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BMO Investment Business Limited

(Registered number SC151198)

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

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COMPANIES HOUSE

BMO INVESTMENT BUSINESS LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

SC151198

DIRECTORS:

R S Fuller
D Logan
C B Porter
R J E Thorpe
W M Tonkin
R A Watts
T Watts

SECRETARY:

K Lam

REGISTERED OFFICE:

6th Floor
Quatermile 4
7a Nightingale Way
Edinburgh
EH3 9EG

SOLICITORS:

Norton Rose Fulbright LLP
3 More London Riverside
London
SE1 2AQ

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

AUDITOR:

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT

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

PRINCIPAL ACTIVITY

The Company is authorised and regulated by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) as required by the EU Alternative Investment Fund Managers Directive (AIFMD). The Company provides investment management services to a number of Alternative Investment Funds (AIFs) as part of this authorisation, with its key clients being investment trusts and private equity funds.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss after tax for the 2019 financial year of £1,860,000 (2018: loss of £384,000).

Key performance indicators

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

	2019 £000	2018 £000
Net operating revenue*	31,426	31,552
Operating loss	(2,271)	(547)
Assets under management (at reporting date)	£8.8bn	£8.4bn

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

Trading performance and development of the business

Assets under management (AUM) have increased to £8.8 billion as at 31 October 2019 from £8.4 billion as at 31 October 2018 primarily due to positive market movements of £0.4 billion.

The Company's net operating revenue decreased marginally from £31,552,000 in 2018 to £31,426,000 in 2019, reflecting the net impact of a reduction in fees earned from investment trusts and an increase in private equity management fees.

Operating expenses increased from £32,099,000 in 2018 to £33,697,000 in 2019. Net operating revenue is the key driver for determining the share of the BMO Asset Management (Holdings) plc Group's (the Group) UK operating platform costs attributed to the Company. In 2019, the Group incurred a higher level of expenses, including those associated with the Group's cost-saving restructuring plans. This, in conjunction with the lower aggregate revenues earned by the Group compared with 2018, resulted in a higher share of costs being borne by the Company in 2019.

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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

Indirect earnings risk through client assets

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

Investment performance

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

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

Financial risk

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

Credit risk

As an asset management business which derives revenues which are primarily based on a percentage of client AUM, the Company's exposure to client default is considered to be relatively low.

The quantum of contract assets (being accrued revenue) and trade receivables at the reporting date is shown in note 3(b) to the Financial Statements. There is a low inherent risk of the non-collection of management fees from clients as the Company's revenues are generally funded from the assets which are managed on behalf of clients.

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

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

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk (continued)

As at 31 October 2019, the Company's largest exposure was £5,015,000 in respect of deposits with an A rated bank (31 October 2018: £5,060,000 deposits with an A rated bank).

Liquidity risk

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

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

Concentration risk

During the year ended 31 October 2019, two Investment Trusts accounted for approximately 48% of the Company's revenue (2018: 54%). The loss of either of these clients could result in a significant decrease to future revenues.

Further distribution activity, particularly in respect of private equity funds, will enable the Company to benefit from future growth plans and reduce, to some extent, the concentration risk associated with the Company's existing client base.

Failure to deliver Consumer and Institutional growth plans

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

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

Uncertain economic outlook

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

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

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Uncertain economic outlook (continued)

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

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

Loss of key employees

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

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

Breach of client or portfolio limits

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

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

Regulation

The UK, European and global regulatory environments are evolving rapidly. The expectations of financial regulators are changing and regulated groups must embed regulatory compliance in their business models to an even greater extent than previously required. Regulation has become, in many areas, more complex and onerous, and regulated entities are faced with shorter timelines to interpret and implement new regulation. There is substantial complexity from overlapping regulatory directives. Regulatory change may lead to consolidation in the marketplace, the launch of new products, withdrawal or commoditisation of existing products and increased reliance on specialist third-party service providers as asset managers increasingly focus on the core activities of investment management, client servicing and distribution.

