 2018	0.8	8.2	1.4	1.1	0.2	0.1	11.8
Provided during the year	0.3	2.5	12.6	0.4	0.5	0.2	16.5
Released during the year	-	-	(0.3)	-	-	-	(0.3)
Utilised during the year	(0.3)	(2.8)	(1.1)	(0.2)	-	-	(4.4)
At 31 October 2019	0.8	7.9	12.6	1.3	0.7	0.3	23.6
At 31 October 2019							
Non-current liabilities	-	2.7	6.4	1.2	0.2	0.3	10.8
Current liabilities	0.8	5.2	6.2	0.1	0.5	-	12.8
At 31 October 2018							
Non-current liabilities	0.5	2.5	-	0.9	0.2	0.1	4.2
Current liabilities	0.3	5.7	1.4	0.2	-	-	7.6

Onerous premises contracts

The Group holds all properties under operating leases. This includes a number of vacant or sublet properties which were either previously occupied or are partially occupied by the Group. Provision has been made for the residual lease commitments where significant, after taking into account existing and expected subtenant contractual arrangements. The remaining terms are within one year.

Assumptions have been made as to whether each leasehold property may be sublet or assigned in the future. All leases are for minimum guaranteed rentals. The provision is subject to uncertainties within the lease arrangements. Exposure could exist if an existing tenant defaulted or went into liquidation or administration.

NIC on share schemes

This provision represents the expected employer's NIC liabilities in respect of a number of share-based payment schemes operated by the Group. The provision is subject to movements in the BMO share price, movements in the Sterling/Canadian dollar exchange rate, the extent to which awards are forfeited and, where eligible, the timing of when employees choose to exercise options. The current element of the provision for NIC on share schemes relates to awards which are expected to vest within one year. At 31 October 2019, £2.7m (31 October 2018: £2.7m) of financial investments were held by the Group to partially fund the NIC liability in relation to the legacy employee share plans. This is disclosed in note 17(a).

Restructuring

During 2018 a restructuring provision of £2.2m was recognised, as part of a wider ongoing BMO Financial Group restructuring programme, reflecting the expected redundancy costs associated with the achievement of planned operational efficiencies. During 2019, an additional charge of £12.6m arose and £1.1m of the provision was utilised.

Long-term sickness

The Group has long-term sickness insurance arrangements which cover the cost of absence from work of all current employees. However, the cost of employees who became long-term absentees prior to these arrangements being established is self-insured by the Group. The provision represents the expected present value of income protection payments due to these individuals.

This provision has been quantified on the assumption that all employees currently on long-term sick leave will not return to the employment of the Group. The discount rate and salary growth assumptions used in each year are identical to those used for the purposes of determining UK defined benefit pension obligations.

End of lease dilapidations

The Group has obligations to reinstate certain premises back to their original condition when the lease expires. The exact quantum and timing of this remedial work is inherently difficult to estimate given its nature.

Long-term service award

This provision represents the obligation in respect of long-term service benefits to which some employees are entitled, including incremental holiday entitlement and long-term service awards.

25. Contract liabilities

	Note	31 October 2019 £m	31 October 2018 £m
Deferred investment management fees		1.0	n/a
Deferred front-end fees on OEICs		0.5	n/a
	2.3	1.5	n/a
Split as follows:			
Non-current		0.3	n/a
Current		1.2	n/a
		1.5	n/a

The contract liabilities are summarised as follows:

	Deferred investment management fees £m	Deferred front-end fees £m	Total £m
At 31 October 2018	-	0.7	0.7
Reclassification of amounts into contract liabilities	1.9	-	1.9
At 1 November (as restated)	1.9	0.7	2.6
Deferred during the year	1.0	0.2	1.2
Recognised as revenue during the year	(1.9)	(0.4)	(2.3)
At 31 October 2019	1.0	0.5	1.5

Prior to the adoption of IFRS 15, contract liabilities were disclosed as deferred income in the Statement of Financial Position as at 31 October 2018, as disclosed in note 1.3.1 and note 26.

Deferred investment management fees relate to fees received in advance of the transfer of services to the customer. All fees deferred at 31 October 2018 were received during 2019.

Deferred front-end fees comprise initial fees arising on investment into open-ended funds. These fees are initially recognised as contract liabilities and released to revenue over the estimated period for which the investment is expected to be held (2019: five years; 2018: seven years). The period of release of the initial fees to the Income Statement was reassessed at 31 October 2019 and it was determined that five years should be adopted at the reporting date.

26. Deferred income

	2018 £m
At 1 November	1.2
Amortisation in the year	(0.5)
At 31 October	0.7
	31 October 2018 £m
Split as follows:	
Non-current liabilities	0.5
Current liabilities	0.2
	0.7

Upon adoption of IFRS 15, deferred income is now disclosed as contract liabilities in the Statement of Financial Position as at 31 October 2019, as disclosed in note 1.3.1 and note 25.

27. Other financial liabilities

Designated as at fair value through profit or loss	Note	31 October 2019 £m	31 October 2018 £m
Non-current:			
LP member liabilities		0.9	0.9
Current:			
LP member liabilities		0.3	0.4
	18	1.2	1.3

The LP member liabilities represent Limited Partnership (LP) members' share of the fair value of the carried interest investments which is attributable to employees of the Group or third-party members. The fair value of the LP member liabilities has been split between current and non-current, based on the expected distribution dates to the LP members. The carried interest entitlement of LP members and BMO AM (H) plc is based on predetermined contractual percentages.

The gross contractual liability at maturity, based on the underlying fair value of the investment, at 31 October 2019 is £3.1m (31 October 2018: £3.1m).

28. Share capital

	31 October 2019		31 October 2018	
	No. of shares	£m	No. of shares	£m
Authorised shares:				
Ordinary shares of 0.1p	1,000,000,000	1.0	1,000,000,000	1.0
Deferred share capital of 0.1p	100	-	100	-
Issued and fully paid				
Equity interests				
Ordinary shares of 0.1p	879,834,265	0.9	879,834,265	0.9
Non-equity interests				
Deferred share capital of 0.1p	1	-	1	-

BMO Global Asset Management (Europe) Limited, a subsidiary of Bank of Montreal and the Company's immediate parent, holds the deferral share and all Ordinary shares.

The holders of Ordinary shares are: entitled to receive dividends as declared from time to time; entitled to capital distribution rights (including on a winding-up); and entitled to one vote per share at meetings of the Company. The Deferred share confers all the rights of an Ordinary share, except it has no entitlement to dividends or other distributions, no entitlement to capital distributions (including on a winding-up) other than the amount paid up on the share, and no right to attend or vote at any general meeting.

29. Reserves

The analysis of movements in reserves is disclosed within the Consolidated Statement of Changes in Equity on page 26.

Nature and purpose of reserves:

Share premium account

The share premium account is used to record the issue of share capital in excess of par value.

Capital redemption reserve

The capital redemption reserve is used to maintain the capital of the Company when shares are bought back or redeemed and subsequently cancelled without Court approval.

Merger reserve

The merger reserve is used to record share premium on shares issued by way of consideration in respect of acquisitions. The element of the merger reserve which relates to intangible assets is considered to be realised in line with the associated amortisation and impairment charges to the Income Statement.

A transfer is made from the merger reserve to retained earnings to recognise the extent to which the merger reserve has been realised, thereby offsetting the corresponding element of the intangible amortisation and any impairment charge.

Other reserves:

- **Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and non-Sterling denominated intangible assets.

29. Reserves continued**Retained earnings**

Retained earnings comprise:

- net profits and losses recognised through the Income Statement;
- dividend distributions to equity holders;
- actuarial gains and losses recognised on pension obligations;
- deferred tax on actuarial gains and losses;
- transactions relating to equity-settled share-based payments, and deferred tax movements on share-based payments reflected through equity;
- transactions with NCI in respect of their share of the partnerships;
- the purchase and sale of own shares;
- allotment of share capital for non-cash consideration;
- transfers from merger reserve; and
- transfers from acquisition reserve.

30. Pension benefits

During 2019 the Group operated defined benefit plans in the United Kingdom and The Netherlands, and also participated in one in Portugal. The Swiss entity, BMO Global Asset Management (Swiss) GmbH, has a plan which requires to be recognised as a defined benefit arrangement. The plans provide benefits calculated using salary data of the participants. All defined benefit plans, with the exception of the Swiss scheme, are now closed to new entrants for pensions, with all new employees being eligible to benefit from defined contribution arrangements, which provide greater certainty over the future cost to the Group.

A former Chairman of the Group, Mr RW Jenkins, has a pension entitlement which commenced in January 2011 and is adjusted in line with the Retail Price Index on 1 January at each year. The annual entitlement as at 1 January 2019 was £151,000. The Group has not earmarked any assets to date with respect to this liability.

The Group's defined benefit pension plans are based on final salary payments and benefits are adjusted in line with the plans' rules (e.g. in line with price inflation in the UK) once in payment during retirement. The level of benefits provided depends on the member's length of service and pensionable salary at retirement date or date of leaving if earlier. The defined benefit pension plans require contributions to be made to separately administered funds.

These defined benefit pension plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. Further details are set out under (g) below.

The pension surpluses and pension deficits are recognised in the Statement of Financial Position and are stated gross of the related deferred tax liability/asset.

The results of the latest full actuarial valuations were updated at 31 October 2019 by qualified independent actuaries.

The net pension surplus of the Group is summarised in aggregate and by obligation as follows:

		31 October 2019	31 October 2018
	Note	£m	£m
Aggregate			
Fair value of plan assets	30(d)	422.9	384.6
Benefit obligations	30(d)	(361.3)	(307.5)
Total net pension surplus		61.6	77.1
		31 October 2019	31 October 2018
		£m	£m
As disclosed in the Statement of Financial Position			
Pension surplus		74.6	88.6
Pension deficit		(13.0)	(11.5)
Total net pension surplus		61.6	77.1

30. Pension benefits continued

	31 October 2019 £m	31 October 2018 £m
By obligation		
F&C Asset Management Pension Plan (FCAM Plan)	74.1	88.4
BMO Portugal pension plan	0.5	0.2
BMO Asset Management Netherlands pension plan	(7.6)	(6.8)
BMO GAM Switzerland pension plan	(1.2)	(0.7)
RW Jenkins pension obligation	(4.2)	(4.0)
Total net pension surplus	61.6	77.1

Disclosure relating to the Group's defined benefit obligations

The information given in (a) to (d) below reflects the aggregate disclosures in respect of all Group defined benefit pension arrangements, except where otherwise indicated.

(a) Plan assets

Plan assets	31 October 2019		31 October 2018	
	£m	%	£m	%
Liability Driven Investment (LDI) pools	278.6	66	182.9	48
Private credit funds	84.9	20	27.6	7
Insurance contracts	30.9	8	26.4	7
Equity instruments	25.3	6	72.9	19
Debt instruments	1.8	-	1.8	-
Cash and cash equivalents	1.3	-	3.7	1
Property funds (including secured leases)	0.1	-	19.4	5
Absolute-return bond funds	-	-	49.9	13
Total fair value of plan assets	422.9	100	384.6	100

Included in the table above are the following plan assets that have a quoted market price in an active market (i.e. level 1 assets):

	31 October 2019 £m	31 October 2018 £m
Plan assets		
Equity instruments	11.4	10.0
Property funds (including secured leases)	-	4.1
Debt instruments	1.8	1.8
Total fair value of plan assets with a quoted market price in an active market	13.2	15.9

The plan assets do not include Ordinary shares issued by the Company or by BMO.

(b) Major assumptions used by schemes' actuaries in respect of benefit obligations

(i) Mortality assumptions

The mortality assumptions used for the FCAM Plan and the unfunded UK obligation are:

	31 October 2019	31 October 2018
Mortality table for males retiring in the future	100% S3PMA L CMI 2018 1.50%	96% S2PMA L CMI 2017 1.50%
Mortality table for females retiring in the future	99% S3PMA L CMI 2018 1.50%	90% S2PMA L CMI 2017 1.50%
Mortality table for current male pensioners	96% S3PMA L CMI 2018 1.50%	93% S2PMA L CMI 2017 1.50%
Mortality table for current female pensioners	93% S3PMA L CMI 2018 1.50%	87% S2PMA L CMI 2017 1.50%

The mortality assumptions for the non-UK schemes are:

	31 October 2019	31 October 2018
BMO Asset Management Netherlands	AG Prognosetafel 2018	AG Prognosetafel 2018
BMO Portugal	Males TV 88/90 Females TV 88/90 (rated down 3 years)	Males TV 88/90 Females TV 88/90 (rated down 3 years)
BMO GAM Switzerland	BVG 2015, GT	BVG 2015, GT

30. Pension benefits continued**(ii) Impact of mortality assumptions**

To demonstrate what these mortality assumptions mean in respect of the FCAM Plan, the expected ages at death of members retiring at age 60 are as follows:

	31 October 2019 Years	31 October 2018 Years
Expected age at death for a male retiring in the future at age 60, currently aged 40	90	90
Expected age at death for a female retiring in the future at age 60, currently aged 40	92	92
Expected age at death for a current male pensioner aged 60	89	89
Expected age at death for a current female pensioner aged 60	90	90

(iii) Discount and growth rate assumptions

The range of assumptions used to determine benefit obligations are as follows:

	31 October 2019	31 October 2018
Discount rate	0.35% – 1.99%	1.10% – 2.87%
Rate of salary increase	1.50% – 2.50%	1.50% – 2.50%
Rate of pension increases (excluding fixed increases)	0.70% – 3.82%	0.70% – 3.91%
Rate of price inflation (CPI)*	1.50% – 2.06%	1.50% – 2.31%
Rate of inflation increase (RPI)† – UK only	2.96%	3.31%

The range of assumptions used to determine the net pension charge for the year, are as follows:

	Year ended 31 October 2019	Year ended 31 October 2018
Discount rate	1.10% – 2.91%	0.70% – 2.70%
Rate of salary increase	1.50% – 2.50%	1.50% – 2.50%
Rate of pension increases (excluding fixed increases)	0.70% – 3.31%	0.00% – 3.21%
Rate of price inflation (CPI)*	1.50% – 2.31%	1.50% – 2.21%
Rate of inflation increase (RPI)† – UK only	3.31%	3.19% – 3.21%

* Consumer Price Index

† Retail Price Index

(iv) Sensitivities

The sensitivity impact has been measured based on reasonably possible changes of each assumption at the reporting date, while holding all other assumptions constant. In practice, it is unlikely that any assumption would change in isolation.

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

Assumption	Change in assumption	Estimated impact on scheme liabilities
Life expectancy	Increase/decrease by 1 year	Increase/decrease by 3.7% (31 October 2018: 3.8%)
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2.1% (31 October 2018: 2.3%)
Inflation	Increase/decrease by 0.1%	Increase/decrease by 1.8% (31 October 2018: 2.0%)
Pension increases	Increase/decrease by 0.1%	Increase/decrease by 1.5% (31 October 2018: 1.6%)
Salary increases	Increase/decrease by 0.1%	Increase/decrease by 0.0%* (31 October 2018: 0.0%*)

* The salary increase sensitivity is shown as nil as the FCAM Plan has a limit on pensionable salary increases of 2.0% per annum. Given the current level of assumed future inflation, there is no effect from a 0.1% change in future salary increases. Plans in other jurisdictions are affected by changes in their respective salary increase assumptions but the consolidated effect rounds to nil.

The sensitivity analysis has been prepared using a similar method to the benefit obligation with one assumption varied in isolation. There have been no changes to the methods used to prepare the sensitivity analysis since the previous reporting year. The assumptions used have changed in line with those used to calculate the benefit obligation.

30. Pension benefits continued**(c) Profile of schemes' membership**

The profile of the current membership of defined benefit arrangements in the Group is as follows:

	31 October 2019		31 October 2018	
	% of total membership	Average age	% of total membership	Average age
Active members	7%	49	8%	49
Deferred members	67%	51	72%	49
Pensioners	26%	69	20%	68
	100%		100%	

The profile of the liabilities of defined benefit arrangements throughout the Group is as follows:

	31 October 2019 £m	31 October 2018 £m
Active members	38.3	44.3
Deferred members	165.9	116.6
Pensioners	157.1	146.6
Benefit obligations	361.3	307.5

The weighted average duration of benefit obligations at 31 October 2019 is 21 years (31 October 2018: 22 years). This is based on the longevity assumptions for the relevant obligations.

