

BMO Investment Business Limited

(formerly F&C Investment Business Limited)
(Registered number SC151198)

Annual Report & Financial Statements
for the year ended
31 October 2018

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BMO INVESTMENT BUSINESS LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

SC151198

DIRECTORS:

D Logan
D J Sloper
R J E Thorpe
W M Tonkin
R A Watts
T Watts

REGISTERED OFFICE:

6th Floor
Quartermile 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 (formerly F&C Investment Business Limited) (the Company) for the year ended 31 October 2018. The Company trades under the name of BMO Global Asset Management (BMO GAM), recognising that it is an integral part of the Global Asset Management 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. The Company changed its name from F&C Investment Business Limited to BMO Investment Business Limited on 31 October 2018.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss after tax for the 2018 financial year of £384,000 (2017: loss of £1,590,000).

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:

	2018 £000	2017 £000
Net revenue	31,552	28,899
Operating loss	(547)	(1,848)
Assets under management (at reporting date)	£8.4bn	£8.3bn

Trading performance and development of the business

Assets under management (AUM) have increased to £8.4 billion as at 31 October 2018 from £8.3 billion as at 31 October 2017 due to a combination of market movements and net inflows associated with investment trusts, reflecting new share issuances and changes in gearing levels.

The Company's net revenue increased from £28,899,000 in 2017 to £31,552,000 in 2018. The increase in net revenue is primarily due to increased management fees from investment trusts, reflecting higher average monthly AUM during the financial year, compared with the previous year.

Operating expenses increased from £30,747,000 in 2017 to £32,099,000 in 2018. Net revenue is the key driver for determining the share of the BMO Asset Management (Holdings) plc (formerly F&C Asset Management plc) Group's (the Group) UK operating platform costs attributed to the Company.

During the year 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. This capital injection was made to ensure the Company continues to maintain sufficient regulatory capital, recognising that operating losses have been reported by the Company over a number of years. The drivers for these losses are the combined impact of integration costs borne by the Company following the acquisition of the Group by BMO in 2014, the cost of additional headcount to support the strategic growth plans of the Group and the increased cost of regulation, including the adoption of a number of new regulatory requirements.

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 Group's ability to win new mandates or assets, and may potentially expose the Group to greater risk of mandate or regulatory breach.

Fund managers are responsible for interpreting and effectively managing performance and risk associated with investment ideas/strategies. 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 EMEA is to monitor the fund performance achieved by the Group's investment professionals. Where it is considered necessary, actions are taken to change process or personnel with a view to attaining improved performance.

Financial risk

The Group adopts a low risk approach to treasury management and financial risks in relation to shareholder equity, seeking to manage and preserve its capital. The 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 based on a percentage of client AUM, the Company's exposure to client default is considered to be relatively low.

The quantum of accrued income and trade receivables at each reporting date is shown in note 12 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 trade and 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 2018, the Company's largest exposure was £5,060,000 in respect of deposits with an A rated bank (31 October 2017: £10,024,000 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 2018, two Investment Trusts accounted for approximately 54% of the Company's revenue (2017: 52%). 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 2018, 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.

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

Furthermore, a number of the Group's investment-solutions products are much longer-term in nature, and their performance and marketability are less impacted by short-term market volatility.

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Exit of the UK from the EU

The UK will leave the European Union (EU) on 29 March 2019 (Brexit) by automatic operation of law following its issue of notice of withdrawal to the EU and the passing by the UK Parliament of the European Union (Withdrawal) Act 2018. The terms of the UK's withdrawal, including a transition period, have been negotiated between the UK and the EU, but must be approved by their respective Parliaments. If this does not occur and no alternative course of action is agreed, then the UK will leave the EU without any agreed withdrawal terms and no established future relationship with the EU. This will entail immediate loss of all existing access for businesses operating in the UK to the EU Customs Union and Single Market.

Management considers the principal risks and uncertainties arising from the above to be in the following areas:

- Macroeconomic uncertainty or downturn in the UK economy and in the economies of its close trading partners such as Ireland or the Netherlands;
- Loss of passport rights to the EU single market, currently used to offer and provide services and products to the Group's EU client base;
- Loss of passport rights for any EU domiciled fund range offered into the UK;
- Adverse impact on the Group's employees, strategy, performance and operations; and
- Increased tax cost associated with restructuring activity or profits being subject to higher rates of taxation.