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

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Reliance on third parties

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

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

Business continuity and information technology

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

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

Potential cyberattacks

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

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

BY ORDER OF THE BOARD



D Logan
Director
24 February 2020

BMO INVESTMENT BUSINESS LIMITED

REPORT OF THE DIRECTORS

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

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2019 are shown in the Income Statement on page 12. A Strategic Report for the same period is set out on pages 2 to 6.

The Company recognised a loss of £1,860,000 for the year ended 31 October 2019 (2018: loss of £384,000).

DIVIDENDS

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

FUTURE DEVELOPMENTS

The Company's prime focus will continue to be the management of assets on behalf of investment trust and private equity clients. The Directors expect that the Company will benefit directly or indirectly from the distribution activities of the broader BMO Global Asset Management and BMO Financial Groups, recognising that revenue is the key driver of the cost sharing arrangements within the Group.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

R S Fuller (Independent Non-Executive) (appointed 16 July 2019)
D Logan
J Z Mohammed (resigned 28 November 2018)
C B Porter (Independent Non-Executive) (appointed 26 March 2019)
D J Sloper
R J E Thorpe
W M Tonkin
R A Watts
T Watts

D J Sloper resigned as Director on 16 January 2020.

K Lam was appointed as Secretary on 26 September 2019.

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

DIRECTORS' AND OFFICERS' LIABILITY

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

AUDITOR

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

BMO INVESTMENT BUSINESS LIMITED

REPORT OF THE DIRECTORS (continued)

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITOR

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

BY ORDER OF THE BOARD



D Logan
Director
24 February 2020

BMO INVESTMENT BUSINESS LIMITED

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

BMO INVESTMENT BUSINESS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO INVESTMENT BUSINESS LIMITED

Opinion

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

In our opinion the Financial Statements:

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

Basis for opinion

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

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

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

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

Going concern

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

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

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

Strategic Report and Report of the Directors

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

BMO INVESTMENT BUSINESS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO INVESTMENT BUSINESS LIMITED (continued)

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

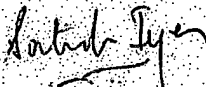
Auditor's responsibilities

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

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

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

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



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

BMO INVESTMENT BUSINESS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £000	2018 £000
Revenue	3(a)	46,626	31,682
Cost of sales	4	(15,200)	-
Fee, commission and other expenses	4	-	(130)
Net operating revenue		31,426	31,552
Operating expenses	5	(33,697)	(32,099)
Operating loss		(2,271)	(547)
Finance income	7	75	61
Finance costs	8	(2)	(1)
Loss before tax		(2,198)	(487)
Tax income	9	338	103
Loss for the financial year		(1,860)	(384)

All amounts relate to continuing operations.

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

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

The notes on pages 15 to 35 form an integral part of these Financial Statements.

BMO INVESTMENT BUSINESS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

(Registered number SC151198)

	Notes	31 October 2019 £000	31 October 2018 £000
ASSETS			
Non-current assets			
Intangible assets	10	626	432
Deferred tax assets	11	2,108	2,189
Total non-current assets		2,734	2,621
Current assets			
Contract assets	3(b)	7,116	-
Trade receivables	3(b)	1,076	560
Other receivables	12	1,891	7,760
Cash and cash equivalents	13	11,573	10,570
Total current assets		21,656	18,890
TOTAL ASSETS		24,390	21,511
LIABILITIES			
Current liabilities			
Trade and other payables	14	10,490	5,702
Contract liabilities	3(b)	570	-
Deferred income	15	-	619
TOTAL LIABILITIES		11,060	6,321
EQUITY			
Share capital	16	25,000	25,000
Retained earnings	17	(11,670)	(9,810)
TOTAL EQUITY		13,330	15,190
TOTAL LIABILITIES AND EQUITY		24,390	21,511

The Financial Statements were approved by the Board of Directors and authorised for issue on 24 February 2020. They were signed on its behalf by:


W M Tonkin
Director

The notes on pages 15 to 35 form an integral part of these Financial Statements.