The expected future benefit payments from the defined benefit arrangements are as follows:

Expected future benefit payments:	£m
Year ended 31 October 2020	6.2
Year ended 31 October 2021	6.7
Year ended 31 October 2022	7.3
Year ended 31 October 2023	7.8
Year ended 31 October 2024	8.3
Years ended 31 October 2025-2029	50.7

(d) Aggregate disclosures

	2019 £m	2018 £m
Change in benefit obligations:		
Benefit obligations at 1 November	307.5	350.4
Foreign exchange movements	(1.0)	0.4
Current service cost	1.1	1.7
Past service (income)/cost*	(0.1)	0.4
Curtailment income	(0.5)	-
Interest cost on pension obligations	8.4	9.0
Actuarial losses/(gains)	61.6	(32.0)
<i>Arising from changes in financial assumptions</i>	47.8	(8.5)
<i>Arising from changes in demographic assumptions</i>	(2.2)	(23.5)
<i>Arising from experience</i>	16.0	-
Members' contributions	0.1	0.1
Net transfers in	-	0.2
Benefits paid#	(15.8)	(22.7)
Benefit obligations at 31 October	361.3	307.5

* The past service income in 2019 relates to a change in the methodology used to convert funds into pension at retirement in Switzerland. The past service cost in 2018 relates to GMP equalisation for the FCAM Plan resulting from the High Court ruling.

Benefits paid includes individuals who have transferred out of the FCAM Plan.

30. Pension benefits continued

	31 October 2019 £m	31 October 2018 £m
Analysis of defined benefit obligations:		
Plans that are wholly or partly funded	357.1	303.5
Obligation that is wholly unfunded	4.2	4.0
Benefit obligations	361.3	307.5

	2019 £m	2018 £m
Change in plan assets:		
Fair value of plan assets at 1 November	384.6	399.2
Foreign exchange movements	(0.9)	0.3
Interest income on plan assets	10.7	10.4
Administrative expenses and taxes	(0.2)	(0.2)
Actuarial gains/(losses)	41.6	(5.7)
Employer contributions	2.8	3.0
Members' contributions	0.1	0.1
Net transfers in	-	0.2
Benefits paid*	(15.8)	(22.7)
Fair value of plan assets at 31 October	422.9	384.6

* Benefits paid includes individuals who have transferred out of the FCAM Plan.

	31 October 2019 £m	31 October 2018 £m
Net pension surplus recognised	61.6	77.1

	Note	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Components of defined benefit pension (income)/expense:			
Operating expenses:			
Current service cost		1.1	1.7
Past service cost		(0.1)	0.4
Curtailments		(0.5)	-
Administrative expenses and taxes		0.2	0.2
Finance income:			
Net interest income on pension obligations	8	(2.3)	(1.4)
Total defined benefit pension (income)/expense recognised in the Income Statement		(1.6)	0.9

	Note	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Classification of defined benefit pension (income)/expense recognised in the Income Statement:			
Operating expenses	7	0.7	2.3
Finance income	8	(2.3)	(1.4)
Total defined benefit pension (income)/expense recognised in the Income Statement		(1.6)	0.9

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Net actuarial (losses)/gains immediately recognised in the Statement of Comprehensive Income	(20.0)	26.3
Cumulative actuarial gains recognised in the Statement of Comprehensive Income	29.0	49.0

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Actual return on plan assets	52.3	4.7

30. Pension benefits continued**(e) Pension schemes' details****(i) F&C Asset Management Pension Plan (FCAM Plan or the Plan)**

Date of last actuarial valuation	31 March 2016*
Scheme Actuary	Mercer Limited
Method of valuation	Projected Unit
Market value of assets at last valuation date	£312.0m
Level of funding	98%

* The 31 March 2019 actuarial valuation was completed in June 2020. Details of the updated results and revised contributions are disclosed in note 43(iv).

The FCAM Plan's assets, which are managed by BMO GAM and other external investment managers, are held under the control of the Trustees and are used to secure benefits for the members of the FCAM Plan and their dependants in accordance with the Trust Deed and Rules.

The Plan is subject to the UK Statutory Funding Objective regime, overseen by the Pensions Regulator, which is a form of minimum funding requirement for the purposes of IAS 19 Employee Benefits (revised).

Trustee Board of the FCAM Plan

The appointment of Trustees is determined by the FCAM Plan's trust documentation. The Trustee Board currently consists of four employer-appointed Trustees, four member-selected Trustees and an independent Trustee. The independent Trustee is a corporation and also currently the Chairman of the Trustee Board. Of the current four employer-appointed and four member-selected Trustees, three are employees of BMO GAM (E) Group and five are retired and receiving a pension from the FCAM Plan.

Relationship between BMO AM (H) Group and the Trustees of the FCAM Plan

The FCAM Plan's assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the FCAM Plan are required to act in the best interests of the FCAM Plan's beneficiaries.

(ii) Other pension schemes**BMO Portugal, Gestão de Patrimónios, S.A. (BMO Portugal)**

Certain employees in Portugal participate in the multi-employer scheme, Fundo de Pensões do Grupo Banco Comercial Português. The assets and liabilities of the scheme are separately identifiable. There are no Trustees, and BMO Portugal manages the assets relating to Fundo de Pensões do Grupo Banco Comercial Português. The pension plan has two parts: the 'Basic Plan' and the 'Complementary Plan'. The Complementary Plan provides an old age pension as well as death and disability benefits. From 1 January 2011, the employees were integrated into the Social Security system and part of the employees' occupational pension benefits is funded through the Social Security system from that date. With effect from 1 January 2012, BMO Portugal decided to terminate the old age pension benefit provided to members from the Complementary Plan, and paid the value of the accrued benefits to the members (or to individual policies for the members).

BMO Asset Management Netherlands B.V.

The plan in The Netherlands is financed via an insurance contract.

BMO Global Asset Management (Swiss) GmbH

The plan in Switzerland is financed via an insurance contract.

(f) Future funding requirements**FCAM Plan**

A revised schedule of contributions was agreed in June 2017, under which the Group agreed to pay a minimum of 35.8% of pensionable salaries in respect of ongoing benefit accrual plus £1.2m per annum (until 31 July 2019) in respect of deficit recovery contributions and any additional amounts required as a result of the asset underperformance guarantee. The Group also agreed to meet the levies charged by the Pension Protection Fund and any life assurance premiums. In addition, the Group will meet the administrative expenses of the Plan up to an annual maximum of £0.5m. The minimum estimated contribution expected to be paid into the Plan during the year ended 31 October 2020 is £0.7m (2019: £1.6m).

As the FCAM Plan is a closed scheme, under the projected unit method the current service cost will tend to increase as a percentage of pensionable salaries as the average age of members increases.

RW Jenkins obligation

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

Non-UK schemes

The figures in the table below assume that future contributions continue to be paid into the Dutch, Portuguese and Swiss schemes at their current levels.

30. Pension benefits continued**Contributions to defined benefit schemes**

Amounts paid into the Group's defined benefit schemes in the past two reporting periods, and expected future payments over the next five years, are as follows:

Contributions paid	£m
Year ended 31 October 2018	3.0
Year ended 31 October 2019	2.8
Expected future contributions	£m
Year ended 31 October 2020	1.4
Year ended 31 October 2021	1.4
Year ended 31 October 2022	1.4
Year ended 31 October 2023	1.3
Year ended 31 October 2024	1.3

(g) Risk management**(i) FCAM Plan****Market (investment) risk**

The Trustees set the general investment policy but delegate the responsibility for the selection of specific investments (other than investments in respect of members' voluntary contributions) to the investment managers. The Trustees regularly monitor the FCAM Plan's investments.

The Trustees seek advice from their investment advisor and believe they have sufficient skills and expertise to make investment decisions based on this advice. The Trustees have set performance and risk targets for the investment managers. The performance objectives are long-term, and the Trustees monitor the investment managers on a regular basis in order to ensure that the Plan is on track to meet its long-term objectives. If the assets of the Plan do not perform as expected, the Group may have to make additional contributions to make up the shortfall.

The results of an asset-liability review undertaken alongside the 31 March 2016 actuarial valuation of the Plan have been used to assist the Trustees and the Group in managing volatility in the underlying investment performance and the risk of a significant change in the FCAM Plan's surplus by providing information used to determine the FCAM Plan's investment strategy.

The investment strategy changed slightly during the year, with the holdings in absolute return bonds being sold and replaced with an allocation to short-dated corporate bonds (included in the Private Credit category in the earlier breakdown).

Interest rate and inflation risk

The liabilities of the Plan are calculated with respect to the yields available on government bonds. In addition, a large part of the benefits under the Plan are linked to price inflation. Hence, if interest rates fall, or inflation expectations rise without a corresponding increase in the value of the Plan assets, a shortfall will arise and the Company may have to make additional contributions in order to rectify this.

The Trustees have implemented an LDI strategy in order to hedge the interest and inflation risk. This strategy uses leverage such that the exposure to interest rates and inflation is higher than the face value of the LDI asset.

Longevity risk

If members live longer than anticipated, the value of the FCAM Plan's liabilities will increase. The current assumptions include an allowance for life expectancy to increase over time; however, it is possible that rates of improvement could be faster than assumed. The corresponding increase in liabilities could lead to an increase in the contributions required to fund the FCAM Plan.

During 2016, the Trustees, with the agreement of BMO AM (H), extended their liability hedging strategy by entering into a named-life longevity swap contract in respect of the pensioner members of the Plan at that point. No initial consideration was paid but the Plan will make a series of fixed payments over the expected lifetimes of the named members and in return will receive a series of floating payments over the actual lifetimes of those members. The effect of this longevity hedge is to fix the Plan's exposure to longevity for the pensioners covered and transfer their longevity risk to an insurance company regulated by the Prudential Regulation Authority. This eliminates the risk of additional contributions being required in the event of the relevant members living longer than expected. A premium for the risk transfer is paid incrementally over the life of the long-term insurance contract.

Currency risk

In order to increase the diversification of the portfolio, the FCAM Plan invests in overseas assets. However, the FCAM Plan's liabilities are denominated entirely in Sterling and, therefore, there is a risk that the appreciation of Sterling against other currencies will reduce the return from overseas assets.

30. Pension benefits continued

Operational risk

The investment managers do not directly hold any of the FCAM Plan's securities; these are held by an external custodian. The assets are ring-fenced from the Group's creditors and are therefore transferable.

(ii) Non-UK schemes

The plan in The Netherlands is financed via an insurance contract. The value of the plan assets is the value of the reserves which the insurance company holds to match guaranteed pension liabilities. These reserves are, in effect, fixed interest instruments, and so provide a reasonable match to pension liabilities.

The plan in Portugal is part of an industry-wide banking sector plan. Each participant company holds a share of the assets, which are invested using the same asset allocation as the overall plan assets. BMO Portugal is the asset manager for the overall scheme. At 31 October 2019, the assets of both parts of the BMO Portugal plan are invested in diversified portfolios that consisted primarily of debt, equity securities and real estate.

The plan in Switzerland is predominately defined contribution, however it does have some investment guarantees which mean that the plan is accounted for as a defined benefit plan under IAS 19.

(h) Cost of defined contribution plans

	Note	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Group personal pension plans		4.9	4.2
Other defined contribution schemes		0.7	0.4
Defined contribution pension expense	7	5.6	4.6

The Group had £0.2m of pension contributions outstanding as at 31 October 2019 (31 October 2018: £0.1m).

31. Share-based payments

The Group operates and participates in share-based payment plans as part of its total employee compensation arrangements.

Summary

The total expense recognised during the year in respect of cash-settled share-based payment plans is as follows:

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
By Plan:			
BMO Omnibus Restricted Share Unit Plan	31(a)	18.9	20.8
BMO UK Employee Share Ownership Plan	31(b)	0.2	0.1
BMO REP Long-Term Remuneration Plan	31(c)	-	0.3
Total share-based payment expense recognised in the Income Statement	7	19.1	21.2
	Note	31 October 2019 £m	31 October 2018 £m
Total carrying amount of cash-settled liabilities	23	39.2	42.6

The details of each plan are disclosed below.

Details of key assumptions used and the fair value of awards have been disclosed only for awards granted during the year ended 31 October 2019. Details of awards granted in previous accounting periods are disclosed in the previous periods' Financial Statements.

The fair value of services received in return for awards granted is measured by reference to the fair value of share awards granted.

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

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

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

31. Share-based payments continued

The following table provides analysis of the awards granted during the year ended 31 October 2019:

BMO Omnibus Restricted Share Unit Plan (BMO RSU)

Award	BMO RSU	BMO RSU	BMO RSU	BMO RSU
Award date	21 June 2019	7 June 2019	21 March 2019	17 December 2018
Number of awards granted	4,427.97	21,449.14	549.34	268,986.40
Share price at grant date	CAD 100.10	CAD 102.04	CAD 102.36	CAD 98.55
Exercise price	CAD 0.00	CAD 0.00	CAD 0.00	CAD 0.00
Vesting period	8-36 months	36 months	33 months	36 months
Full term of award	8-36 months	36 months	33 months	36 months
Expected dividend yield (%)	0.6 - 3.7%	3.7%	3.7%	3.7%
Expected forfeiture rate (%)	0%	0%	0%	0%
Fair value per award at measurement date	CAD 100.10	CAD 102.04	CAD 102.36	CAD 98.55
Valuation basis	market price	market price	market price	market price

(a) BMO Omnibus Restricted Share Unit Plan

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 plan 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. The rules of the plan include good and bad leaver clauses.

The number of BMO RSU awards is as follows:

	2019 No. of units	2018 No. of units
Outstanding at 1 November	888,964.29	1,074,879.14
Granted during the year	295,412.85	279,762.85
Transferred in from another BMO Group company	1,107.24	659.44
Converted from BMO REP LTRP Deferred Awards	-	64,056.10
Converted from BMO REP LTRP Restricted Awards	-	1,985.40
Vested during the year	(346,625.00)	(510,072.13)
Forfeited during the year	(48,656.52)	(22,306.51)
Outstanding at 31 October	790,202.86	888,964.29
Exercisable at 31 October	286,942.59	146,544.00

The above numbers do not include additional BMO RSU units which are allocated in respect of accrued dividend entitlement.

The awards exercisable at 31 October 2019 and 31 October 2018 relate to employees who are eligible to retire and good leavers.

At 31 October 2019 the following BMO RSU awards were outstanding:

Grant date	No. of awards outstanding	Earliest vesting date
19 December 2016	215,728.05	1 December 2019
9 March 2017	3,722.92	1 December 2019
18 December 2017	251,192.66	1 December 2020
2 January 2018	749.38	1 December 2019
2 January 2018	2,472.97	1 December 2020
5 January 2018*	36,250.30	14 January 2020
22 March 2018	428.47	1 December 2020
17 December 2018	253,231.66	1 December 2021
21 March 2019	549.34	1 December 2021
7 June 2019	21,449.14	1 June 2022
21 June 2019	2,976.77	1 June 2022
21 June 2019	195.36	1 March 2020
21 June 2019	362.80	1 March 2021
21 June 2019	893.04	1 December 2021

* Conversion from BMO REP Long-Term Remuneration Plan.

All BMO RSU awards have no exercise price.

The awards outstanding at 31 October 2019 have a weighted average outstanding term of 1.1 years (31 October 2018: 1.0 years).

31. Share-based payments continued**(b) BMO UK Employee Share Ownership Plan (ESOP)**

The ESOP provides an opportunity for employees employed in the UK to buy shares in BMO out of pre-tax income (Partnership Shares). BMO contributes 1 share for every 2 shares bought by an employee (Matching Shares). The Matching Shares are treated as a share-based payment. Dividends are paid on a per share basis. Dividends are reinvested in additional BMO shares (Dividend Shares).