BMO Financial Group has run a Brexit Steering Group and various Working Groups comprising of senior management representatives to monitor developments as the Brexit landscape evolves and to make sure effective contingency planning occurs for all potential implications of its business lines including asset management. Planning has always assumed the need to operate without disruption if the UK leaves the EU in a "no deal" Brexit scenario. The Board has been kept regularly updated on all key developments and approved any recommendations put forward on how to restructure the Group's European asset management business to ensure it can deal effectively with the challenges Brexit raises.

The Group has a long standing and substantive business in the Netherlands, with an established regulatory presence and relationship (including certain EU passport permissions) a stable workforce, a developed business infrastructure and a local institutional client base. These factors, together with a range of other considerations, mean it has been taking all necessary steps to ensure the appropriate operating model, additional regulatory permissions, connectivity, systems and people are in place prior to Brexit. These steps will enable the Dutch business to operate as its European hub and so offer and provide services and products to EU based clients. The Group anticipates that its Dutch business will delegate portfolio management to UK regulated entities, something that will be permitted even in the event of a "no deal" Brexit scenario provided the necessary co-operation arrangements are in place between the EU and UK regulators. The EU authorities have confirmed that these arrangements are agreed with the FCA. In addition, applications will be made under the FCA's Temporary Permissions Regime to enable the Group to continue offering the EU domiciled fund ranges to UK investors.

Loss of key employees

The success of the Group depends on the support of its employees in key areas including investment, distribution, marketing, product development and operations. 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, we seek to reduce our dependence on key staff through the recruitment of suitably skilled individuals and by ensuring succession plans are in place for senior roles to provide emergency or immediate cover.

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Breach of client or portfolio limits

Many of the Group's investment mandates include specific limits, restrictions and/or exclusions on the construction or content of portfolios agreed with the client. In addition, certain pooled fund products may be subject to specific regulatory or fiscal limits, restrictions and/or exclusions. Any breach of 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 within 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 Regional Committee and Audit & Compliance Committee.

Reliance on third parties

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

The Group conducts an extensive selection and due diligence exercise prior to selecting outsource providers and entering into the related contractual arrangements. The Group has established oversight teams who monitor such third-party service delivery and ensure there is appropriate oversight and effective resolution of issues. Arrangements are in place to ensure that key outsource partners are incentivised to provide the level of service that is required. 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.

BMO INVESTMENT BUSINESS LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Potential cyberattacks

The Group is exposed to potential cyberattacks, and a failure to prevent or defend against such attacks could have a material adverse effect on operations, resulting in the loss of client data or other sensitive information, thereby potentially impacting the Group financial results 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 and seeks to maintain this on an annual basis.

BY ORDER OF THE BOARD



D J Sloper
Director
20 February 2019

BMO INVESTMENT BUSINESS LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2018.

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2018 are shown in the Income Statement on page 13. A Strategic Report for the same period is set out on pages 2 to 7.

The Company recognised a loss of £384,000 for the year ended 31 October 2018 (2017: loss of £1,590,000).

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2017: £nil) and no interim dividend was approved or paid during the year ended 31 October 2018 (2017: £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:

B Apfel	(resigned on 2 July 2018)
D Logan	
J Z Mohammed	
N D Parry	(resigned on 2 July 2018)
D J Sloper	
R J E Thorpe	
W M Tonkin	
R A Watts	
T Watts	
BMO Asset Management (Holdings) plc (formerly F&C Asset Management plc)	(resigned on 17 September 2018)

J Z Mohammed resigned as Director on 28 November 2018.

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

DIRECTORS' AND OFFICERS' LIABILITY

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

AUDITOR

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

BMO INVESTMENT BUSINESS LIMITED

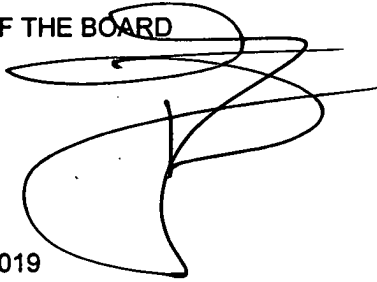
REPORT OF THE DIRECTORS (continued)

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 J Sloper
Director
20 February 2019

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the top.

