

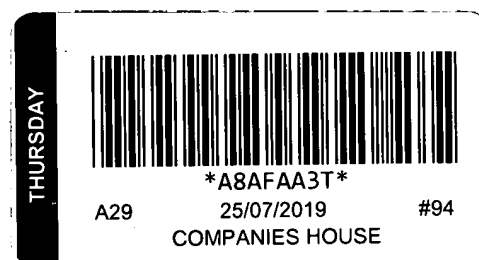
BMO AM Treasury Limited

(formerly F&C Treasury Limited)
(Registered Number 4425921)

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

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BMO AM TREASURY LIMITED

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

4425921

DIRECTORS:

D J Sloper
R A Watts

SECRETARY:

R D Burgin
95 Queen Victoria Street
London
EC4V 4HG

REGISTERED OFFICE:

Exchange House
Primrose Street
London
EC2A 2NY

SOLICITORS:

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

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

AUDITOR:

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

BMO AM TREASURY LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report on BMO AM Treasury Limited (formerly F&C Treasury Limited) (the Company) for the year ended 31 October 2018. The Company is part of BMO Financial Group's Global Asset Management (BMO GAM) business.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a treasury management company to a number of UK companies in the BMO Asset Management (Holdings) plc (formerly F&C Asset Management plc) Group (the Group). The Company also acts as a holding company. The Company changed its name from F&C Treasury Limited to BMO AM Treasury Limited on 31 October 2018.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss for the 2018 financial year of £582,000 (2017: loss of £27,520,000).

Trading performance and development of the business

The loss of £582,000 incurred in the year ended 31 October 2018 decreased by £26,938,000 compared to the loss of £27,520,000 in 2017. In 2017, following an impairment review, the Company recognised a £27,371,000 impairment charge on its investments in subsidiaries. There have been no indicators of impairment in 2018, and therefore no impairment charge on investments in subsidiaries has been recognised in the year.

Interest on loans continues to be based on the prevailing loan balances and interest rate levels during the year.

During the year the Company's immediate parent, BMO Asset Management (Holdings) plc, subscribed for an additional 8 million Ordinary shares of £1 each in the Company. The £8m consideration was received in cash. In addition, the Company made a capital injection of £8m into its subsidiary, WAM Holdings Ltd in exchange for 80 million Ordinary shares of £0.10 each.

Given the nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Going concern

The Company has net liabilities of £11,292,000 at 31 October 2018 (31 October 2017: net liabilities of £18,710,000). Therefore, the Company is dependent on continuing finance being made available by its immediate parent company, BMO Asset Management (Holdings) plc, to enable it to continue operating and to meet its liabilities as they fall due. BMO Asset Management (Holdings) plc has provided guaranteed funding to the Company for those purposes. The Directors believe that it is therefore appropriate to prepare the Financial Statements on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors manage the risks as part of the overall risk management framework within BMO GAM EMEA (Europe, the Middle East and Africa). Members of the BMO GAM EMEA 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:

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 requirements.

BMO AM TREASURY LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Investments in subsidiaries

The Company is exposed to financial risk as a significant element of the Company's assets relate to the carrying value of its investments in subsidiaries. Any permanent reduction in the profits of these subsidiaries could lead to an impairment in the value of the Company's investments and have a potentially significant impact on the Company's financial results. An impairment of £27,371,000 was recognised in 2017, as disclosed in note 8.

Credit risk

The Company is exposed to credit risk in relation to loans and receivables and arises principally in relation to loans receivable from other group companies and cash and cash equivalents. As the Group's working capital is monitored on a group-wide basis, the risk of non-recovery of the intra-group loans 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. As at 31 October 2018, the Company's largest individual exposure in respect of cash and cash equivalents was a £12,763,000 deposit with an AA credit-rated bank (31 October 2017: £12,813,000 deposit with an A credit-rated bank).

Note 16(a) provides an overview of the Company's credit risk exposure.

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.

While the Company has net liabilities of £11,292,000 as at 31 October 2018 (31 October 2017: net liabilities of £18,710,000), it is recognised that a majority of the Company's liabilities are intra-group, with liquidity risk therefore considered to be low given the common overall ownership and control of the entities involved.

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, recognising that BMO Asset Management (Holdings) plc has agreed to provide financial support to the Company, if required.

Note 16(b) outlines the cash flow profile of the Company's financial liabilities.