BMO INVESTMENT BUSINESS LIMITED

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

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 November 2017	23,000	(9,426)	13,574
Share capital issued to BMO Asset Management (Holdings) plc	2,000	-	2,000
Loss for the financial year and total comprehensive expense	-	(384)	(384)
Balance at 31 October 2018	25,000	(9,810)	15,190
Loss for the financial year and total comprehensive expense	-	(1,860)	(1,860)
Balance at 31 October 2019	25,000	(11,670)	13,330

The notes on pages 15 to 35 form an integral part of these Financial Statements.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

BMO Investment Business Limited is a private company limited by share capital, incorporated and domiciled in Scotland. 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.

The results of BMO Investment Business Limited are included in the consolidated Annual Report and Financial Statements of BMO Asset Management (Holdings) plc, which are available from 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

- (a) Information regarding the entity's objectives, policies and processes for managing capital;
- (b) A Statement of Cash Flows and related notes;
- (c) Certain disclosures in respect of revenue from contracts with customers;
- (d) Financial instruments disclosures;
- (e) The effects of new but not yet effective IFRSs;
- (f) Disclosures of comparative information for intangible assets;
- (g) Disclosures of Key Management Personnel compensation; 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.

Going concern

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.2 New and amended standards and interpretations

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

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

2.2.1 IFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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

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

	Notes	Increase/(decrease) £000
Assets		
Contract assets	(i),(ii)	7,094 ⁽¹⁾
Trade receivables	(iii)	560
Other receivables	(iii)	1,610
Trade and other receivables	(i),(iii)	(8,320) ⁽²⁾
Total assets		944
Liabilities		
Trade and other payables	(ii)	944
Deferred income	(iv)	(619)
Contract liabilities	(iv)	619
Total liabilities		944

⁽¹⁾ This comprises £6,150,000 (adjustment (i)) and £944,000 (adjustment (ii)), as explained below.

⁽²⁾ This comprises £6,150,000 (adjustment (i)) and £560,000 and £1,610,000 (adjustment (iii)) as explained below.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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

Impact on Income Statement for the year ended 31 October 2019

	Notes	Amounts prepared under IFRS 15 £000	Amounts prepared under previous IFRS £000	Increase/(decrease) £000
Revenue	(ii),(v)	46,626	31,478	15,148 ⁽¹⁾
Cost of sales	(ii),(v)	(15,200)	(52)	(15,148) ⁽¹⁾
Net operating revenue		31,426	31,426	

⁽¹⁾ This comprises £15,001,000 (adjustment (ii)) and £147,000 (adjustment (v)), as explained below.

Impact on Statement of Financial Position as at 31 October 2019:

	Notes	Amounts prepared under IFRS 15 £000	Amounts prepared under previous IFRS £000	Increase/(decrease) £000
Assets				
Contract assets	(i),(ii)	7,116	-	7,116 ⁽¹⁾
Trade receivables	(iii)	1,076	-	1,076
Other receivables	(iii)	1,891	-	1,891
Trade and other receivables	(i),(iii)	-	9,065	(9,065) ⁽²⁾
Total assets		10,083	9,065	1,018
Liabilities				
Trade and other payables	(ii)	10,490	9,472	1,018
Deferred income	(iv)	-	570	(570)
Contract liabilities	(iv)	570	-	570
Total liabilities		11,060	10,042	1,018

⁽¹⁾ This comprises £6,098,000 (adjustment (i)) and £1,018,000 (adjustment (ii)), as explained below.

⁽²⁾ This comprises £6,098,000 (adjustment (i)) and £1,076,000 and £1,891,000 (adjustment (iii)), as explained below.