The Partnership, Matching and Dividend Shares are held in a BMO Financial Group EBT. Withdrawal of Partnership or Matching Shares within 5 years of allocation and Dividend Shares within 3 years of allocation will result in a liability to income tax. If Partnership Shares are taken out within 1 year of their allocation then associated Matching Shares will be forfeited.

The number of BMO ESOP Matching Shares is as follows:

	2019 No. of shares	2018 No. of shares
Outstanding at 1 November	1,175	-
Acquired during the year	2,447	1,182
Transferred in from another BMO Group company	413	-
Matching shares vested in the year	(43)	-
Forfeited during the year	(69)	(7)
Outstanding at 31 October	3,923	1,175

(c) BMO REP Long-Term Remuneration Plan (BMO REP LTRP)

On 5 January 2018 all remaining BMO REP LTRP awards (Deferred and Restricted) were converted to BMO RSUs.

Further details were provided in the 2018 Annual Report and Financial Statements.

32. Notes to the Statement of Cash Flows**(a) Analysis of movements in Statement of Cash Flows**

	Notes	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	12	2.0	1.8
Amortisation of intangible assets	13	2.3	2.2
		4.3	4.0
Changes in working capital and provisions:			
Increase in trade and other receivables		(51.3)	(29.3)
Decrease in contract assets	20	5.1	-
Increase in trade and other payables		41.5	29.1
Decrease in contract liabilities	25	(1.1)	-
Decrease in employee benefit liabilities	23	(8.1)	(7.7)
Decrease/(increase) in stock of units	17(b)	0.6	(0.5)
Increase in liabilities to members of LLPs and LPs		0.2	1.4
Decrease in reinsurance assets	19(a)	0.2	0.2
Increase in insurance contract liabilities	19(a)	0.2	0.1
Decrease in LP member liabilities	27	(0.1)	(0.4)
Decrease in deferred acquisition costs	15	-	0.1
Decrease in deferred income	26	-	(0.5)
Pension charge to operating profit less defined benefit pension contributions paid	30(d)	(2.1)	(0.7)
Increase/(decrease) in provisions	24	11.8	(1.4)
		(3.1)	(9.6)

(b) Property, plant and equipment

During the year the Group acquired property, plant and equipment with an aggregate cost of £2.3m (2018: £2.5m) as disclosed in note 12. Cash payments of £2.6m (2018: £2.7m) were made to purchase property, plant and equipment during the year.

(c) Cash and cash equivalents

Note 21 provides details of cash and cash equivalent balances, a description of cash and cash equivalents, and any restrictions on the use of cash.

(d) Changes in liabilities arising from financing activities

During the years ended 31 October 2019 and 31 October 2018 the Group had no active loans or borrowings, although facilities were available to it, as disclosed in note 33.

33. Interest-bearing loans and borrowings

Borrowing facilities

BMO credit facility

BMO AM (H) plc has a credit facility with Bank of Montreal for £173.0m which is available until 20 December 2021. Interest on any drawdowns are charged at LIBOR +2% per annum. Any undrawn facility is charged at 0.5% per annum.

No drawdowns were made on this facility during the years ended 31 October 2019 or 31 October 2018.

HSBC overdraft facility

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

Additional information about the Group's exposure to interest rate risk is provided in note 35(c)(iii).

34. Financial risk management objectives and policies

Overview

The BMO AM (H) Group governance and risk management process has been developed within the framework set out by our UK and international regulators and tolerances set by the Board and the wider BMO Financial Group. The Board and senior management team are ultimately responsible for establishing and maintaining effective systems and controls to manage risk and to ensure compliance with regulatory obligations. The Group's risk and compliance teams play a key role in this regard, together with other independent oversight of control functions within the Group. The Group has exposure to a number of business risks. The principal risks and uncertainties facing the Group, together with actions taken to mitigate these risks, are outlined on pages 7 to 9 of the Strategic Report.

The Directors consider it appropriate to differentiate between those financial risks which directly impact the Group and those which indirectly impact the Group due to the risks borne by our clients and the consequential impact on the Group's AUM and associated revenues. The Group's direct or indirect exposure to financial instruments arises from the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk, which comprises:
 - Market price risk;
 - Foreign currency risk; and
 - Interest rate risk.

This note presents information on the Group's direct or indirect exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the management of the Group's capital. Note 35 provides numerical analysis of the Group's financial instrument exposure to such risks, including relevant sensitivity analysis as at the reporting date.

Indirect earnings risk through client assets

As an active fund manager, the Group is responsible for managing assets in accordance with the mandates specified by its clients. The assets managed by the Group are subject to varying degrees of the financial risks outlined above. While these risks could result in financial loss or gain through a change in asset value, these risks and rewards are fully borne by, or fall to the benefit of, the Group's clients.

However, as the majority of the Group's revenues are quantified as a percentage of AUM (generally on a quarterly, monthly or daily basis), the Group's income is impacted by movements in the value of client assets which are caused by exposure to financial risks. As a result of the direct link between revenues and the value of client assets, the Group's interests are aligned to those of its clients.

A key risk to our business is that of poor investment performance, which could lead to the subsequent loss of client mandates. A key role of the Chief Investment Officer of BMO GAM is to monitor the fund performance achieved by the Group's investment professionals. Where it is considered necessary, actions are taken to change process or personnel with a view to attaining improved performance. The Group has the ability to earn performance fees from a number of clients based on absolute investment performance or where outperformance of the benchmark or set objective is achieved. These arrangements reinforce the alignment of the Group's interests with those of its clients.

34. Financial risk management objectives and policies continued

Direct earnings and capital risk exposure

The Group has direct exposure to the following risks in respect of financial instruments recognised on its Statement of Financial Position:

- **Credit risk** – the risk of financial loss to the Group if a client or counterparty to a financial instrument is unable to pay, in full, amounts when due, and arises principally from the Group's cash and cash equivalents, contract assets and trade receivables.
- **Liquidity risk** – the risk of the Group failing to maintain adequate levels of financial resources to enable it to meet its financial obligations as they fall due, without incurring significantly increased cost.
- **Market price risk** – the risk that the fair value or future cash flows of financial instruments will change due to movements in market prices, other than foreign exchange rates or interest rates.
- **Foreign currency risk** – the Group is exposed to foreign currency risk from the Sterling value of cash flows arising from transactions denominated in a foreign currency. Foreign currency risk arises from translating balances denominated in a currency other than Sterling and therefore the Sterling value of those balances could vary adversely.
- **Interest rate risk** – the Group is exposed to interest rate risk, primarily through fluctuations in the variable-rate interest, impacting interest received on cash deposits.

A fuller analysis follows of the financial risks associated with the Group's financial instruments, together with the objectives, policies and processes to manage the Group's exposure to those risks.

Financial investments

Recognising that the Group's revenue stream has significant financial exposure to fluctuations in assets managed on behalf of clients, a key principle of the Group treasury policy set by the Board is to restrict investment of the Group's assets to low-risk deposits or money-market instruments where the risk of capital loss is low, thereby seeking to protect the Group's capital. Prior approval is required for any investment or financial instrument which does not follow this general principle.

Financial investments classified as fair value through profit or loss are shown in note 17(a). These primarily comprise of carried interest investments or investments held in connection with historical employee remuneration arrangements. Carried interest arrangements are a mechanism whereby it is possible to earn a predetermined share of any outperformance of private equity funds or property funds. Typically, contractual entitlement to any such carried interest falls to both BMO AM (H) plc and the associated investment teams. Changes in the value of these investments fall to the benefit/cost of employees or the LP members with the carried interest entitlement and will therefore impact the totality of the employee benefit charge recognised over the vesting period. The 'NIC hedge' seeks to economically hedge the Group's exposure to movements in future NIC obligations in respect of certain legacy employee share plans.

Stock of units and shares

The Group operates and manages a number of OEICs whose funds, into which retail and institutional investors can invest, have a wide range of investment objectives. The Group now only holds a stock of units and shares in a limited number of these OEIC funds in order to facilitate the creation and redemption of units by investors. The Group's risk appetite statement limits the aggregate value of the units held by the Group to £1.0m, thereby capping the maximum financial risk exposure associated with these assets. In line with the recommendation of the FCA, gains arising from the active management of the box are transferred to the respective fund to which they relate. At 31 October 2019, the Group held an immaterial amount (31 October 2018: £0.6m) as a stock of units and shares.

Trade receivables and contract assets (accrued income)

Trade receivables and accrued income represent amounts recognised within net revenue in the Income Statement, but which have not been settled in cash. The nature of BMO AM (H)'s business is such that asset management fees accrue based on daily, month-end or quarter-end asset values which, once known, are invoiced to clients and are due to be settled in line with individual contractual terms. As a result, the aggregate value of trade receivables and accrued income can typically represent up to four months of revenue at any point in time.

Before the Group takes on new clients, it undertakes the required 'Know Your Client' procedures. As the Group manages assets on behalf of clients, and management fees are typically charged to, and paid from, the underlying funds managed by the Group, there is a relatively low risk of default on management fees. In accordance with IFRS 9, the Group assesses its expected credit loss on a prospective basis, as outlined in note 14. The Group does not hold any credit insurance. Due to the scale of some of BMO AM (H) larger clients, the Group is exposed to a concentration of credit risk from large clients or groups of connected clients. Very few clients have an external credit rating.

34. Financial risk management objectives and policies continued

OEIC and unit trust receivables

These include trustee receivables and amounts due from investors in respect of the purchase of units and shares in open-ended funds. Typically, the Group recognises 'OEIC and unit trust payables' of a similar magnitude at any point in time. In operating and managing OEICs, the Group seeks to match the purchase and sale of investments to align to the receipt or payment of funds from or to investors. However, if these obligations are not matched, there is a requirement for the Group to fund any shortfall from its corporate cash resources. The risk relating to unsettled transactions is considered small due to the short settlement period involved. In the event that investors default on amounts due, then the Group is entitled to reimbursement of costs from the investor.

Cash and cash equivalents

BMO AM (H) adopts a low risk approach to treasury management and seeks to ensure that its capital is preserved and financial risks are managed appropriately. The Group treasury operations are managed by the Finance function within parameters defined by the Board.

The Group's cash and cash equivalent assets are exposed to a number of financial risks in the normal course of its business. The treasury policy adopted is designed to manage risk and recognises that treasury management operations are specifically not treated as a profit centre. The key aspects of this policy and its implementation are detailed below:

- Funds on deposit will only be placed on a short-term basis (maximum term of 90 days) to help maximise regulatory capital and limit any liquidity risk.
- Deposits may only be placed with counterparties approved by the Counterparty Credit Committee, and the Board has set a £25.0m limit for the maximum exposure to any single external counterparty. The Committee's primary focus is to assess the credit position of counterparties prior to placing any assets with them and to monitor credit risk thereafter. The Board has agreed to exclude Bank of Montreal Ireland plc (BMO Ireland) from this limit. Details of the quantum of balances held with BMO Ireland at each reporting date are given on page 86.
- Exposure to cash and cash equivalent balances held in foreign currency is managed to reduce the risk of adverse movements in exchange rates, where possible, by the repatriation of surplus foreign currency into Sterling. This is achieved in practice via the regular settlement of the Group's transfer pricing arrangements and through the payment of dividends from foreign subsidiaries, having regard to any restrictions in respect of their respective legal, regulatory and working capital requirements.
- Cash and deposit balances can be exposed to interest rate movements. The Group utilises the experience and skills of its professional dealing team to obtain the best interest rates, ensuring the maturity dates of deposits are aligned to the Group's working capital requirements.
- The Group has credit and overdraft facilities available to it to meet certain funding requirements it may encounter. Details are disclosed in note 33.

Any exception to the treasury policy requires prior approval.

Defined benefit pension surplus/(deficit)

The Group's net defined benefit pension surplus represents the value of plan assets in excess of the discounted value of future pension obligations, details of which are given in note 30.

The Group has exposure to movements in the market value of the plan assets, which are held across a number of asset classes. The FCAM Plan has de-risked its investment strategy by investing 72% of the Plan assets in a LDI fund. This alternative investment strategy should reduce risk by matching the asset movements more closely with the liabilities of the Plan. This can also help as a defensive strategy during downturns in the market. The value of defined benefit pension obligations is quantified and discounted using corporate bond rates. Movements in these rates can have a significant impact on the pension liabilities and hence the quantum of the Group's pension surplus or deficit. Further details of the asset and liability risk management framework in respect of the Group's primary defined benefit pension plan are given on pages 77 and 78.

Foreign currency exposure

Where management fees are denominated in a currency other than Sterling, the Group is exposed to currency risk. The Board recognises that the Group has significant exposure to Euro-denominated cash flows, although the scale of this exposure has diminished following further withdrawals of some of the Strategic Partner assets. The Board has not chosen to enter into any medium or long-term forward exchange contracts.

As outlined in note 31(a), the BMO RSU plan is the main medium-term employee incentive plan utilised by the BMO AM (H) Group. While awards are settled in the local currency where employees are based, the underlying awards are denominated in Canadian dollars. At 31 October 2019, a share-based payment liability (including associated national insurance costs) of £43.9m was held in respect of such awards (31 October 2018: £47.8m). The Sterling liability is subject to movements in both the BMO share price and the Canadian dollar: Sterling exchange rate.

34. Financial risk management objectives and policies continued

Investment protection guarantee

The Group provides investment protection guarantees in the event of death of eligible investors in certain legacy investment trust savings products (Lifetime Guarantee) and in certain share classes in specific open-ended funds (Investor Protection). These guarantees are classified as insurance contracts under IFRS 4. At each reporting date, the Directors are required to assess the value of any insurance contract liabilities. Details of the value of insurance contracts liabilities, underlying assumptions, key sensitivities and risk mitigation are provided in note 19. The Group notified investors that the investment protection guarantee will be withdrawn from the Investor Protection Plan with effect from 31 December 2019.

Management of capital

The entirety of the Company's capital funding is in the form of Ordinary share capital, which is held by BMO GAM Europe.

The overall objective of capital and liquidity risk management is to ensure that there is sufficient liquidity and regulatory capital over the short and medium-term to meet the needs of the business and all regulatory requirements. This includes an assessment of the liquidity to cover, among other things, capital expenditure, as well as ensuring cash resources are in place to fund the Group's day-to-day operational requirements. Further details of regulatory capital requirements are given below.

Working capital is monitored on a daily basis to ensure that the settlement terms of all forthcoming liabilities can be met. This activity includes the timely collection of receivables and monitoring of cash on deposit, having regard to regulatory capital requirements, as outlined below. The Group's Finance function includes a treasury team which manages the cash flow requirements of the Group.

Regulatory capital requirements

The BMO GAM Europe Group is required to comply with an EU-prescribed Capital Requirements Regulation, which is directly binding on firms, and a Capital Requirements Directive, which is transcribed into national law for investment firms by the relevant national regulatory authority, referred to together as CRD IV. This prescribes, for relevant firms, the calculation of requirements and capital requirement ratios.

EU law continues to apply in the UK during the EU withdrawal implementation period, effective from when the UK left the EU on 31 January 2020.

Firms not subject to the capital requirement ratios under CRD IV are required to maintain a minimum level of capital in accordance with the Capital Requirements Directive in force prior to CRD IV, prescribed for investment firms in the UK by the Financial Conduct Authority (FCA).

The Alternative Investment Fund Managers Directive (AIFMD) is prescribed for relevant UK investment firms by the FCA and the requirements of overseas firms are set by their respective national regulator. In compliance with the Directive, three of the BMO GAM Europe Group's regulated firms are authorised Alternative Investment Fund Managers (as at 31 October 2019) and required to maintain a minimum level of capital in accordance with the AIFMD.

The BMO GAM Europe Group operated under a waiver from meeting any minimum capital requirements under the consolidated supervision rules of CRD IV until May 2019, when the waiver expired. One of the conditions of the waiver required the BMO GAM Europe Group to hold sufficient capital to meet the consolidated requirements on expiry of the waiver in May 2019. The BMO GAM Europe Group complied with the terms of the waiver and, from June 2019, is required to meet minimum capital requirements under the consolidated supervision rules of CRD IV.