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 2018 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 2018 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 at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, 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 10, 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
20 February 2019

BMO INVESTMENT BUSINESS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2018

	Notes	2018 £000	2017 £000
REVENUE	3	31,682	29,020
Fee, commission and other expenses	3	<u>(130)</u>	<u>(121)</u>
NET REVENUE	3	31,552	28,899
Operating expenses	4	<u>(32,099)</u>	<u>(30,747)</u>
OPERATING LOSS		(547)	(1,848)
Finance income	6	61	44
Finance costs	7	<u>(1)</u>	<u>(3)</u>
LOSS BEFORE TAX		(487)	(1,807)
Tax income	8	<u>103</u>	<u>217</u>
LOSS FOR THE FINANCIAL YEAR		<u>(384)</u>	<u>(1,590)</u>

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 notes on pages 16 to 30 form an integral part of these Financial Statements.

BMO INVESTMENT BUSINESS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2018

(Registered number SC151198)

	Notes	31 October 2018 £000	31 October 2017 £000
ASSETS			
Non-current assets			
Intangible assets	9	432	469
Loan receivable	10	-	1,065
Deferred tax assets	11	2,189	2,017
Total non-current assets		2,621	3,551
Current assets			
Trade and other receivables	12	8,320	8,729
Cash and cash equivalents	13	10,570	19,189
Total current assets		18,890	27,918
TOTAL ASSETS		21,511	31,469
LIABILITIES			
Current liabilities			
Trade and other payables	14	5,702	17,311
Deferred income	15	619	584
TOTAL LIABILITIES		6,321	17,895
EQUITY			
Share capital	16	25,000	23,000
Retained earnings	17	(9,810)	(9,426)
TOTAL EQUITY		15,190	13,574
TOTAL LIABILITIES AND EQUITY		21,511	31,469

The Financial Statements were approved by the Board of Directors and authorised for issue on 20 February 2019. They were signed on its behalf by:


W W Tonkin
Director

The notes on pages 16 to 30 form an integral part of these Financial Statements.

BMO INVESTMENT BUSINESS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2018

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 November 2016	23,000	(7,836)	15,164
Loss for the financial year	-	(1,590)	(1,590)
Balance at 31 October 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	-	(384)	(384)
Balance at 31 October 2018	25,000	(9,810)	15,190

The notes on pages 16 to 30 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, Quatermile 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, Quatermile 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

The principal accounting policies set out below have been applied consistently for the years ended 31 October 2018 and 31 October 2017.

Basis of preparation

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

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

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

- (a) Information regarding the entity's objectives, policies and processes for managing capital;
- (b) A Statement of Cash Flows and related notes;
- (c) Financial instruments disclosures;
- (d) The effects of new but not yet effective IFRSs;
- (e) Disclosures of comparative information for intangible assets;
- (f) Disclosures of Key Management Personnel compensation; and
- (g) 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 the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

While the Company has incurred losses during the year, these are at a lower level than the previous year and it is expected that these will continue to decline in the short term. Following the £2m injection of capital in October 2018, the Directors are satisfied that the Company has sufficient resources to meet both its working capital and regulatory capital requirements for the foreseeable future.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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:

- 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.

Summary of significant accounting policies

The Company has adopted the following improvements in these Financial Statements:

- Annual Improvements to IFRS Standards 2014-2016 Cycle

The adoption of these improvements has not had a material impact on the Company.

(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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(b) Revenue recognition

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.

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) Fee and commission expenses

Fee and commission expenses comprises commission paid to agents which is expensed as the services are provided.

(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 9.

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

i) Financial assets

Initial recognition and measurement

Financial assets have been classified, at initial recognition, as loans and receivables and are measured on initial recognition at fair value plus any directly attributable transaction costs incurred.

Loans and receivables are recorded as either current or non-current in the Statement of Financial Position according to their expected settlement dates and consist of a loan owed by a Group subsidiary, accrued income, amounts owed by Group subsidiaries, trade receivables, group relief receivable, other receivables, accrued bank deposit interest and cash and cash equivalents.