The nature of these adjustments are described below:

(i) Contract assets

Before adoption of IFRS 15, the Company recognised accrued income within trade and other receivables. Under IFRS 15, any earned consideration that is conditional should be recognised as a contract asset rather than a receivable. Therefore, upon adoption of IFRS 15, the Company reclassified £6,150,000 from trade and other receivables to contract assets as at 1 November 2018. As at 31 October 2019, IFRS 15 increased contract assets by £6,098,000 and reduced trade and other receivables by £6,098,000.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(ii) Principal versus agent consideration

The Company has certain contracts with customers where the satisfaction of certain performance obligations are delegated to other Group companies, or outsourced to third parties. Before the adoption of IFRS 15, the Company concluded that, as the economic benefits associated with the transaction did not flow to the Company and there was no increase in the Company's equity, no revenue was recognised for the delegated/outsourced portfolio management services. Upon the adoption of IFRS 15, the Company has determined that it retains control of such services to customers, as it has the ability to direct the delegated portfolio manager to provide the service on the Company's behalf. The Company also has exposure to the significant risks and rewards associated with the services to be provided to customers. Therefore, the Company has accounted for such delegated portfolio management contracts as a principal. This change will result in increases in revenue from investment management services which are delegated 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 Group company for providing the asset management services.

Upon adoption of IFRS 15, the Company recognised an additional contract asset of £944,000 and trade and other payables (accrued expenses) of £944,000 as at 1 November 2018. As at 31 October 2019, IFRS 15 increased contract assets by £1,018,000 and increased trade and other payables (accrued expenses) by £1,018,000.

For the year ended 31 October 2019, IFRS 15 increased both Revenue from contracts with customers by £15,001,000, with a corresponding increase in cost of sales of the same amount.

(iii) Presentational adjustments

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

(iv) Contract liabilities

Under IFRS 15, deferred income of £619,000 was reclassified to contract liabilities at 1 November 2018 and £570,000 was reclassified from deferred income to contract liabilities at 31 October 2019.

(v) Reclassification of rebates

Before adopting IFRS 15, the Company recognised investment management fees and other revenue generated from the Company's asset management activities net of rebates. Following a review of contracts with customers, £147,000 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 received.

2.2.2 IFRS 9 Financial instruments

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

The Company has applied IFRS 9 prospectively, with an initial application date of 1 November 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. The measurement requirements of IFRS 9 did not have an impact on the Company's financial instruments, however, the nature of the classification changes are described below:

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(a) Classification and measurement

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

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

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

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

The Company has not designated any financial liabilities as at fair value through profit or loss. 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 fair value through profit or loss and contract assets.

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

2.3 Accounting estimates, assumptions and judgements

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

Key judgements made in applying accounting policies are as follows:

- **Revenue - principal versus agent consideration** – The Company has exercised significant judgement in determining whether it acts as a principal or agent in its contracts. The Company enters into investment management contracts, and in some instances sub-contracts or delegates certain portfolio management services to either third-parties or other Group companies. The Company considers that it is responsible for and controls the delegated services provided to the customer and is responsible for determining the price for these services. This judgement has resulted in the gross up of certain revenues and cost of sales where the Company sub-contracts certain portfolio management services to a third party or another Group entity.
- **Revenue - determining the customer** – The Company has exercised significant judgement in determining who the customer is in contracts. In particular, the Company has considered whether the customer is the fund or the underlying investors in the fund. In the case of Investment Trusts the Trust is considered to be the customer as it has the enforceable rights and obligations over the services provided by the Company. For fees earned for managing private equity Limited Partnerships, the Company has been appointed by various General Partner entities to manage the funds for the Limited Partnership funds, therefore the customer is considered to be the General Partner.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

- **Interest in other entities** – The Company has made assessments as to whether it is an agent or principal in relation to certain of the funds it manages, and the level of control it has over the related entities. This involved assessing the power it has over structured entities, the level of variable returns (including management fees, and any performance fees and direct interests held through investments) received from these funds and the linkage between power and variable returns. The related disclosures are provided in note 18.

The key source of assumptions and estimation uncertainty, which could affect the future carrying amounts of assets and liabilities is as follows:

- Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, as disclosed in note 11.

2.4 Summary of significant accounting policies

(a) Foreign currencies

The Company's Financial Statements are presented in pounds Sterling, the Company's functional and presentational currency.

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of transaction and are not subsequently restated.

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.