At 31 October 2019, there were eight regulated companies in the BMO GAM Europe Group, of which six are registered in the United Kingdom and are subject to regulation by the FCA. Overseas regulated companies, registered in The Netherlands and Portugal, are subject to regulatory capital requirements set out by their respective local regulatory authority, as embedded within the legislation of those jurisdictions.

Regulatory prescribed rules set out the measurement of capital resources and capital requirements in order to determine the regulatory capital surplus or deficit. This calculation of a regulatory capital surplus or deficit is referred to as the Pillar 1 capital requirements.

The Group's Pillar 1 capital requirement is the higher of:

- the sum of the 'credit risk capital requirement' and the 'market risk capital requirement'; and
- the 'fixed overhead requirement'.

Credit risk represents the risk of a party being unable to meet its obligations to a firm and is calculated using risk-weighted percentages applied to the various exposure amounts. Market risk for the BMO GAM Europe Group represents the risk of loss from fluctuations in exchange rates and is calculated as a percentage of the total of the long or short positions, denominated in foreign currencies, whichever is the greater. The fixed overhead requirement is typically calculated as a quarter of a firm's relevant fixed annual expenditure in the previous year's audited Financial Statements.

The BMO GAM Europe Group and its regulated firms are required to submit quarterly or semi-annual financial returns to the FCA, or the local regulatory authority for overseas companies, setting out the calculation of the regulatory capital surplus (or deficit).

34. Financial risk management objectives and policies continued

CRD IV requires the BMO GAM Europe Group to conduct an Internal Capital Adequacy Assessment Process (ICAAP), referred to as Pillar 2 capital requirements. The objective of this process is to ensure that firms have adequate capital to enable them to manage risks not deemed to be adequately covered under the Pillar 1 minimum requirements. This is a forward-looking exercise which includes stress-testing key risks, considering how the firms would cope with a significant market downturn, for example, and an assessment of the BMO GAM Europe Group's ability to mitigate the risks.

The BMO GAM Europe Group, under consolidated supervision rules, has reported, since the expiry of the waiver, a surplus of regulatory capital to the FCA.

The BMO GAM Europe Group's regulated entities reported surpluses of regulatory capital to the respective regulators throughout the years ended 31 October 2019 and 31 October 2018.

35. The extent of risks arising from financial instruments

Note 34 presents details of the Group's direct or indirect exposure to financial risks arising from financial instruments and the Group's objectives, policies and processes for measuring and managing risk and the management of the Group's capital. This note provides numerical analyses of the Group's direct exposure to such financial risk, including relevant sensitivity analysis, at each reporting date.

(a) Credit risk

(i) Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum exposure to credit risk. The maximum exposure of each class of financial asset is shown in the total column in the following tables.

The contract assets (accrued income) balance at 31 October 2019 is consistent with (31 October 2018: consistent with) the average monthly balances during the year, with the exception of the calendar quarter-ends which tend to have higher levels of accrued income.

The quantum of OEIC and unit trust receivables fluctuates significantly during the year; the balance is dependent upon the timing and value of creations and liquidations of units or shares.

The credit risk of the financial assets, analysed by the external credit ratings of the counterparties, is set out below:

	AA £m	A £m	Other rated £m	Not rated £m	Total £m
As at 31 October 2019					
Financial assets at FVTPL:					
Financial investments	1.2	-	0.1	8.1	9.4
Stock of units and shares	-	-	-	-	-
Debt instruments at amortised cost:					
Trade receivables	-	0.6	0.4	19.4	20.4
Contract assets	-	0.1	0.1	34.2	34.4
OEIC and unit trust receivables	-	-	-	108.4	108.4
Other receivables	0.5	-	-	3.7	4.2
Amounts owed by BMO Group entities	-	3.6	-	-	3.6
Cash and cash equivalents	78.5	145.4	3.5	-	227.4
	80.2	149.7	4.1	173.8	407.8
As at 31 October 2018					
Financial assets at FVTPL:					
Financial investments	1.2	-	-	5.9	7.1
Stock of units and shares	-	-	-	0.6	0.6
Loans and receivables:					
Trade receivables	-	0.8	0.5	16.4	17.7
Accrued income	-	-	0.2	38.4	38.6
OEIC and unit trust receivables	-	-	-	56.9	56.9
Other receivables	0.5	-	-	3.9	4.4
Amounts owed by BMO Group entities	-	6.3	-	-	6.3
Cash and cash equivalents	62.2	167.9	5.8	-	235.9
	63.9	175.0	6.5	122.1	367.5

35. The extent of risks arising from financial instruments continued**(ii) Analysis of financial assets past due but not impaired**

The analysis of financial assets which are receivable but have not been impaired is as follows:

	Neither past due nor impaired £m	Less than 30 days overdue £m	Between 30 and 90 days overdue £m	Between 90 days and 1 year overdue £m	Beyond 1 year overdue £m	Total £m
As at 31 October 2019						
Financial assets at FVTPL:						
Financial investments	9.4	-	-	-	-	9.4
Stock of units and shares	-	-	-	-	-	-
Debt instruments at amortised cost:						
Trade receivables	14.5	4.6	0.7	0.6	-	20.4
Contract assets	34.4	-	-	-	-	34.4
OEIC and unit trust receivables	108.4	-	-	-	-	108.4
Other receivables	3.6	0.6	-	-	-	4.2
Amounts owed by BMO Group entities	3.1	0.5	-	-	-	3.6
Cash and cash equivalents	227.4	-	-	-	-	227.4
	400.8	5.7	0.7	0.6	-	407.8
As at 31 October 2018						
Financial assets at FVTPL:						
Financial investments	7.1	-	-	-	-	7.1
Stock of units and shares	0.6	-	-	-	-	0.6
Loans and receivables:						
Trade receivables	13.7	3.2	0.7	-	0.1	17.7
Accrued income	38.6	-	-	-	-	38.6
OEIC and unit trust receivables	56.9	-	-	-	-	56.9
Other receivables	4.4	-	-	-	-	4.4
Amounts owed by BMO Group entities	6.0	-	0.3	-	-	6.3
Cash and cash equivalents	235.9	-	-	-	-	235.9
	363.2	3.2	1.0	-	0.1	367.5

Details of the trade receivables balances which have been impaired at the reporting dates are shown in note 14. Details of ECL amounts on contract assets are disclosed in note 20.

(ii) Concentration risk

Specific concentration of risk in respect of amounts receivable from any one bank or financial institution, client or group of connected clients at the reporting date is given below:

	31 October 2019 £m	31 October 2018 £m
Concentrations of £1.0m or more		
Amounts held with banks and similar financial institutions - 2019: 20 institutions (2018: 20)	226.2	234.9
Amounts due from OEICs and OEIC Trustees	80.0	27.9
Amounts due from other significant clients - 2019: 16 clients (2018: 18)	37.9	45.5
	344.1	308.3

Concentration risk comprises individual entities or clients with a receivable balance of £1.0m or more at the reporting date. This disclosure shows the potential impact of some of these entities or clients failing to satisfy payment of the receivable amounts. The table does not consider the likelihood of any of these entities or clients defaulting.

At 31 October 2019 the Group held £18.2m (31 October 2018: £21.2m) of cash deposits with BMO Ireland, a fellow member of the BMO Financial Group.

35. The extent of risks arising from financial instruments continued**(b) Liquidity risk**

The cash flow profile associated with the Group's financial liabilities is as follows:

	Within 1 year, or repayable on demand £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m	Total £m
As at 31 October 2019					
Trade and other payables:					
Trade payables	2.7	-	-	-	2.7
OEIC and unit trust payables	108.7	-	-	-	108.7
Amounts owed to BMO Group entities	2.0	-	-	-	2.0
Other payables	4.5	0.4	0.8	1.0	6.7
Investment guarantee claims owed to investors	-	-	-	-	-
Accruals	21.0	2.3	-	0.1	23.4
Liabilities to members of LLPs and LPs	3.8	0.2	0.3	0.9	5.2
Other financial liabilities	0.3	0.3	0.5	0.1	1.2
	143.0	3.2	1.6	2.1	149.9
As at 31 October 2018					
Trade and other payables:					
Trade payables	5.3	-	-	-	5.3
OEIC and unit trust payables	57.3	-	-	-	57.3
Amounts owed to BMO Group entities	1.7	-	-	-	1.7
Other payables	7.0	0.9	0.8	1.3	10.0
Investment guarantee claims owed to investors	0.5	-	-	-	0.5
Accruals	25.9	2.4	0.2	-	28.5
Liabilities to members of LLPs and LPs	4.0	-	0.6	0.4	5.0
Other financial liabilities	0.4	0.4	0.3	0.2	1.3
	102.1	3.7	1.9	1.9	109.6

The quantum of OEIC and unit trust payables fluctuates significantly during the year; the balance is dependent upon the timing and values of creations and liquidations of units or shares.

The maturity dates of the Group's financial liabilities have been determined by reference to the earliest contractual date on which the counterparty could demand payment and the stated amounts represent undiscounted cash flows.

The cash flow commitments in respect of operating leases are disclosed in note 39.

(c) Market risks**(i) Market price risk**

The analysis of financial assets which are exposed to market price risk is as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Financial assets at FVTPL:		
Financial investments	8.2	5.9
Stock of units and shares	-	0.6
	8.2	6.5

Details of the assets held by the Group's defined benefit pension schemes, which are also exposed to market price risk, are given in note 30(a).

35. The extent of risks arising from financial instruments continued

(ii) Currency risk

The Group is exposed to currency risk at the reporting date in respect of:

- Financial assets and liabilities denominated in foreign currencies; and
- Net assets of foreign operations.

The total net monetary assets or liabilities and net investment in foreign operations, in Sterling, which are denominated in foreign currencies or for which the fair value of the asset or liability varies with movements in foreign currencies, are:

Net monetary (liability)/asset	CAD dollar £m	Euro £m	US dollar £m	Other £m	Total £m
As at 31 October 2019	(37.0)	58.3	(1.4)	0.1	20.0
As at 31 October 2018	(40.0)	58.1	1.0	0.6	19.7

The above table includes all assets and liabilities, excluding intangible assets.

(iii) Interest rate risk

The following tables set out the carrying amount and maturity profile of the Group's financial instruments that are exposed to interest rate risk:

As at 31 October 2019	Within 1 year £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m
Variable rate:				
Financial investments - NIC hedge	1.2	-	-	-
Trade and other receivables: Other receivables	-	0.5	-	-
Cash and cash equivalents	227.4	-	-	-
	228.6	0.5	-	-
As at 31 October 2018	Within 1 year £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m
Variable rate:				
Financial investments - NIC hedge	1.2	-	-	-
Trade and other receivables: Other receivables	-	0.5	-	-
Cash and cash equivalents	235.9	-	-	-
	237.1	0.5	-	-

The cash flow profile of carried interest liabilities reflects the expected settlement date, based on the expected realisation date of the associated carried interest investments.

(iv) Sensitivity analysis

The Group has quantified the impact of specific changes in its significant market risk variables. This analysis measures the change in fair value of the Group's financial instruments.

The sensitivity analysis, which is for illustrative purposes only, is prepared based on financial instruments and non-Sterling denominated assets and liabilities at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual outturn due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. The methods and assumptions used are the same for both reporting periods.

The sensitivity analysis has been prepared based on the impact that a set percentage increase or decrease in the market conditions would have on the profit or loss and on total equity.

Changes in exchange rates assume an instantaneous increase or decrease of 10% in foreign currency to Sterling rates at the reporting date, with all other variables remaining constant. The exchange rate sensitivities include all receivable or payable balances denoted in a non-Sterling currency.

The estimated changes in fair values of investments assume a 10% increase or decrease in the fair values of investments at the reporting date, with all other variables remaining constant.

Changes in market interest rates assume an increase or decrease of 1% in the rate applied to average cash balances in the year.

35. The extent of risks arising from financial instruments continued

The financial impact of market risk sensitivities, after taxation, are summarised below:

As at 31 October 2019	Profit or loss sensitivity £m	Profit or loss sensitivity £m	Equity sensitivity £m	Equity sensitivity £m
Exchange rate movement*	+10%	-10%	+10%	-10%
Sterling/Euro exchange rates	0.5	(0.7)	4.6	(5.8)
Sterling/CAD exchange rates	(2.8)	3.3	(2.8)	3.3
Sterling/CHF exchange rates	-	-	-	-
Fair value movement – Investments	+10%	-10%	+10%	-10%
Sterling equity prices	0.6	(0.6)	0.6	(0.6)
Interest rate movement	+1%	-1%	+1%	-1%
Sterling market interest rates	1.7	(1.7)	1.7	(1.7)

* In respect of non-Sterling denominated assets and liabilities; +10% represents a strengthening of the foreign currency and -10% represents a weakening of the foreign currency.

As at 31 October 2018	Profit or loss sensitivity £m	Profit or loss sensitivity £m	Equity sensitivity £m	Equity sensitivity £m
Exchange rate movement*	+10%	-10%	+10%	-10%
Sterling/Euro exchange rates	0.1	(0.1)	4.8	(5.8)
Sterling/CAD exchange rates	(3.0)	3.6	(3.0)	3.6
Sterling/CHF exchange rates	-	-	0.8	(0.9)
Fair value movement – Investments	+10%	-10%	+10%	-10%
Sterling equity prices	0.5	(0.5)	0.5	(0.5)
Interest rate movement	+1%	-1%	+1%	-1%
Sterling market interest rates	1.7	(1.7)	1.7	(1.7)

* In respect of non-Sterling denominated assets and liabilities; +10% represents a strengthening of the foreign currency and -10% represents a weakening of the foreign currency.

In addition to the above sensitivities, impairment of financial assets could be affected by changes in the relevant underlying risk.