Subsequent measurement

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the EIR method, less impairment. Gains and losses are recognised in the Income Statement when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition

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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

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.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities have been initially recognised at fair value plus directly attributable transaction costs. 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.

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.

(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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(i) Interests in other entities (continued)

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. 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.

3. NET REVENUE

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

	2018 £000	2017 £000
Investment management fees	28,238	25,905
Performance fees	2,292	2,068
Secretarial fees	1,152	1,047
Revenue	31,682	29,020
Fee and commission expenses	(130)	(121)
Net revenue	31,552	28,899

Included in revenue is £2,855,000 (2017: £3,162,000) for investment management fees and £536,000 (2017: £456,000) for secretarial fees charged to fellow Group subsidiaries in respect of private equity funds.

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

	2018 £000	2017 £000
United Kingdom	27,681	25,553
The Netherlands	3,744	3,125
Other	257	244
Cayman Islands	-	98
	31,682	29,020

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATING EXPENSES AND AUDITOR'S REMUNERATION

Operating expenses can be summarised as follows:

	Note	2018 £000	2017 £000
Inter-company recharges		31,385	30,377
Other expenses		556	210
Net foreign exchange loss		95	98
Amortisation of intangible assets	9	63	62
		<u>32,099</u>	<u>30,747</u>

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

Audit fees attributable to the Company were £14,000 (2017: £14,000). Amounts receivable by the Company's auditor in respect of services to the Company, other than for the audit of the Company's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of the Company's parent, BMO Asset Management (Holdings) plc.

The Company had no employees during the year ended 31 October 2018 (2017: nil).

BMO Asset Management (Services) Limited (formerly F&C 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.

5. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of their services to the Company during the year ended 31 October 2018 (2017: £nil). Their remuneration is paid by BMO Asset Management (Services) Limited.

6. FINANCE INCOME

	2018 £000	2017 £000
Loans and receivables:		
Bank and short-term deposits interest	60	43
Interest on loan owed by Group subsidiary	1	1
	<u>61</u>	<u>44</u>

7. FINANCE COSTS

	2018 £000	2017 £000
Financial liabilities recognised at cost using the EIR method:		
Bank interest and charges payables	1	2
Interest on loan from Group subsidiary	-	1
	<u>1</u>	<u>3</u>

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INCOME TAX

(a) Analysis of tax income in the year

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

	Note	2018 £000	2017 £000
Current income tax:			
<i>UK Corporation Tax</i>			
Current tax on loss for the year		(91)	(189)
Adjustments in respect of previous periods		160	-
Total current income tax		<u>69</u>	<u>(189)</u>
Deferred tax:			
Relating to origination and reversal of temporary differences		-	(161)
Adjustments in respect of Corporation Tax rate change		(12)	136
Adjustments in respect of previous periods		(160)	(3)
Total deferred tax	11(b)	<u>(172)</u>	<u>(28)</u>
Tax income reported in the Income Statement		<u>(103)</u>	<u>(217)</u>

(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 2018 and 31 October 2017 is as follows:

	2018 £000	2017 £000
Loss before tax	<u>(487)</u>	<u>(1,807)</u>
At the Company's statutory income tax rate of 19.00% (2017: 19.42%)	(93)	(351)
Corporation Tax rate change	(12)	136
Disallowed expenses	2	1
Adjustments in respect of previous periods	-	(3)
Tax income reported in the Income Statement	<u>(103)</u>	<u>(217)</u>

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

The current Corporation Tax rate of 19.00% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19.00% for the year ended 31 October 2018 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 19.00% for 2019, 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)

9. INTANGIBLE ASSETS

	Investment management contract £000	Software £000	Total £000
Cost:			
At 1 November 2017	1,135	-	1,135
Additions in the year	-	26	26
31 October 2018	1,135	26	1,161
Amortisation and impairment:			
At 1 November 2017	666	-	666
Amortisation expense for the year	63	-	63
At 31 October 2018	729	-	729
Net book values:			
At 31 October 2017	469	-	469
At 31 October 2018	406	26	432

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 2018 the contract had a remaining useful life of 6.5 years (31 October 2017: 7.5 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.