(b) Revenue

IFRS 15 accounting policy for year ended 31 October 2019

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

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

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

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

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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

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

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

Investment management fees –

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

Performance fees –

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

A contract liability is the obligation to provide future services to a customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised when the payment is received or the payment is due (whichever is earlier). Contract liabilities subsequently become recognised as revenue when the Company performs its services under the contract.

IAS 18 accounting policy for year ended 31 October 2018

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

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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

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

(c) Cost of sales

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

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

(d) Finance income

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

(e) Finance costs

Finance costs comprise bank interest and charges payable and interest on a loan from a Group subsidiary. These costs are recognised in the Income Statement on an EIR basis.

(f) Income tax

The income tax expense or income disclosed on the face of the Income Statement represents the aggregate of current tax and the movement in deferred tax.

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

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

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

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(g) Intangible assets

i) Investment management contracts

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

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 the estimated useful lives are shown in note 10.

ii) Software

This comprises internally generated software. Amortisation is charged to the Income Statement in equal annual instalments, based on a 3-year useful economic life.

Once the assets are in use, subsequent expenditure on capitalised software is expensed as incurred.

(h) Impairment of intangible assets

At each reporting date the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset'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.

(i) Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. 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 fair value through profit or loss, 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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Subsequent measurement

Subsequent to initial recognition, financial assets at amortised cost are measured using the EIR method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired, as well as through the amortisation process. The Company's financial assets at amortised cost consist of trade receivables, amounts owed by Group subsidiaries, group relief receivable, other receivables, accrued bank deposit interest and cash and cash equivalents.

Derecognition of financial assets

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

Impairment of financial assets

The Company considers the requirement to recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Changes to classifications of financial assets and liabilities compared to the classification under the previous year's accounting policy are disclosed in note 2.2.2 on page 19. Financial assets and liabilities are recognised and measured under the same policies as the comparative year ended 31 October 2018, with the only change to the previous accounting policy being the measurement of impairment of financial assets.

IAS 39 accounting policy for year ended 31 October 2018

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

Impairment of financial assets

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

(j) 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.

(k) Share capital

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

(l) Interests in other entities

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

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

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

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

Sponsored entities are unconsolidated structured entities controlled by an independent third party where some, or all, of the following factors are present: the Company has been involved in determining the purpose and design of the entity, it is the majority user of the entity, and/or the Company is involved in the marketing and promotion of the entity.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. REVENUE

(a) Analysis of revenue

The Company provides investment management services to a number of AIF's with its key clients being investment trusts and private equity funds. Revenue recognised in the Income Statement is analysed as follows:

	2019 £000	2018 £000
Investment management fees**	38,443	28,238
Investment management fees for third-party managed assets	4,061	
Performance fees	2,350	2,292
Secretarial fees**	1,772	1,152
Revenue	46,626	31,682

* Included in revenue is £3,106,000 (2018: £2,855,000) for investment management fees and £534,000 (2018: £536,000) for secretarial fees charged to fellow Group subsidiaries in respect of private equity funds.

† Investment management fees includes £10,940,000 of fees received by the Company as manager, but which are subsequently paid to other Group companies to whom portfolio management has been sub-delegated.

Before the adoption of IFRS 15, the Company largely accounted for investment management contracts as a bundle of services. Under IFRS 15, the Company assessed that performance obligations in certain investment management contracts for investment management services are distinct from secretarial services and has reclassified the total fees charged based on their estimated stand-alone selling prices. For the year ended 31 October 2019, the Company therefore reclassified £625,000 of investment management fees to secretarial fees to reflect the services provided.

Investment management services are provided to Investment Trusts and closed-ended Private Equity Limited Partnerships (LPs). The fees earned are generally based on a percentage of the net asset values (NAVs) or the market capitalisation of the trust or fund and will therefore vary over time with changes in asset values. These fees are quantified on either a monthly or quarterly basis. The fees for the management of private equity funds are received from the respective General Partner, fellow Group entities, which are responsible for the operation of the LPs and who are remunerated directly by the LPs.

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

Secretarial fees relate to both investment trusts and private equity funds. The fees are typically a fixed amount per annum, which is recognised over time, although the revenue is generally received on a quarterly basis.