36. Subsidiary and related undertakings

BMO Asset Management (Holdings) plc either controls or has an interest in the following entities, which are consolidated in the Financial Statements, at 31 October 2019:

	Percentage interest and voting rights*	Country of registration or incorporation	Registered address	Nature of business
(i) United Kingdom				
FP Asset Management Holdings Limited ⁽¹⁾	100	England	(a)	Holding company
BMO Asset Management (Services) Limited ⁽¹⁾	100	Scotland	(b)	Employee service company
F&C Investment Manager plc ⁽¹⁾	100	England	(a)	Investment management
F&C Equity Partners Holdings Limited ⁽¹⁾	100	England	(a)	Holding company
F&C Equity Partners plc ⁽¹⁰⁾	100	England	(a)	Investment management
BMO AM Treasury Limited ⁽¹⁾	100	England	(a)	Treasury management company
BMO AM Group (Holdings) Limited ⁽¹⁾	100	England	(a)	Holding company
F&C Group ESOP Trustee Limited ⁽¹⁾	100	Scotland	(b)	ESOP Trustee
BMO Investment Business Limited ⁽¹⁾	100	Scotland	(b)	Investment management; Alternative Investment Fund Manager (AIFM)
F&C Finance plc ⁽¹⁾	100	England	(a)	Debt financing company
F&C Aurora (GP) Limited ⁽¹⁾	100	Scotland	(b)	General Partner
The Aurora Fund (Founder Partner) LP ⁽¹⁾	50†	Scotland	(b)	Founder Partner
LPE II (Founder Partner) LP ⁽²¹⁾	Nil†	Scotland	(b)	Founder Partner
F&C European Capital Partners (GP) Limited ⁽¹⁾	100	Scotland	(b)	General Partner
F&C European Capital Partners (Founder Partner) LP ⁽¹⁾	50†	Scotland	(b)	Founder Partner
F&C European Capital Partners II (GP) Limited ⁽¹⁾	100	Scotland	(b)	General Partner
F&C European Capital Partners II (Founder Partner) LP ⁽¹⁾	49†	Scotland	(b)	Founder Partner
F&C European Capital Partners II (GP) LP ⁽²⁰⁾	100†	Scotland	(b)	General Partner
F&C Climate Opportunity Partners (GP) Limited ⁽¹⁾	100	Scotland	(b)	General Partner
F&C Climate Opportunity Partners (Founder Partner) LP ⁽¹⁾	50†	Scotland	(b)	Founder Partner
F&C Climate Opportunity Partners (GP) LP ⁽¹⁹⁾	100†	Scotland	(b)	General Partner
BMO Real Estate Partners LLP ⁽¹⁾	100†	England	(c)	Property asset management
BMO Asset Managers Limited ⁽²⁾	100	England	(a)	Investment management
WAM Holdings Ltd ⁽³⁾	100	England	(a)	Holding company
BMO Fund Management Limited ⁽⁴⁾	100	England	(a)	OEIC distribution and administration; AIFM
BMO Managers Limited ⁽⁴⁾	100	England	(a)	Investment management
F&C Alternative Investments (Holdings) Limited ⁽⁵⁾	100	England	(a)	Holding company
BMO AM Group (Management) Limited ⁽⁶⁾	100	England	(a)	Holding company
BMO AM Holdings Limited ⁽⁶⁾	100	England	(a)	Holding company
F&C (CI) Limited ⁽⁷⁾	100	England	(a)	Investment company
BMO AM Investment Services Limited ⁽⁷⁾	100	England	(a)	Support services company
BMO Asset Management Limited ⁽⁷⁾	100	England	(a)	Investment management
F&C Unit Management Limited ⁽⁸⁾	100	England	(a)	Investment management
FCEM Holdings (UK) Limited ⁽⁸⁾	100	England	(a)	Holding company
F&C Emerging Markets Limited ⁽⁹⁾	100	England	(a)	Investment management
F&C Private Equity Nominee Limited ⁽¹¹⁾	100	England	(a)	Investment company
BMO REP Asset Management plc ⁽¹²⁾	100	England	(c)	Property asset management
REIT Asset Management Limited ⁽¹²⁾	100	England	(c)	Property asset management
BMO REP (Corporate Services) Limited ⁽¹⁸⁾	100	England	(c)	Dormant
F&C REIT Corporate Finance Limited ⁽¹⁸⁾	100	England	(c)	Property asset management
BMO REP Property Management Limited ⁽¹³⁾	100	England	(c)	Property asset management
BMO AM Capital (UK) Limited ⁽¹⁶⁾	100	England	(a)	Support services company
Thames River Capital LLP ^{(17)#}	100†	England	(a)	Investment management
BMO AM Multi-Manager LLP ^{(17)#}	100†	England	(a)	Investment management
Ivory & Sime Limited ⁽¹⁾	100	Scotland	(b)	Dormant
BMO Unit Trust Managers Limited ⁽¹⁾	100	England	(a)	Investment management
The Ivory & Sime Employee Benefit Trust ^{(1)§}	N/A	Scotland	(b)	Employee benefit trust
BMO PE Co-Investment GP LLP ⁽¹⁾	100†	Scotland	(b)	General Partner
BMO PE Co-Investment FP LP ⁽¹⁾	50†	Scotland	(b)	Founder Partner
BMO FCIT PE FP LP ⁽²³⁾	100†	Scotland	(b)	Founder Partner

36. Subsidiary and related undertakings continued

	Percentage interest and voting rights*	Country of registration or incorporation	Registered address	Nature of business
(ii) Non United Kingdom				
The F&C Management Limited Employee Benefit Trust ⁽¹⁾	N/A	Jersey	(d)	Employee benefit trust
BMO AM Capital (Group) Limited ⁽¹⁾	100	Cayman Islands	(e)	Holding company
BMO Asset Management Netherlands B.V. ⁽⁵⁾	100	The Netherlands	(f)	Investment management
F&C Ireland Limited ⁽⁵⁾	100	Republic of Ireland	(g)	Investment management
BMO Portugal, Gestão de Patrimónios, S.A. ⁽⁵⁾	100	Portugal	(h)	Investment management
BMO Asset Management Luxembourg S.A. ⁽⁵⁾	100	Luxembourg	(i)	LDI pool distribution and administration
BMO Real Estate Partners S.à.r.l. ⁽¹²⁾	100	Luxembourg	(j)	Property asset management
BMO Real Estate Partners GmbH & Co KG ⁽¹⁴⁾	100†	Germany	(k)	Property asset management
BMO AM Capital (Holdings) Limited ⁽¹⁵⁾	100	Cayman Islands	(e)	Holding company
Thames River Capital Family Benefit Trust ^{(17)§}	N/A	Guernsey	(l)	Employee benefit trust
Ivory & Sime (Japan) KK ^{(1)‡}	100	Japan	(m)	Asset management and distribution
BMO Real Estate Partners Verwaltungsgesellschaft mbH ⁽²²⁾	100	Germany	(k)	General Partner
FOSCA Managers S.à.r.l. ^{(9)‡}	50	Luxembourg	(n)	General Partner
FOSCA II Manager S.à.r.l. ^{(13)‡}	33	Luxembourg	(n)	General Partner
BMO Global Asset Management (Swiss) GmbH ⁽¹⁾	100	Switzerland	(o)	Asset management and distribution

* Voting rights are in respect of Ordinary share capital holdings except where indicated.

† Partnership interest in voting rights.

These entities have non-coterminous 31 March reporting dates to comply with local reporting requirements or partnership agreements.

‡ These entities have non-coterminous 31 December reporting dates to comply with local reporting requirements or partnership agreements.

§ These entities have non-coterminous 31 December reporting dates to comply with underlying EBT agreements.

- (1) Owned or sponsored by BMO Asset Management (Holdings) plc
(2) Owned by FP Asset Management Holdings Limited
(3) Owned by BMO AM Treasury Limited
(4) Owned by WAM Holdings Ltd
(5) Owned by BMO AM Group (Holdings) Limited
(6) Owned by BMO AM Group (Management) Limited
(7) Owned by BMO AM Holdings Limited
(8) Owned by BMO Asset Management Limited
(9) Owned by FCEM Holdings (UK) Limited
(10) Owned by F&C Equity Partners Holdings Limited
(11) Owned by F&C (CI) Limited
(12) Owned by BMO Real Estate Partners LLP
(13) Owned by BMO REP Asset Management plc
(14) Owned by BMO Real Estate Partners S.à.r.l.
(15) Owned by BMO AM Capital (Group) Limited
(16) Owned by BMO AM Capital (Holdings) Limited
(17) BMO AM Capital (UK) Limited is the Corporate Member or sponsoring company
(18) Owned by REIT Asset Management Limited
(19) F&C Climate Opportunity Partners (GP) Limited is the General Partner
(20) F&C European Capital Partners II (GP) Limited is the General Partner
(21) F&C Aurora (GP) Limited is the General Partner
(22) General Partner to BMO Real Estate Partners GmbH & Co KG
(23) BMO PE Co-Investment GP LLP is the General Partner

Registered addresses and principal place of business

- (a) Exchange House, Primrose Street, London, EC2A 2NY
(b) 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG
(c) 7 Seymour Street, London, W1H 7JW
(d) RBC cees Trustee Limited, Gaspé House, 66-72 Esplanade, St Helier, Jersey, Channel Islands, JE2 3QT
(e) Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands
(f) Jachthavenweg 109E, 1081 KM Amsterdam, Netherlands

36. Subsidiary and related undertakings continued

- (g) 70 Sir John Rogerson's Quay, Dublin 2, Ireland
- (h) Rua General Firmino Miguel, 3-9.ºB, 1600-100 Lisboa, Portugal
- (i) 49, Avenue J.F. Kennedy, L-1855, Luxembourg
- (j) 6, Rue Gabriel Lippmann, L-5365, Munsbach, Luxembourg
- (k) Oberanger 34-36, D-80331 München, Germany
- (l) Zedra, Third Floor, Cambridge House, Le Truchot, St. Peter Port, Guernsey, GY1 3UW
- (m) Shinagawa TS Building, 4th Floor, 13-40, Konan 2-Chome, Minato-Ku, Tokyo 108-0075, Japan
- (n) 1, Rue Hildegard von Bingen, L-1282, Luxembourg
- (o) Claridenstrasse 40, 8002 Zürich, Switzerland

37. Disclosure of interests in other entities

The BMO AM (H) Group consolidates all entities where it has control through voting rights. It also consolidates certain unvested assets within Employee Benefit Trusts, where the Group is deemed to have exposure to variable returns and has power over the investee.

(a) Significant judgements and assumptions

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

The Group has exercised judgement over what it is required to consolidate from the funds it manages. Specifically, it has not consolidated entities where control may be established through defined benefit pension scheme interests.

The Group has consolidated certain assets held within EBTs which the Group sponsors, where it is considered to have sufficient power over the investee and exposure to the variable returns. The Group also consolidates certain carried interest vehicles by virtue of control held through both its direct holdings and employee interests in these entities.

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

(b) Nature of risks associated with an entity's interests in consolidated subsidiaries

BMO AM (H) plc has a number of subsidiary and related entities, which are detailed in note 36. The Group monitors its obligations in respect of these entities from a Group-wide perspective, although each entity is considered from a stand-alone legal perspective.

The main risks associated with BMO AM (H) plc's interests in its subsidiaries are:

- the requirement to maintain adequate regulatory capital within the eight regulated entities (as at 31 October 2019) within the BMO AM (H) Group could lead to a requirement to inject further capital into these entities. The regulatory capital of each entity is closely monitored and £11.0m of additional capital was injected, in aggregate, into three subsidiaries during the year ended 31 October 2018; and
- the risk that dividend blockages may restrict the distribution of profits within the BMO AM (H) Group. There are currently two entities in the Group with significant restrictions on their ability to make dividend distributions (BMO Asset Management Limited and BMO AM Treasury Limited).

Details of guarantees provided by BMO Asset Management (Holdings) plc to its subsidiaries are disclosed in note 22 to the Company Financial Statements on page 120.

37. Disclosure of interests in other entities continued

(c) Interests in unconsolidated structured entities

Nature, purpose and activities of structured entities

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

The BMO AM (H) Group considers the following funds to be unconsolidated structured entities: Open-Ended Investment Companies (OEICs), Unit Trusts, Sociétés d'Investissement à Capital Variable (SICAVs), Limited Partnership (LP) funds, Pooled Undertaking for Collective Investment in Transferable Securities (UCITS), Exchange Traded Funds (ETFs) and certain other pooled or mutual funds.

The BMO AM (H) Group generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The BMO AM (H) Group's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds. The BMO AM (H) Group routinely recognises trade receivables and/or contract assets balances with these funds in respect of management and performance fees.

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

Funding of unconsolidated structured entities

The structured entities generally raise funds from third-party clients through one-off or ongoing fundraising. BMO GAM promotes the external fundraising in these funds through marketing activity but does not generally invest directly into these funds. The structured entities can either be open-ended or closed-ended funds. Open-ended funds are variable in size depending on levels of creations and cancellations, whereas closed-ended funds have one-off fundraising. These vehicles are fundamentally financed through the issue of shares or units to investors, although some funds have the ability to obtain external loan financing, known as gearing. No exposure to external loan financing existed at 31 October 2019 or 31 October 2018.

Nature of risks associated with unconsolidated structured entities

The Group does not consider itself to be exposed to significant risks from its operation or management of unconsolidated structured entities, although it does face some risks. The main risk is a loss of management fees, if either clients withdraw their funds from the structured entities, or fund values are negatively impacted by financial markets, both of which would reduce the net asset value of these funds. Achieving good investment performance and providing excellent client service are major elements in the management of this risk. The majority of management fees are quantified by reference to AUM.

The Group generally has limited direct exposure to the value of the assets it manages within these investment funds. However, the stock of units and shares is an exception to this, in that the BMO AM (H) Group holds units which are generally traded within a short time frame, with a view to facilitating the liquidity process of the creation or liquidation of units in certain funds. The Group sets financial limits to restrict its maximum financial exposure to its stock of units. Details of such limits are given on page 82. The Group also has a direct interest in certain SICAVs through its seed capital investments. The Group limits the aggregate value of seed capital investments held. The Group receives the majority of its management and performance fees directly from the unconsolidated structured entities it manages and will therefore have direct credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk.

The BMO AM (H) Group also has the following risk exposures associated with unconsolidated structured entities:

- The Group offers limited investment protection to investors in certain funds, for which the Group has offset any exposure by means of its reinsurance arrangements. Further details are disclosed in note 19.
- The Group may have its fees restricted by 'Total Expense Ratio' clauses in relation to certain funds, which cap specific costs borne by these funds.

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

Pages 7 to 9 of the Strategic Report outline the key risks faced by the Group, together with the factors mitigating the potential impact of these risks.

37. Disclosure of interests in other entities continued

Size of structured entities

The total gross AUM in respect of unconsolidated structured entities at the reporting dates are as follows:

	31 October 2019 £bn	31 October 2018 £bn
Structured entity type		
Non-UK open-ended funds	29.4	29.2
UK open-ended funds	9.0	9.6
Closed-ended funds	0.5	0.4
	38.9	39.2

The following tables summarise the carrying values recognised in the Statement of Financial Position of the BMO AM (H) Group in relation to its interests in unconsolidated structured entities:

As at 31 October 2019

Statement of Financial Position asset/(liability) line item	Non-UK open-ended funds £m	UK open-ended funds £m	Closed- ended funds £m	Total	
				Assets £m	Liabilities £m
Financial investments (FVTPL)	0.1	-	3.4	3.5	-
Stock of units and shares	-	-	-	-	-
Trade and other receivables	7.0	5.3	1.3	13.6	-
Trade and other payables	(2.0)	(1.2)	-	-	(3.2)
	5.1	4.1	4.7	17.1	(3.2)

As at 31 October 2018

Statement of Financial Position asset/(liability) line item	Non-UK open-ended funds £m	UK open-ended funds £m	Closed- ended funds £m	Total	
				Assets £m	Liabilities £m
Financial investments (FVTPL)	0.2	-	3.4	3.6	-
Stock of units and shares	-	0.6	-	0.6	-
Trade and other receivables	7.3	5.6	1.2	14.1	-
Trade and other payables	(2.2)	(0.5)	-	-	(2.7)
	5.3	5.7	4.6	18.3	(2.7)

At 31 October 2019 the BMO AM (H) Group also has indirect exposure from its UK defined benefit pension plan holdings of £343.9m (31 October 2018: £295.6m) in unconsolidated structured entities managed by the Group.

In addition to the balances due to/from structured entities, noted above, the Group also has receivables connected with the creation or liquidation of units in funds, which are settled within a short time frame. At 31 October 2019 these balances totalled £108.4m (31 October 2018: £56.9m). These balances can fluctuate significantly with the creation or liquidation of units. The risk of non-payment is assessed as minimal as these are generally settled within a few days.

Maximum exposure to loss

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

Non-contractual support provided to structured entities

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

On a few occasions, for commercial reasons, the Group has opted to fund unsettled trades in respect of the creation of units, although it has no contractual commitment to do so.

37. Disclosure of interests in other entities continued

Losses incurred

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

Income from interests in unconsolidated structured entities

The following table presents the BMO AM (H) Group's net operating revenue received from its interests in unconsolidated structured entities:

Management and performance fees

Structured entity type	Year ended	Year ended
	31 October	31 October
	2019	2018
	£m	£m
UK open-ended funds	52.7	54.9
Non-UK open-ended funds	23.3	27.5
Closed-ended funds	3.5	3.0
	79.5	85.4

(d) Interests in sponsored entities

Certain entities are designed so that voting or similar rights are the dominant factor in deciding who controls the entity. A number of such entities also have an independent board of directors.

However, the BMO AM (H) Group considers itself the sponsor of an entity when it is involved in determining the design and purpose of the entity, the Group markets products associated with the entity, the Group operates the entity for its asset management activities, or when the funds use the branding of the Group. The Group is also directly responsible for the investment management, and involved in the operation and administration of the sponsored entity; however, ultimately control of the entity rests with the respective fund Board and its shareholders or investors.

The BMO AM (H) Group considers the following funds to be sponsored entities: certain Investment Trust clients and certain property funds.