10. LOAN RECEIVABLE

	31 October 2018 £000	31 October 2017 £000
Non-current:		
Loan owed by Group subsidiary	-	1,065

The loan was to BMO AM Treasury Limited (formerly F&C Treasury Limited). The loan was unsecured, repayable on demand and subject to interest at the 3-month LIBOR minus 0.25% margin. The loan was repaid during the year ended 31 October 2018.

In the Directors' opinion there was no discernible difference between the carrying amount and fair value of the loan receivable balance.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. DEFERRED TAX ASSETS

(a) Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	31 October 2018 £000	31 October 2017 £000
Unused tax losses	2,189	2,017

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.

(b) Movement in temporary differences during the year

	Note	2018 £000	2017 £000
Unused tax losses:			
At 1 November		2,017	1,989
Credited to profit or loss	8(a)	172	28
At 31 October		2,189	2,017

12. TRADE AND OTHER RECEIVABLES

	31 October 2018 £000	31 October 2017 £000
Current:		
Accrued income	6,151	5,989
Amounts owed by Group subsidiaries	1,108	1,608
Trade receivables*	560	112
Prepayments	352	17
Group relief receivable	119	286
Other receivables	26	715
Accrued bank deposit interest	4	2
	8,320	8,729

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

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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

	31 October 2018 £000	31 October 2017 £000
Short-term deposits	9,887	19,027
Cash at bank	683	162
	<u>10,570</u>	<u>19,189</u>

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 fair value of cash and cash equivalents at the reporting dates is as shown above.

14. TRADE AND OTHER PAYABLES

	31 October 2018 £000	31 October 2017 £000
Current:		
Amounts owed to Group subsidiaries	4,849	16,832
Other payables	603	189
VAT payable	169	144
Accruals	75	140
Amounts owed to BMO Group entities	6	6
	<u>5,702</u>	<u>17,311</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 2018 £000	31 October 2017 £000
Current:		
Investment management fees	619	584

Deferred income relates to investment management fees invoiced quarterly in advance.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. SHARE CAPITAL

	31 October 2018 £000	31 October 2017 £000
Issued and fully paid:		
25,000,000 (31 October 2017: 23,000,000) Ordinary shares of £1 each	25,000	23,000
	2018 £000	2017 £000
At 1 November	23,000	23,000
Share capital issued to BMO Asset Management (Holdings) plc	2,000	-
At 31 October	25,000	23,000

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.

17. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 15.

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 acts as agent in relation to funds it manages by reviewing fund structures and voting rights, including the rights to remove the Company as fund manager, and has categorised these funds as unconsolidated structured entities.

(b) Interests in unconsolidated structured entities

Nature, purpose and activities of structured entities

The Company is involved in structured entities through provision of investment funds. The structured entities provide a mechanism for clients to invest into various asset management vehicles, primarily investing in private equity assets. The Company 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.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

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 receivable and/or accrued income balances with these funds in respect of management fees.

As the risks and rewards of fund performance resides mostly with investees, the Company's direct exposure is limited to the impact of 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 one-off fundraising. These vehicles are fundamentally financed through the issue of shares or units to investors, although some funds have the ability to obtain external loan financing, known as gearing. The Company has no direct exposure to such external loan financing.

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 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 directly from the funds it manages and will therefore have direct credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk. The Company's management fees received for the Limited Partnership funds it manages are received from another Group company who has delegated the management of these funds to the Company.

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 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 2018 £m	31 October 2017 £m
Structured entity type:		
Limited Partnership funds	441	449

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

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 2018 £000	31 October 2017 £000
Limited Partnership funds:		
Trade and other receivables	29	178
Trade and other payables	(42)	(39)
	<u>(13)</u>	<u>139</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.

Maximum exposure to loss

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

Non-contractual support provided to 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

Revenue includes £3,168,000 (2017: £3,487,000) of fees received from the Company's interests in 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. Revenue includes £28,377,000 (2017: £25,409,000) of fees received from sponsored entities managed by the Company.

BMO INVESTMENT BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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, Quatermile 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.