Analysis of the Company's revenue for the year by location of clients is detailed below:

	2019 £000	2018 £000
United Kingdom	37,445	27,681
Guernsey	7,960	257
The Netherlands	1,221	3,744
	46,626	31,682

Revenue is predominantly received in pounds Sterling.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. REVENUE (continued)

(b) Contract balances

Assets and liabilities related to contracts with customers are classified as follows:

	31 October 2019 £000	31 October 2018 £000
Current:		
Trade receivables	1,076	560
Contract assets	7,116	-
Contract liabilities	570	-

Trade receivables are non-interest bearing and are generally on terms of 10-30 days.

Contract assets relates to accrued income which has been recognised as revenue earned at the reporting date but not yet billed. Upon adoption of IFRS 15, at 1 November 2018, £7,094,000 of assets were classified as contract assets. There was no significant difference between the accrued income recognised for performance obligations satisfied at the beginning of the year and the amounts subsequently received for those services during 2019.

As disclosed on page 19, no impairment has been recognised on the Company's trade receivables or contract assets as the amounts were considered immaterial at both reporting dates.

Contract liabilities relates to investment management fees which have been invoiced quarterly in advance, therefore, it represents the Company's obligation to deliver future asset management services after the reporting date. Upon adoption of IFRS 15, the contract liabilities at 1 November 2018 were £619,000. The amount recognised in revenue during 2019 relating to contract liabilities at the beginning of the year was £619,000.

In addition to the above, amounts owed by Group subsidiaries at 31 October 2019 include £1,167,000 in relation to accrued income for investment management fees and secretarial fees charged to fellow Group subsidiaries.

4. COST OF SALES

	2019 £000	2018 £000
Fee and commission expenses	199	130
Delegated portfolio management fees – third-party	4,061	-
Delegated portfolio management fees – intra-group	10,940	-
	15,200	130

5. OPERATING EXPENSES AND AUDITOR'S REMUNERATION

Operating expenses can be summarised as follows:

	Note	2019 £000	2018 £000
Inter-company recharges		33,132	31,385
Other expenses		410	556
Net foreign exchange loss		92	95
Amortisation of intangible assets	10	63	63
		33,697	32,099

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Inter-company recharges comprise the share of the Group's UK operating platform costs attributed to the Company. Net operating revenue is the key driver for determining the share of the Group's UK operating platform costs attributed to the Company.

Audit fees attributable to the Company were £14,000 (2018: £14,000). Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of the Company's parent, BMO Asset Management (Holdings) plc.

The Company had no employees during the year ended 31 October 2019 (2018: nil).

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

6. DIRECTORS' REMUNERATION

Two Directors (2018: nil) received emoluments for services to the Company as follows:

	2019 £000	2018 £000
Aggregate emoluments	25	

All other Directors did not receive any remuneration in respect of their services to the Company during the year ended 31 October 2019 (2018: £nil). Their remuneration is paid by BMO Asset Management (Services) Limited.

7. FINANCE INCOME

	2019 £000	2018 £000
Financial assets measured at amortised cost:		
Bank and short-term deposits interest	75	60
Interest on loan owed by Group subsidiary	-	1
	<u>75</u>	<u>61</u>

8. FINANCE COSTS

	2019 £000	2018 £000
Financial liabilities recognised at cost using the EIR method:		
Bank interest and charges payables	1	1
Interest on loan from Group subsidiary	1	-
	<u>2</u>	<u>1</u>

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INCOME TAX

(a) Analysis of tax income in the year

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

	Note	2019 £000	2018 £000
Current income tax:			
<i>UK Corporation Tax</i>			
Current tax on loss for the year		(417)	(91)
Adjustments in respect of previous periods		(2)	160
Total current income tax		(419)	69
Deferred tax:			
Adjustments in respect of Corporation Tax rate change		81	(12)
Adjustments in respect of previous periods			(160)
Total deferred tax	11(b)	81	(172)
Tax income reported in the Income Statement		(338)	(103)

(b) Reconciliation of total tax income for the year

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

	2019 £000	2018 £000
Loss before tax	(2,198)	(487)
At the Company's statutory income tax rate of 19.00% (2018: 19.00%)	(418)	(93)
Corporation Tax rate change	81	(12)
Adjustments in respect of previous periods	(2)	
Disallowed expenses	1	2
Tax income reported in the Income Statement	(338)	(103)

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

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

A future UK Corporation Tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2016.