Management and performance fees

Sponsored entity type	Year ended	Year ended
	31 October	31 October
	2019	2018
	£m	£m
Closed-ended funds	53.1	58.2

38. Related party transactions

In the ordinary course of business, the Group carried out transactions with related parties, as defined by IAS 24 Related Party Disclosures.

The subsidiary and related undertakings of the Company are shown in note 36.

During the year, the Group entered into the following transactions with related parties:

(a) Compensation of key management personnel of the Group

In aggregate these are set out below:

	Total	Outstanding at	Total	Outstanding at
	compensation	31 October	compensation	31 October
	for the year	31 October	for the year	31 October
	ended	2019	ended	2018
	31 October	£m	31 October	£m
	2019	£m	2018	£m
Short-term employee and member benefits	15.9	8.7	16.6	9.7
Post-employment benefits	0.3	-	0.4	-
Share-based payments	9.3	-	16.4	-
Total compensation	25.5	8.7	33.4	9.7

Key management personnel comprise:

- Directors of all principal companies in the Group;
- Members of the EMEA Regional Committee team; and
- Members of BMO REP's Executive Committee.

38. Related party transactions continued

Where key management personnel participate in defined benefit pension schemes which have been accounted for as such under IAS 19, the amount included as compensation reflects the current service and/or past service cost for the relevant year. Where key management personnel are members of multi-employer defined benefit arrangements or defined contribution schemes, the benefits shown reflect the contributions payable for each year.

The share-based payments disclosed in the table above reflect the value of any share-based payments vesting during the year.

(b) Transactions and balances with Group related parties

Transactions with related parties during the years ended 31 October 2019 and 31 October 2018 and outstanding balances with these parties as at 31 October 2019 and 31 October 2018 are disclosed below, by each group of related parties.

(i) Related party transactions with BMO Financial Group companies

BMO is the ultimate parent undertaking and all transactions between the BMO AM (H) Group and the wider BMO Financial Group are considered to be related party transactions.

The BMO AM (H) Group and the wider BMO Financial Group recharge each other for investment management and distribution services as well as administration and other services. The BMO AM (H) Group also receives interest on bank deposits with entities in the wider BMO Group. Details of these transactions and outstanding balances are disclosed below:

	Total invoiced and accrued during the year ended 31 October 2019 £m	Outstanding at 31 October 2019 £m	Total invoiced and accrued during the year ended 31 October 2018 £m	Outstanding at 31 October 2018 £m
Investment management and distribution services provided to BMO	12.1	1.4	10.0	1.2
Investment management and distribution services received from BMO	(5.9)	(1.5)	(2.2)	(1.0)
Administration and other services provided to BMO	7.2	2.2	6.2	5.1
Administration and other services received from BMO	(3.2)	(0.4)	(2.7)	(0.6)
Bank deposit interest receivable from BMO	-	-	0.1	-
Bank interest and charges payable to BMO	(1.0)	(0.1)	(1.0)	(0.1)

The BMO AM (H) Group also held bank deposits with the BMO Financial Group as follows:

	31 October 2019 £m	31 October 2018 £m
Bank deposit balances with BMO Ireland	18.2	21.2

(ii) Transactions with former minority partners**BMO Real Estate Partners LLP**

BMO Asset Management (Holdings) plc has made carried interest investments in each of F&C REIT Carry LP, F&C REIT Carry 3 LP, F&C REIT Carry 4 LP, F&C REIT Carry 5 LP, F&C REIT Carry 6 LP, F&C REIT Carry 8 LP and BMO REP Carry 9 LP. These LPs and the underlying funds are managed by the former minority partners of BMO Real Estate Partners LLP. These investments will entitle the Company to a share of any future carried interest arising from the management of Club Deals LPs. No carried interest distributions were received from these LPs in 2019 (2018: nil).

(iii) Post-employment benefit plans

The Group operates and participates in several post-employment benefit plans as detailed in note 30.

The amounts contributed by the Group to the defined benefit plans and the amounts outstanding at 31 October 2019 and 31 October 2018 were as follows:

	Employer contributions in the year ended 31 October 2019 £m	Outstanding at 31 October 2019 £m	Employer contributions in the year ended 31 October 2018 £m	Outstanding at 31 October 2018 £m
F&C Asset Management Pension Plan	1.9	-	2.2	-
BMO Asset Management Netherlands pension plan	0.6	0.2	0.5	-
BMO GAM Switzerland pension plan	0.1	-	0.1	0.1
	2.6	0.2	2.8	0.1

38. Related party transactions continued

In addition to the above, the BMO AM (H) Group has an unfunded obligation to provide a former Chairman, Mr RW Jenkins, with a pension as detailed in note 30.

BMO GAM manages certain of the assets of the FCAM Plan. The assets of the FCAM Plan managed by BMO GAM totalled £355.4m at 31 October 2019 (31 October 2018: £312.2m).

The Group received the following investment management fees from this Plan:

	Fees receivable in the year ended 31 October 2019 £m	Outstanding at 31 October 2019 £m	Fees receivable in the year ended 31 October 2018 £m	Outstanding at 31 October 2018 £m
F&C Asset Management Pension Plan	0.2	-	0.2	-

The Group made payments of £0.5m in respect of administration fees of the FCAM Plan during the year ended 31 October 2019 (2018: £0.5m).

(iv) Other related party transactions

During 2019, Kristi Mitchem, the Company's CEO, purchased a company car for £22,500, its fair market value. This amount was included in other receivables as at 31 October 2019.

39. Commitments

Operating leases

The Group has the following future minimum rentals payable in respect of non-cancellable operating leases and other contracts at the year end:

	Premises		Other contracts	
	31 October 2019 £m	31 October 2018 £m	31 October 2019 £m	31 October 2018 £m
Within one year	7.1	8.3	0.4	0.4
Later than one year and not later than five years	16.8	19.1	0.4	0.2
Later than five years	9.6	12.8	-	-
	33.5	40.2	0.8	0.6

Commitments in respect of premises leases exclude service charges and other costs, which are variable in nature, and cannot be reliably estimated.

Obligations in respect of other contracts are stated gross and exclude amounts potentially recoverable from brokers under commission-sharing arrangements.

Sublease receivables

Future minimum rentals receivable under non-cancellable operating leases at the year end are as follows:

	Premises	
	31 October 2019 £m	31 October 2018 £m
Within one year	1.2	2.9
Later than one year and not later than five years	-	1.3
Later than five years	-	-
	1.2	4.2

39. Commitments continued**Other commitments**

A number of third-party administration services are provided under a contract with a fixed-term duration. The actual amounts payable under this contract varies according to the level of services received. The minimum amounts payable under the terms of the contract are as follows:

	Third-party administration	
	31 October 2019 £m	31 October 2018 £m
Within one year	–	3.5
Later than one year and not later than five years	40.3	40.4
Later than five years	17.8	17.8
	58.1	61.7

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

Capital commitments

There was no capital expenditure contracted for, but not provided for, in the Financial Statements at 31 October 2019 or 31 October 2018.

40. Guarantees

The Group has provided the following guarantees during the year ended 31 October 2019:

- The Group includes a number of General Partner entities which administer and manage a number of limited partnership funds. Under Scottish law, these General Partners have an unlimited liability exposure to their respective limited partnership funds. The net asset value of these funds at 31 October 2019 was £376m (31 October 2018: £261m).
- BMO Asset Management Netherlands B.V. has provided a lease guarantee for £0.1m (31 October 2018: £0.1m) to the landlord of its premises at Jachthavenweg 109E, 1081 KM Amsterdam.

No liability has been provided at either 31 October 2019 or 31 October 2018 in respect of these guarantees as the Directors do not expect these to be crystallised. In addition, no liability has been settled in respect of any of these guarantees during either year.

41. Contingent assets and liabilities**(a) Disputed entitlement to a performance fee**

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

The case was scheduled for trial by the courts in April 2020, but has been postponed as a result of COVID-19, and is awaiting a revised date.

While the Group has expensed all of the costs it has incurred to date which are connected with this claim, it has been estimated that the Group could incur costs upwards of €1.0m should the action be unsuccessful, although the actual quantum of costs would only be known once the outcome of the dispute is determined. The Group expects that 30% of any such costs would be recoverable from a third-party.

(b) Ongoing business operations

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

42. Ultimate parent undertaking and controlling party

The Group's immediate parent undertaking is BMO Global Asset Management (Europe) Limited, which is incorporated in England.

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

43. Events after the reporting period

(i) COVID-19

The principal risks and uncertainties included in the Strategic Report on pages 7 to 9 highlight the rapid expansion of COVID-19 across the globe. 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 Group as at the reporting date. However, it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the Group for the year to 31 October 2020 and potentially beyond that date. While the biggest impact is expected to be reduced revenues as a result of the impact of global markets on the value of the assets managed by the Group, it is not possible to estimate the overall future financial impact of COVID-19 on the Group, including whether there would be any impairment in the carrying value of the Group's assets, including goodwill, given the unpredictable nature of the outbreak and the inherent uncertainties. This uncertainty is also reflected in the going concern statement on page 28.

(ii) Share-based payment awards

The following awards were granted after the reporting date:

Award	Grant date	Vesting date	Vesting period	No. of units awarded	Grant value per unit
BMO RSU	16 December 2019	1 December 2022	36 months	212,282.81	CAD 100.82
BMO RSU	5 March 2020	1 December 2022	33 months	4,050.99	CAD 98.59

(iii) Notification of client withdrawals

Subsequent to the reporting date, BMO Portugal, Gestão de Patrimónios, S.A. (BMO Portugal), a Group subsidiary, received formal notice of termination of both its insurance clients and pension client mandates with effect from 1 July 2021. Those clients, classified as Strategic Partners, represent, directly or indirectly, some £12.5bn (or 99.9%) of assets managed by BMO Portugal as at 31 October 2019 and some £7.4m (or 99.8%) of revenue of BMO Portugal for the 2019 financial year. The Group is currently analysing the consequential impacts of the termination of these contracts on its business.

(iv) FCAM Pension Plan actuarial valuation

The FCAM Plan triennial actuarial valuation as at 31 March 2019 was completed in June 2020. The following provides an update to the disclosures applicable at the reporting date in note 30(e)(i).

Date of last actuarial valuation	31 March 2019
Scheme Actuary	Mercer Limited
Method of valuation	Projected Unit
Market value of assets at last valuation	£369.0m
Level of funding	108%

In addition, a revised Schedule of Contributions was agreed between the Trustees and the Group. With effect from 1 July 2020, the Group has agreed to pay a minimum of 42.1% of pensionable salaries in respect of ongoing benefit accrual. No further deficit recovery contributions are required. The Group has also agreed to meet the administrative expenses of the Plan up to an annual maximum of £0.6m, and to continue to meet the levies charged by the Pension Protection Fund and any life assurance premiums.

Company Financial Statements

for the year ended 31 October 2019

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The Consolidated Financial Statements of the BMO Asset Management (Holdings) plc Group, included on pages 23 to 99, have been prepared in accordance with International Financial Reporting Standards (IFRS).

Company Statement of Financial Position

as at 31 October 2019

(Company Number: SC73508)

	Notes	31 October 2019 £m	31 October 2018 £m
Assets			
Non-current assets			
Investments in subsidiaries	4	823.6	1,091.9
Loans receivable	7	101.5	110.7
Deferred tax assets	8	1.6	1.6
Trade and other receivables	9	0.5	0.5
Total non-current assets		927.2	1,204.7
Current assets			
Trade and other receivables	9	4.9	3.9
Financial investments	10	2.7	2.7
Cash and cash equivalents	11	0.2	0.1
Total current assets		7.8	6.7
Total assets		935.0	1,211.4
Liabilities			
Non-current liabilities			
Provisions	12	0.1	0.7
Deferred tax liabilities	8	0.2	0.2
Trade and other payables	13	-	0.4
Total non-current liabilities		0.3	1.3
Current liabilities			
Provisions	12	1.3	0.4
Trade and other payables	13	2.1	2.6
Total current liabilities		3.4	3.0
Total liabilities		3.7	4.3
Equity			
Share capital	16	0.9	0.9
Share premium account	17	406.6	406.6
Capital redemption reserve	17	0.8	0.8
Merger reserve	17	452.3	720.6
Capital contribution reserve	17	66.7	66.7
Retained earnings	17	4.0	11.5
Total equity		931.3	1,207.1
Total liabilities and equity		935.0	1,211.4

The Company Financial Statements were approved by the Board of Directors and authorised for issue on 22 July 2020. They were signed on its behalf by:



Kieran Poynter
Chairman

The accompanying notes to the Company Financial Statements form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the year ended 31 October 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
At 1 November 2017	0.9	406.6	0.8	720.6	66.7	11.5	1,207.1
Profit for the year and total comprehensive income	-	-	-	-	-	-	-
At 31 October 2018	0.9	406.6	0.8	720.6	66.7	11.5	1,207.1
Effect of adopting IFRS 9*	-	-	-	-	-	(8.1)	(8.1)
At 1 November 2018 (as restated)	0.9	406.6	0.8	720.6	66.7	3.4	1,199.0
Loss for the year and total comprehensive expense	-	-	-	-	-	(267.7)	(267.7)
Transactions with owners:							
Transfer from merger reserve in respect of impairment of investments in subsidiaries [#]	-	-	-	(268.3)	-	268.3	-
At 31 October 2019	0.9	406.6	0.8	452.3	66.7	4.0	931.3

* As detailed on page 104.

Further details of the transfer from the merger reserve to retained earnings are disclosed in note 4.

The loss after tax of the Company for the year ended 31 October 2019 was £267.7m (2018: profit after tax of £39,000). This includes £268.3m of impairment in respect of investments in subsidiaries in 2019 (2018: £nil). No items have been recognised in other comprehensive income or expense in either 2019 or 2018.

Entity Information

BMO Asset Management (Holdings) plc is a public limited company limited by shares in terms of the Companies Act 2006, and is registered in Scotland (registered number SC73508) and domiciled in the United Kingdom. The Company's registered office is 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG and its principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.

Company Accounting Policies

Basis of preparation and statement of compliance with FRS 101

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

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

The Company's Financial Statements are presented in millions of pounds Sterling (£m), rounded to one decimal place, except where otherwise indicated.

In accordance with section 408 of the Companies Act 2006, a separate Income Statement for the Company is not presented.

In the application of FRS 101, the Company has applied the following disclosure exemptions on the basis that equivalent disclosure is provided in the Consolidated Financial Statements on pages 23 to 99:

- (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, with the exception of financial instruments measured at fair value;
- (d) The effects of new but not yet effective IFRSs;
- (e) Disclosures of key management personnel compensation;
- (f) Disclosures of comparative information for property, plant and equipment;
- (g) Disclosures of comparative information for intangible assets; and
- (h) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Measurement convention

The Financial Statements are prepared under the historical cost convention, with the exception of 'financial investments' and 'investments in subsidiaries: capital investments in carried interest vehicles', which are measured at fair value through profit or loss (FVTPL).

Going concern

The Group's business 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 14. The financial position of the Group and its cash resources are also described in the Strategic Report. In addition, the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit, liquidity and market risks are disclosed in note 34 to the Group Financial Statements.

The Company has net assets that support the Directors' assessment that the Company has adequate resources to continue in business for at least 12 months from the date of approval of the Financial Statements. However, as explained in the Group's Managing Principal Risks and Uncertainties section of the Strategic Report on page 7 and in note 25, events after the reporting period, COVID-19 has had and will continue to have an impact on the operations and financial results of the Company and the Group for the year to 31 October 2020 and potentially beyond. However, due to the inherent uncertainties it is not possible to quantify the impact of these on the Company or the Group. As part of the Directors' assessment of going concern they have considered, as best they can, the potential impacts of COVID-19 on the Company and Group. While there can be no absolute certainty, having considered the current results of the Company and Group, the potential impact of COVID-19 on the Company and Group's results and operations and the current liquidity and net assets of the Company and the Group, the Directors are satisfied that it remains a reasonable assumption that the Company has sufficient resources to meet both its working capital for at least 12 months from the date of approval of the Financial Statements, even although there is a risk that losses could be incurred by the Company during that period. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

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.