The reduction in the UK Corporation Tax rate will lead to a Company statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% from 2021 onwards.

No additional rate changes have been substantively enacted since the reporting date.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

	Investment management contract £000	Software £000	Total £000
Cost:			
At 1 November 2018	1,135	26	1,161
Additions in the year	-	257	257
31 October 2019	1,135	283	1,418
Amortisation and impairment:			
At 1 November 2018	729	-	729
Amortisation expense for the year	63	-	63
At 31 October 2019	792	-	792
Net book values:			
At 31 October 2018	406	26	432
At 31 October 2019	343	283	626

The investment management contract relates to private equity fund of funds arising from a business acquisition.

The investment management contract is amortised on a straight-line basis over its estimated useful life of 20 years. At 31 October 2019 the contract had a remaining useful life of 5.5 years (31 October 2018: 6.5 years). The contract is tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified during the year and therefore no impairment review of the investment management contract has been undertaken this year.

The amortisation expense is included within operating expenses in the Income Statement.

Software comprises internally generated assets which are not yet in use.

11. DEFERRED TAX ASSETS

(a) Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	31 October 2019 £000	31 October 2018 £000
Unused tax losses	2,108	2,189

Based on profit forecasts, the Directors believe it is appropriate to recognise deferred tax assets at the reporting date because it is considered probable that there will be suitable future taxable profits in the Company in the next five years from which the underlying temporary differences can be deducted. Under current UK Corporation Tax legislation, unused trading losses can be carried forward indefinitely to utilise against future trading profits in the Company.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. DEFERRED TAX ASSETS

(b) Movement in temporary differences during the year

	Note	2019 £000	2018 £000
Unused tax losses:			
At 1 November		2,189	2,017
(Charged)/credited to profit or loss	9(a)	(81)	172
At 31 October		2,108	2,189

12. OTHER RECEIVABLES

Other receivables are classified as debt instruments at amortised cost.

	31 October 2019 £000	31 October 2018 £000
Current:		
Accrued income*	-	6,151
Amounts owed by Group subsidiaries	1,202	1,108
Group relief receivable	510	119
Prepayments	148	352
Other receivables	26	26
Accrued bank deposit interest	5	4
	1,891	7,760

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

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.

13. CASH AND CASH EQUIVALENTS

	31 October 2019 £000	31 October 2018 £000
Short-term deposits	11,458	9,887
Cash at bank	115	683
	11,573	10,570

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

Short-term deposits are generally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The Company determined that the expected credit losses on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at the reporting dates is as shown above.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TRADE AND OTHER PAYABLES

	31 October 2019 £000	31 October 2018 £000
Current:		
Amounts owed to Group subsidiaries	8,400	4,849
Accruals	1,126	75
VAT payable	389	169
Other payables	316	603
Amounts owed to BMO Group entities	259	6
	<u>10,490</u>	<u>5,702</u>

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

15. DEFERRED INCOME

	31 October 2019 £000	31 October 2018 £000
Current:		
Investment management fees	<u>-</u>	<u>619</u>

Deferred income relates to investment management fees invoiced quarterly in advance. Upon adoption of IFRS 15, deferred income has been reclassified to contract liabilities at 31 October 2019, as disclosed in note 3(b).

16. SHARE CAPITAL

	31 October 2019 £000	31 October 2018 £000
Issued and fully paid:		
25,000,000 Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
	2019 £000	2018 £000
At 1 November	25,000	23,000
Share capital issued to BMO Asset Management (Holdings) plc	<u>-</u>	<u>2,000</u>
At 31 October	<u>25,000</u>	<u>25,000</u>

On 31 October 2018 the Company's immediate parent undertaking, BMO Asset Management (Holdings) plc, subscribed for an additional 2 million Ordinary shares of £1 each, in the Company. The £2m consideration was received in cash.

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 14.

Movements in retained earnings comprise net profits and losses recognised through the Income Statement.

18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(a) Significant judgements and assumptions

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

The Company has determined that it does not control the funds it manages, by reviewing fund structures and voting rights, including the rights to remove the Company as fund manager. Accordingly, the Company has categorised these funds as unconsolidated structured entities.

(b) Interests in unconsolidated structured entities

Nature, purpose and activities of structured entities

The Company has facilitated the set-up of certain investment funds which are considered to be structured entities and currently provides investment management and secretarial services to these funds. The structured entities provide a mechanism for clients to invest into various asset management vehicles, primarily investing in private equity assets. The Company and/or the broader Group is generally involved, to varying degrees, in the operation and distribution of these structured entities. While the Company obtains a variable return from these structured entities (in the form of management 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 Company considers the Limited Partnership funds it manages to be unconsolidated structured entities.

The Company generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The Company's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds. The Company will routinely recognise trade receivables and/or contract asset balances with these funds in respect of management fees for the management of these funds.

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

Funding of unconsolidated structured entities

The structured entities generally raise funds from third-party clients through one-off or ongoing fundraising. The Group promotes the external fundraising in these funds through marketing activity but does not generally invest into these funds. These structured entities are closed-ended funds which have a finite fundraising period. 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. The Company has no direct exposure to such external loan financing.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

Nature of risks associated with unconsolidated structured entities

The Company 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 the Company ceased to be the appointed Manager of the structured entities. Achieving good investment performance and providing excellent client service are major elements in the management of this risk.

The Company's management fees received for the Limited Partnership funds it manages are received from another Group company (the General Partner to the fund), who has appointed the Company to manage these funds. The Company generally has limited direct exposure to the value of the assets it manages within these investment funds which typically have a finite lifespan. The Company receives its management fees indirectly from the funds it manages and will therefore have indirect credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk.

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

Size of unconsolidated structured entities

The total gross assets under management in respect of unconsolidated structured entities at the reporting dates are as follows:

	31 October 2019 £m	31 October 2018 £m
Structured entity type:		
Limited Partnership funds	547	441

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

	31 October 2019 £000	31 October 2018 £000
Limited Partnership funds:		
Other receivables*	1,193	1,119
Trade and other payables	-	(42)
	<u>1,193</u>	<u>1,077</u>

* The Company receives fees for its management of the Limited Partnership funds from other Group subsidiaries, therefore, it does not have balances directly with the Limited Partnership funds. £1,167,000 (31 October 2018: £1,090,000) of these other receivables reflect outstanding investment management and secretarial fees payable by other Group subsidiaries which contractually receive revenue from certain unconsolidated structured entities.

Maximum exposure to loss

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

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

Non-contractual support provided to structured entities

The Company has no commitments or guarantees in respect of these funds, nor does it provide commitments for any fundraising activities in respect of the funds or routinely supply non-contractual financial support to structured entities. The Company, together with the resources of the wider Group, provides certain administrative and operational support to a number of the structured entities it manages. The remuneration for these services is generally part of the management and secretarial fee it receives.

Losses incurred

No material losses have been recognised by the Company in connection with its interest in unconsolidated structured entities in either of the reporting periods.

Income from interests in unconsolidated structured entities

Net operating revenue includes £3,378,000 (2018: £3,168,000) of fees received in respect of the investment management and secretarial fees earned from unconsolidated structured entities.

(c) 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 Company considers itself the sponsor of an entity where it is involved in the design and purpose of the entity, the Company markets products associated with the entity, or the funds use the branding of the Group. The Company 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 Company considers certain Investment Trust clients to be sponsored entities. The revenue received, less amounts paid to other parties for delegated portfolio management, includes £27,990,000 (2018: £28,377,000) of fees received from sponsored entities managed by the Company.

19. 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.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is BMO Asset Management (Holdings) plc, a company which is registered in England.

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

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