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. Revenue is recognised as performance obligations are satisfied.

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 adoption of IFRS 15 has had no impact on the timing or measurement of revenue recognition of the Company.

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.

IFRS 9 Financial instruments

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

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

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

	Note	Decrease £m
Non-current assets		
Loans receivable	(b)	(8.1)
Total impact on assets		(8.1)
Equity		
Retained earnings	(b)	(8.1)
Total impact on equity		(8.1)

The total adjustment shown above has been recognised in equity at 1 November 2018, as shown on page 102.

The nature of this adjustment is described below:

(a) Classification and measurement

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

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

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

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

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

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

(b) Impairment

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

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's loan receivable of £8.1m at 1 November 2018. Note 7 provides further disclosures on the Company's loan receivable.

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

	Allowance for impairment under IAS 39 as at 31 October 2018 £m	Remeasurement £m	ECL allowance under IFRS 9 as at 1 November 2018 £m
Loans and receivables under IAS 39/Loans receivable measured at amortised cost under IFRS 9	8.9	8.1	17.0

No ECL allowance was recognised on the Company's trade or other receivables or cash and cash equivalents as the amounts were considered immaterial.

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

- Significant estimation has been exercised around the assumptions applied in the impairment review of investments in subsidiaries. Future estimates of subsidiary entities cash flows and profitability are based on budgets and forecasts which are inherently uncertain in nature. In addition, discount rates applied to future cash flows and growth rates to revenues and expenses have been applied. Any changes to these assumptions would lead to a change in the quantification of impairment recognised. Further details of the impairment and assumptions used are disclosed in note 4.
- The calculation of the allowance for ECLs on the Company's loans receivable balance, as disclosed in note 7, involves estimation uncertainty. 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.
- Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the expected timing and quantum of future taxable profits, as estimated at each reporting date. Details of recognised and unrecognised deferred tax assets are disclosed in note 8.
- Management estimation is required when determining the assumptions used to measure the fair value of carried interest investments in subsidiaries, as disclosed in note 18.

Summary of significant accounting policies

(a) Foreign currencies

The Company's Financial Statements are presented in pounds Sterling, the Company's functional and presentational currency.

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

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the

exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement. Similarly, when fair value movements in assets and liabilities are reflected directly in equity, the corresponding exchange movements are also recognised directly in equity.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the date the fair value was determined.

(b) 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 Company's accounting policy for recognising revenue.

A contract with a customer is a formal agreement, specifying the services (known as performance obligations) to be performed. Revenue comprises fees for shared services and administration services provided to subsidiaries. Fees are recognised in the Income Statement over the period for which these services are provided.

(c) Dividend recognition

Dividends receivable and payable are recognised only when they have been declared and approved or at the date of payment for interim dividends. Dividends paid are deducted from reserves in the year of payment.

(d) Current versus non-current classification

The Company presents assets and liabilities in the Statement of Financial Position based on current or non-current classifications. An asset is current if it is expected to be realised within twelve months after the reporting date or held for the purpose of trading. A liability is current if it is due to be settled within twelve months after the reporting date or held for the purpose of trading. All other assets or liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current.

(e) Investments in subsidiaries

The components of investments in subsidiaries are held at either fair value or cost less any applicable provision for impairment. The elements are accounted for as follows:

- Direct investments in subsidiaries and capital contributions are held at cost less any applicable provision for impairment.
- A capital contribution arising from equity-settled share-based payments is recognised in accordance with IFRS 2 Share-based Payment, where no cash contributions are made by the subsidiaries. This amount is credited to a capital contribution reserve in equity. The Company recharged subsidiaries for certain awards where it satisfied these equity-settled awards with its own shares.

The investments in subsidiaries relating to carried interest investments are recognised at FVTPL. The Company makes capital contributions into the carried interest Limited Partnerships (LPs), which are consolidated by the Group, and is entitled to carried interest from these contributions.

The Company assesses investments in subsidiaries held at cost 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.

(f) Intangible assets

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

Software – 3 years

Licences – 3 years (or over contractual term)

Subsequent expenditure on capitalised software and licences is expensed as incurred. Software or licences are derecognised upon disposal or when no further future economic benefits are expected from their use.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

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

Leasehold improvements – 10 years

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

(h) Financial instruments

IFRS 9 Financial Instruments accounting policy for the year ended 31 October 2019

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI and FVTPL.

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

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

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

The Company has determined that its financial assets, with the exception of financial investments, relate to collecting cash flows.

Subsequent measurement

The Company's financial assets are classified into the categories described below based on its business model for these assets:

(i) Financial assets at amortised cost (debt instruments)

Subsequent to initial recognition, financial assets at amortised cost are measured using the EIR method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired. The Company's financial assets at amortised cost consist of loans owed by group subsidiaries, trade receivables, amounts owed by Group subsidiaries, group relief receivable, other receivables, and cash and cash equivalents.

(ii) Financial instruments at fair value through profit or loss

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised either as finance income or finance expenses in the Income Statement in the period in which they arise. These assets comprise NIC Hedge investments and further details of the fair value measurement are disclosed in accounting policy (j).

Derecognition of financial assets

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

Impairment of financial assets

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

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For loans receivable, the Company uses a discounted cash flow model to determine the lifetime ECL. This model assesses the maximum credit exposure, taking in to account inputs concerning probabilities of default.

The corresponding movements in the ECL allowances are recognised in profit and loss.

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

ii) Financial liabilities**Initial recognition and measurement**

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

The Company's financial liabilities consist of accruals, amounts owed to Group subsidiaries and 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.

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.

iv) Financial guarantees

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

Changes to classifications of financial assets and liabilities compared to the classification under the previous year's accounting policy are disclosed on page 104. 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 accounting policy for impairment of financial assets applicable to the comparative period ended 31 October 2018 was as follows:

Impairment of financial assets

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

(i) Carried interest entitlement

The Company has a number of investments, which provide it with carried interest entitlements, which are typically linked to the investment performance of the underlying funds exceeding long-term hurdle rates. In a number of instances a share of such 'carry' falls to the benefit of the individual members. The Company recognises the fair value of its share of carried interest investments in the respective Founder Partners.

These carried interest investments are classified as FVTPL within investments in subsidiaries.

(j) Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, as described in note 18, and based on the lowest level input that is significant to the fair value measurement as a whole.

Carried interest investments are valued in accordance with the underlying property or private equity fund valuations and the underlying partnership agreements.

The fair value of instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices (mid price for Open-Ended Investment Companies (OEICs)) at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation methodologies, as described below.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held on call with banks.

(l) Deferred tax

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, except in respect of taxable or deductible temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is

probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits is also considered, based on tax rates and tax laws that have been substantively enacted or 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.

Deferred tax assets and liabilities are only offset if the Company has a legally enforceable right to offset.

(m) Leases

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

All leases entered into by the Company are operating leases, being leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. Rentals paid under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised by the Company as a reduction in the rental expense, allocated on a straight-line basis over the lease term. Accounting policy '(o) Provisions' discusses the recognition of provisions on onerous property leases when the leased space has ceased to be occupied by the Company.

(n) Accounting for Employee Benefit Trusts (EBTs)

The Company sponsors an EBT which owns or holds investments to enable it to satisfy future settlements of employee benefits. The assets of the EBT, which relate to unsettled awards, are consolidated into the Company's results. Investments held by the EBT are recognised as assets at fair value in the Statement of Financial Position.

(o) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

Where the Company expects some or all of a provision to be recovered from external parties, the recovery is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the Company has obligations under property leases, and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected subletting arrangements.

(p) Share capital

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the Statement of Financial Position, measured initially at fair value, net of transaction costs and thereafter at amortised cost until extinguished, on conversion or redemption.

The remainder of the issue proceeds is allocated to the equity component and included in shareholder's equity, net of transaction costs.

Notes to the Company Financial Statements

1. Auditor's remuneration

Amounts received by the Company's auditor in respect of services to the Company have not been disclosed as the Group-wide information is disclosed in note 6(c) to the Consolidated Financial Statements on page 52.

2. Directors' remuneration

Details of Directors' remuneration for services provided to the Group (which includes the Company) are as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Aggregate emoluments and amounts received under long-term incentive schemes	6.0	10.5
Aggregate contributions paid to defined contribution pension schemes	-	-

	Year ended 31 October 2019 No.	Year ended 31 October 2018 No.
Members of defined contribution pension schemes	2	2
Directors whose qualifying services to the Company were rewarded under long-term incentive schemes	2	2

The amounts in respect of the highest paid Director are as follows:

	Year ended 31 October 2019 £m	Year ended 31 October 2018 £m
Aggregate emoluments and amounts received under long-term incentive schemes	3.8	7.4
Contributions paid to defined contribution pension schemes	-	-

The highest paid Director received share awards in respect of qualifying services to the Company under a long-term incentive scheme during the year.

The Company has no employees (including Directors) under a contract of employment, with all Group employees employed by other subsidiary companies.

3. Dividends

No dividends were declared, paid or proposed during the year ended 31 October 2019 (2018: nil).

4. Investments in subsidiaries

	£m
Cost:	
At 31 October 2017	1,277.5
Additions ⁽ⁱ⁾	10.0
Distributions from carried interest vehicles	(0.9)
Fair value gains	0.4
At 31 October 2018	1,287.0
Distributions from carried interest vehicles	(0.2)
Fair value gains	0.2
At 31 October 2019	1,287.0
Cumulative impairment:	
At 31 October 2017 and 31 October 2018	(195.1)
Impairment in the year	(268.3)
At 31 October 2019	(463.4)
Net book values:	
At 31 October 2018	1,091.9
At 31 October 2019	823.6

⁽ⁱ⁾ Capital injections of £8.0m in to BMO AM Treasury Limited and £2.0m in to BMO Investment Business Limited.

4. Investments in subsidiaries continued

Investments in subsidiaries comprises the following elements:

	Note	31 October 2019 £m	31 October 2018 £m
Carried at cost less impairment:			
Direct investments in subsidiaries		749.8	1,018.1
Equity-settled share-based payment awards made by subsidiaries		71.1	71.1
Capital contributions		1.4	1.4
Carried at fair value:			
Capital investments in carried interest vehicles	18	1.3	1.3
		823.6	1,091.9

The carrying value of investments in subsidiaries in the Investment Management cash-generating unit (CGU) was tested for impairment as at 31 October 2019 due to an indicator of potential impairment arising in the Investment Management CGU, following the annual goodwill impairment review undertaken at Group level, as disclosed in note 13 to the Consolidated Financial Statements. There was no such indicator of impairment in the BMO REP CGU.

While there was no goodwill impairment in the Group, an impairment loss of £268.3m (2018: £nil) arose in investments in the Investment Management CGU subsidiaries, with this impairment being recognised in profit and loss.

The recoverable amount of the Investment Management CGU asset, to which the carrying value has been written down, is based on value in use, calculated using management's latest five-year forecast, a discount rate of 11.80% and other estimates and assumptions which are consistent with those used in the Group goodwill impairment review. The impairment has primarily arisen due to a reduction in investment management revenue over the forecast period, combined with the impact of the relatively high discount rate compared with recent years.

During 2019, an amount of £268.3m (2018: £nil) was transferred from the merger reserve to retained earnings in respect of this impairment, as disclosed in the Company Statement of Changes in Equity on page 102, as the impairment related to subsidiaries which were acquired via the issue of shares which resulted in the creation of the related merger reserve.

5. Intangible assets

	Software and licences £m
Cost:	
At 1 November 2018	0.2
Disposals in the year	(0.2)
At 31 October 2019	-
Depreciation:	
At 1 November 2018	0.2
Disposals in the year	(0.2)
At 31 October 2019	-
Net book values:	
At 31 October 2018	-
At 31 October 2019	-

The cost of fully amortised software and licences which are still in use at 31 October 2019 is £nil (31 October 2018: £0.2m).

6. Property, plant and equipment

	Leasehold improvements £m
Cost:	
At 31 October 2018 and 31 October 2019	0.8
Depreciation:	
At 31 October 2018 and 31 October 2019	0.8
Net book values:	
At 31 October 2018 and 31 October 2019	-

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

The cost of fully depreciated property, plant and equipment which is still in use at 31 October 2019 is £0.8m (31 October 2018: £0.8m).

7. Loans receivable

	31 October 2019 £m	31 October 2018 £m
Non-current:		
Loans owed by Group subsidiaries	117.4	119.6
Allowance for ECLs/impairment provision	(15.9)	(8.9)
	101.5	110.7

As at 31 October 2019, loans owed by Group subsidiaries include a loan of £107.9m (31 October 2018: £110.1m) to BMO AM Treasury Limited which bears interest at three-month LIBOR minus 0.25%, and a loan of £9.5m (31 October 2018: £9.5m) to F&C Alternative Investments (Holdings) Limited which is not subject to interest. The loan to F&C Alternative Investment (Holdings) Limited had an impairment provision of £8.9m at 31 October 2018. Both loans are unsecured and repayable on demand. However, the Company does not expect to receive repayment of these loans within the next year.

The loans owed by Group subsidiaries have no external credit rating and the carrying amounts, as disclosed above, represent the Company's maximum exposure to credit risk.

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

As disclosed on page 104, on adoption of IFRS 9 the Company recognised an additional ECL allowance on the Company's loans receivable at 1 November 2018 of £8.1m, resulting in a total ECL allowance of £17.0m at that date. The ECL allowance was reduced by £1.1m during the year ended 31 October 2019 resulting in an ECL allowance of £15.9m at 31 October 2019.

8. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 October 2019			31 October 2018		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Unused tax losses	1.0	-	1.0	1.0	-	1.0
Property, plant and equipment	0.6	-	0.6	0.6	-	0.6
Fair value of carried interest investment	-	(0.2)	(0.2)	-	(0.2)	(0.2)
Deferred tax assets/(liabilities)	1.6	(0.2)	1.4	1.6	(0.2)	1.4

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

8. Deferred tax assets and liabilities continued**(b) Movement in temporary differences during the year**

	1 November 2018 £m	Tax (expense)/ income recognised in profit or loss £m	31 October 2019 £m
Unused tax losses	1.0	–	1.0
Property, plant and equipment	0.6	–	0.6
Fair value of carried interest investments	(0.2)	–	(0.2)
	1.4	–	1.4

	1 November 2017 £m	Tax (expense)/ income recognised in profit or loss £m	31 October 2018 £m
Unused tax losses	1.2	(0.2)	1.0
Property, plant and equipment	0.7	(0.1)	0.6
Receivables, payables and provisions	0.1	(0.1)	–
Fair value of carried interest investments	(0.3)	0.1	(0.2)
	1.7	(0.3)	1.4

(c) Unrecognised deferred tax assets

At 31 October 2019 the Company has unrecognised tax losses of £1.9m (31 October 2018: £1.9m losses). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around whether there will be sufficient taxable profits that will arise in the Company against which the losses can be offset and when such profits would arise.

9. Trade and other receivables

	31 October 2019 £m	31 October 2018 £m
Non-current:		
Other receivables	0.5	0.5
Current:		
Amounts owed by group subsidiaries	3.9	2.9
Prepayments	0.6	0.5
Group relief receivable	0.2	0.1
Trade receivables	0.1	0.3
VAT receivable	0.1	0.1
	4.9	3.9

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.

The Company determined that the ECL on trade receivables and other receivables were immaterial at both reporting dates.

10. Financial investments

The following assets are classified as FVTPL:

	Note	2019 £m	2018 £m
NIC Hedge			
At 1 November		2.7	3.0
Disposals in the year		–	(0.3)
At 31 October	18	2.7	2.7

Further details of the NIC hedge investment are disclosed in note 17(a) to the Consolidated Financial Statements, on page 59.

There are no restrictions on the Company's title to the above assets and none are pledged as security. However, the investments have been ring-fenced within an Employee Benefit Trust to settle employee benefit liabilities.

11. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 October 2019 £m	31 October 2018 £m
Cash at bank and in hand	0.2	0.1

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The Company determined that the ECLs 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.

12. Provisions

	Onerous premises contracts £m	Pension Plan guarantee £m	End of lease Dilapidations £m	Total £m
At 1 November 2017	1.4	0.4	-	1.8
Utilised during the year	(0.5)	-	-	(0.5)
Released during the year	-	(0.2)	-	(0.2)
At 31 October 2018	0.9	0.2	-	1.1
Provided during the year	0.3	-	0.5	0.8
Utilised during the year	(0.4)	-	-	(0.4)
Released during the year	-	(0.1)	-	(0.1)
At 31 October 2019	0.8	0.1	0.5	1.4
At 31 October 2019:				
Non-current liabilities	-	0.1	-	0.1
Current liabilities	0.8	-	0.5	1.3
At 31 October 2018:				
Non-current liabilities	0.5	0.2	-	0.7
Current liabilities	0.4	-	-	0.4

Onerous premises contracts

The Company holds all properties under operating leases. This includes a number of sublet properties which were previously occupied by the Company. Provision has been made for the residual lease commitments, where significant, after taking into account existing and expected subtenant contractual arrangements. The remaining lease terms are due to expire in 2020.

All leases and subleases are for minimum guaranteed rentals. The provision is subject to uncertainties within the lease arrangements. In addition, exposure could exist if an existing tenant defaulted or went into liquidation or administration.

Pension Plan guarantee

The Company has agreed to provide the F&C Asset Management Pension Plan (FCAM Plan) Trustees with a guarantee that, should BMO Asset Management (Services) Limited, a subsidiary undertaking, become insolvent, the Company will make available an amount up to the lower of:

- the cost of securing members' benefits with an insurance company in excess of the valuation of the assets of the FCAM Plan (the 'solvency deficit'); and
- £140.0m.

The provision represents the actuarial estimate of the fair value of the guarantee at 31 October 2019 and 31 October 2018, taking into consideration the likelihood of insolvency of BMO Asset Management (Services) Limited.

This guarantee was replaced by a new guarantee subsequent to the reporting date. Details are disclosed in note 25(ii).

End of lease dilapidations

The Company has obligations to reinstate certain premises back to their original condition when the lease expires. While the leases expire in 2020, the exact quantum and timing of this remedial work is inherently difficult to estimate given its nature.

13. Trade and other payables

	31 October 2019 £m	31 October 2018 £m
Non-current:		
Accruals	-	0.4
Current:		
Accruals	1.3	1.5
Other payables	0.6	0.7
Amounts owed to group subsidiaries	0.2	0.4
	2.1	2.6

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

14. Interest-bearing loans and borrowings**Borrowing facilities****Credit facility**

The Company has a credit facility with Bank of Montreal for £173.0m, which is available until 20 December 2021. Interest on any drawdowns are charged at LIBOR +2% per annum. Any undrawn facility is charged at 0.5% per annum.

No drawdowns were made on this facility during the years ended 31 October 2019 or 31 October 2018.

15. Pension commitments

The sponsoring company and principal employer for the FCAM Plan is BMO Asset Management (Services) Limited. The Company has provided a guarantee in respect of this Plan, further details of which are described in note 12.

16. Share capital

	31 October 2019		31 October 2018	
	No. of shares	£m	No. of shares	£m
Authorised shares:				
Ordinary shares of 0.1p	1,000,000,000	1.0	1,000,000,000	1.0
Deferred share capital of 0.1p	100	-	100	-
Issued and fully paid:				
Equity interests				
Ordinary shares of 0.1p	879,834,265	0.9	879,834,265	0.9
Non-equity interests				
Deferred share capital of 0.1p	1	-	1	-

BMO Global Asset Management (Europe) Limited, a subsidiary of Bank of Montreal and the Company's immediate parent, holds the deferred share and all Ordinary shares.

The holders of Ordinary shares are: entitled to receive dividends as declared from time to time; entitled to capital distribution rights (including on a winding-up); and entitled to one vote per share at meetings of the Company. The Deferred share confers all the rights of an Ordinary share, except it has no entitlement to dividends or other distributions, no entitlement to capital distributions (including on a winding-up) other than the amount paid on the share, and no right to attend or vote at any general meeting.

17. Reserves

The analysis of movements in reserves is disclosed within the Company Statement of Changes in Equity on page 102.

Nature and purpose of reserves:

Share premium account

The share premium account is used to record the issue of share capital in excess of par value.

Capital redemption reserve

The capital redemption reserve is used to maintain the capital of the Company when shares are bought back or redeemed and subsequently cancelled without Court approval.

Merger reserve

The merger reserve is used to record share premium on shares issued by way of consideration in respect of acquisitions.

Transfers between the merger reserve and retained earnings are permitted in respect of impairment of investments in subsidiaries where the original acquisition consideration was by issue of shares.

Capital contribution reserve

The capital contribution reserve was used to record equity-settled share-based payment awards issued by the Company's subsidiaries, less certain amounts recharged to the subsidiaries, where the Company previously settled awards in its own equity.

Retained earnings

Retained earnings comprise:

- net profits and losses recognised through the Income Statement;
- transactions relating to settlement of share-based payment awards by subsidiaries;
- dividend distributions to equity holders;
- actuarial gains and losses recognised on pension obligations;
- deferred tax on actuarial gains and losses;
- the purchase and sale of own shares;
- the allotment of share capital for non-cash consideration; and
- transfers from the merger reserve.

18. Fair value measurement

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by category of valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers between categories generally occur when the status of available prices changes.

Fair value measurement

In the Directors' opinion there are no discernible differences between the amortised cost carrying amounts and the fair values of the loans receivable, trade and other receivables, cash and cash equivalents and trade and other payables balances disclosed, due to the short-term maturities of these financial instruments.

The following tables provide the fair value measurement hierarchy of the Company's other financial assets and liabilities, together with their carrying amounts shown in the Statement of Financial Position.

There were no transfers between the Level 1, 2 and 3 hierarchies during 2019 or 2018.

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2019:

	Carrying amount at 31 October 2019 £m	Fair value at 31 October 2019 £m	Fair value measurement		
			Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value					
Financial assets at FVTPL:					
Financial investments (note 10)	2.7	2.7	0.9	1.8	-
Investments in subsidiaries					
- capital investments in carried interest vehicles (note 4)	1.3	1.3	-	-	1.3
	4.0	4.0	0.9	1.8	1.3

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2018:

	Carrying amount at 31 October 2018 £m	Fair value at 31 October 2018 £m	Fair value measurement		
			Level 1 £m	Level 2 £m	Level 3 £m
Assets measured at fair value					
Financial assets at FVTPL:					
Financial investments (note 10)	2.7	2.7	0.7	2.0	-
Investments in subsidiaries					
- capital investments in carried interest vehicles (note 4)	1.3	1.3	-	-	1.3
	4.0	4.0	0.7	2.0	1.3

Fair values of assets and liabilities

The above tables disclose the financial instruments which are measured at fair value.

The Level 1 assets are valued using quoted prices in active markets. These are listed funds or equities and assets with daily quoted prices which are traded on recognised exchanges.

The Level 2 assets have directly observable market inputs other than Level 1 inputs. These generally constitute pooled liquidity funds, offshore mutual funds, funds traded on 'over the counter' exchanges or funds not quoted on a daily basis.

The Level 3 assets are fair valued using inputs not based on observable market data and consist of direct holdings and carried interest holdings in private equity and property funds.

Valuation techniques, assumptions and inputs used to measure fair value

The following summarises the major methods and assumptions used in estimating the fair values of Level 1 financial instruments:

Financial investments

The fair value of the level 1 financial investments is based on quoted bid market prices at the reporting date without any deduction for transaction costs.

18. Fair value measurement continued

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs and fair value measurement	Inter-relationship between significant unobservable inputs and fair value
Financial investments measured at FVTPL	<p>OEICs, SICAVs and pooled liquidity funds: net asset value of the fund divided by the number of units, with the frequency of calculation determined on a fund by fund basis in accordance with the relevant fund rules.</p> <p>SICAVs are priced on a forward basis under a single swinging price regime once daily. The net asset value of the fund is dictated by the latest mid-market prices of the underlying securities.</p>	OEICs, SICAVs and pooled liquidity funds where some are not on quoted markets and some prices are calculated infrequently.	OEICs, SICAVs and pooled liquidity funds should have little impact on the fair value measurement.
Investments in subsidiaries – capital investments in carried interest vehicles	<p>Property and private equity carried interest investments: valued in accordance with property valuation techniques and International Private Equity and Venture Capital Valuation Guidelines.</p> <p>The carried interest valuation is based on the expected carried interest cash flows which are discounted by a risk premium over time. The underlying fund LP distributions and valuations determines when the carried interest threshold is met and the level of expected future cash flows.</p>	<p>The main assumptions used in the valuation methodology are:</p> <p>(a) Discount rates:</p> <ul style="list-style-type: none"> • 15% on private equity future cash flows where the rate of return threshold has been achieved and the carry conditions have been met. • 40% on private equity future cash flows where the rate of return threshold has not been achieved as the distributions to satisfy the carry conditions have not been made. <p>(b) The underlying fund investment valuations are determined in accordance with International Private Equity and Venture Capital Valuation Guidelines.</p>	<p>The estimated fair value of the carried interest investments and liabilities would increase or decrease if the:</p> <ul style="list-style-type: none"> • Underlying investments in the LP fund were realised at a significantly different amount to their valuation; • Timing of the carried interest distributions changed significantly; • Risk-adjusted discount rate was lower or higher; or • Valuation of the underlying property and private equity funds changed the valuation of the carried interest investments.

18. Fair value measurement continued

Level 3 assets measured at fair value on a recurring basis:

Fair value movements in the year	Note	Financial assets at FVTPL
		Investments in subsidiaries – capital investments in carried interest vehicles £m
At 1 November 2017		1.8
Total gains in profit or loss		0.4
Carried interest distributions to the Company		(0.9)
At 31 October 2018	4	1.3
Total gains in profit or loss		0.2
Carried interest distributions to the Company		(0.2)
At 31 October 2019	4	1.3

Total gains or losses included in the Company's profit and loss for the year are as follows:

Finance income	2019 £m	2018 £m
Investments in subsidiaries – capital investments in carried interest vehicles	0.2	0.4
Gain on financial instruments and non-financial assets measured at FVTPL	0.2	0.4

Sensitivities for Level 3 assets**Investments in subsidiaries – capital investments in carried interest vehicles**

The use of different assumptions in the valuation of the carried interest investments could lead to different measurements of fair value. Changing one or more of the significant unobservable inputs to reasonably possible alternative assumptions, holding the other inputs constant, would have the following effects on the profit or loss after taxation, through changes in fair value gains or losses:

31 October 2019	£m	£m
Fair value movement	+10%	-10%
Profit or loss impact	0.1	(0.1)
Discount rate movement	+5%	-5%
Profit or loss impact	(0.1)	0.1

19. Commitments**Operating leases**

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

	Premises	
	31 October 2019 £m	31 October 2018 £m
Within one year	1.9	3.3
Later than one year and not later than five years	–	1.6
Later than five years	–	–
	1.9	4.9

Commitments in respect of premises leases exclude service charges and other costs, which are variable in nature and cannot be reliably estimated.

19. Commitments continued**Sublease receivables**

Future minimum rentals receivable under non-cancellable operating leases at the year end are as follows:

	Premises	
	31 October 2019 £m	31 October 2018 £m
Within one year	1.2	2.9
Later than one year and not later than five years	-	1.3
Later than five years	-	-
	1.2	4.2

Capital commitments

There was no capital expenditure contracted for, but not provided for, in the Financial Statements at 31 October 2019 or 31 October 2018.

20. Subsidiary and related undertakings

Details of all subsidiary and related undertakings are disclosed in note 36 to the Consolidated Financial Statements on pages 90 to 92.

21. Related party transactions

The Company has taken exemption from the requirement to disclose related party transactions with wholly-owned members of the BMO Asset Management (Holdings) plc Group on the basis that these companies are included within the Consolidated Financial Statements of BMO Asset Management (Holdings) plc.

(a) Related party transactions with BMO Financial Group companies

Bank of Montreal is the ultimate parent undertaking. All transactions between BMO Asset Management (Holdings) plc and the wider BMO Financial Group are considered to be related party transactions, but are exempt from disclosure in the Company Financial Statements on the basis that all transactions are consolidated in the Financial Statements of BMO Financial Group.

(b) Transactions with entities which are not wholly owned**BMO Real Estate Partners LLP**

The Company has made carried interest investments in each of F&C REIT Carry LP, F&C REIT Carry 3 LP, F&C REIT Carry 4 LP, F&C REIT Carry 5 LP, F&C REIT Carry 6 LP, F&C REIT Carry 8 LP and BMO REP Carry 9 LP. These investments entitle the Company to a share of any future carried interest arising from the management of the Club Deals LPs.

22. Guarantees

The Company has provided the following as at 31 October 2019:

- A guarantee in respect of the FCAM Plan. A provision of £0.1m (31 October 2018: £0.2m) has been recognised in respect of this guarantee, details of which are disclosed in note 12.
- Guaranteed funding for its subsidiary BMO AM Treasury Limited (formerly F&C Treasury Limited) until 19 July 2020 for satisfying its liabilities. At 31 October 2019, BMO AM Treasury Limited had net liabilities of £123.4m.
- Guaranteed funding for its subsidiary F&C Alternative Investments (Holdings) Limited until 19 July 2020 for satisfying its liabilities. At 31 October 2019, F&C Alternative Investments (Holdings) Limited had net liabilities of £8.9m.
- Guaranteed funding for its subsidiary FP Asset Management Holdings Limited until 19 July 2020 for satisfying its liabilities. At 31 October 2019, FP Asset Management Holdings Limited had net liabilities of £0.8m.

The guaranteed funding for subsidiaries have not been recognised as a provision at 31 October 2019 or 31 October 2018 as the Directors consider it unlikely that there will be an outflow of economic benefits in respect of these guarantees.

23. Contingent liabilities**Ongoing business operations**

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

24. Parent undertaking and controlling party

The Company's immediate parent company is BMO Global Asset Management (Europe) Limited, which is registered in England.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is BMO Asset Management (Holdings) plc. The Consolidated Financial Statements are shown on pages 23 to 99.

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

25. Events after the reporting period

(i) COVID-19

The principal risks and uncertainties included in the Strategic Report on page 7 highlight the rapid expansion of COVID-19 across the globe. 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. However, it is inevitable that current events will have a direct or indirect impact on the operations, financial position and results of the Company and other Group companies for the year to 31 October 2020 and potentially beyond that date. It is not possible to estimate the overall future financial impact of COVID-19 on the Company, including whether there would be any impairment in the carrying value of the Company's assets, including the carrying value of the Company's investments in subsidiaries, given the unpredictable nature of the outbreak and the inherent uncertainties. This uncertainty is also reflected in the going concern statement on page 103.

(ii) FCAM Pension Plan guarantee

The FCAM Pension Plan guarantee, as disclosed in notes 12 and 22, was replaced as part of the triennial actuarial valuation process. The new guarantee, effective from 16 June 2020 until 1 July 2023, specifies that the Company will make available, in the event BMO Asset Management (Services) Limited becomes insolvent, an amount up to the lower of:

- The cost of securing members' benefits with an insurance company in excess of the valuation of the assets of the FCAM Plan (the 'solvency deficit'); and
- £70.0m.

Corporate Information

Directors

Kieran Poynter, Chairman and Independent Non-executive^(1,2,3)
Kristi Mitchem, Chief Executive Officer
David Logan, Head of Distribution⁽³⁾
Joan Mohammed, Chief Operating Officer
Gilles Ouellette, Non-executive^(1,2,3)
William Smith, Non-executive^(1,2,3)
Charlie Porter, Independent Non-executive⁽²⁾
Ruth Sack, Independent Non-executive⁽³⁾

⁽¹⁾ Member of Nomination Committee

⁽²⁾ Member of Risk & Remuneration Committee

⁽³⁾ Member of Audit & Compliance Committee

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