Market risk (interest rate risk)

The Company is exposed to interest rate risk through market fluctuations in the variable rate of interest, impacting interest receivable on loans owed by group subsidiaries and interest payable on loans and borrowings subject to interest based on LIBOR rates, and interest received on cash and cash equivalents.

Note 16(c) outlines the Company's exposure to market risk.

BMO AM TREASURY LIMITED

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Exit of the UK from the EU

Following the notice issued by the United Kingdom on 29 March 2017 of its decision to leave the European Union (Brexit), the commitment of the BMO Financial Group to its customers in the UK and the broader EU remains unchanged. Work has been undertaken to position BMO Financial Group's business in a post-Brexit Europe. The key priority has been to make sure BMO Financial Group's European business platform provides sufficient optionality to enable it to continue doing business effectively in Europe, whilst enabling London to remain a focal hub. The actions taken and to be taken will enable the Group to effectively steer its European business through the transition Brexit requires and so continue serving its clients in Europe.

The key impact of this risk on the Company is through its investments in subsidiaries. The Group Board has considered the nature and extent of risks, uncertainties and opportunities arising from the result of the UK's decision to leave the EU and the impact on the future performance and position of the Group's European business.

The Board considered the principal risks and uncertainties to be in the following areas:

- Macroeconomic uncertainty or downturn in the UK economy;
- Loss of passport rights to the EU single market, currently used to offer and provide services and products to BMO Financial Group's EU client base;
- EU regulatory authorities potentially restricting the ability of the Group's EU-based operations to delegate investment services to London once the UK leaves the EU; and
- Impact on the Group's employees, strategy, performance and operations.

BMO Financial Group formed a Brexit Steering Committee comprising senior management, including Executive Directors of the BMO Asset Management (Holdings) plc Group, to monitor developments as the post-Brexit landscape evolved. The Brexit Steering Committee ensured effective contingency planning was carried out for all potential implications relating to Brexit.

The Brexit Steering Committee, in conjunction with the Group Board, has overseen the restructuring of the business to ensure the Group can continue to operate in Europe and deal effectively with the challenges raised by Brexit. Brexit working groups were formed for all main business and support function areas to facilitate the restructuring process, as approved through the governance structure.

The Group determined that the activities of the Group's Dutch subsidiary, BMO Asset Management Netherlands B.V. (BMO NL), should be expanded to enable it to operate effectively as the European Asset Management business hub for BMO GAM. As part of achieving this operating model, BMO NL obtained approval to act as an Alternative Investment Fund Manager. This now enables BMO NL to manage a number of the Group's European Alternative Investment Funds (AIFs). BMO NL will continue to delegate portfolio management to UK regulated entities, where appropriate, as that will be permitted even in the event of a "no deal" Brexit. However, as BMO Fund Management Limited (BMO FML), one of the Company's subsidiaries, does not expect to be involved in the delegated management of AIF assets from the Dutch business, BMO FML expects to cease to earn revenue stream from such AIFs. However, BMO FML expects to benefit from an associated reduction in its allocation of costs under the current UK cost sharing arrangements. As a consequence, the overall financial results of BMO FML will be impacted by the Group's restructuring activity outlined above.

BY ORDER OF THE BOARD



R D Burgin
Secretary
19 July 2019

BMO AM TREASURY 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 10. A Strategic Report for the same period is set out on pages 2 to 4.

The Company recognised a loss of £582,000 for the 2018 financial year (2017: loss of £27,520,000).

DIVIDENDS

No dividends were approved or paid during the year ended 31 October 2018 (2017: £nil).

FUTURE DEVELOPMENTS

The Directors do not anticipate any significant changes in the principal activities of the business within the foreseeable future.

GOING CONCERN

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

The Company has net liabilities of £11,292,000 at 31 October 2018 (31 October 2017: net liabilities of £18,710,000). However, the Company has received confirmation of financial support being available BMO Asset Management (Holdings) plc, if required, to allow it to continue operating for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

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

M F Mannix
D J Sloper
R A Watts

M F Mannix resigned as Director on 30 April 2019.

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 AM TREASURY 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

A handwritten signature in black ink, appearing to read 'Rachel Burgin', written in a cursive style.

R D Burgin
Secretary
19 July 2019

BMO AM TREASURY 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 AM TREASURY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO AM TREASURY LIMITED

Opinion

We have audited the Financial Statements of BMO AM Treasury 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 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 AM TREASURY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMO AM TREASURY 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 7, 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
19 July 2019

BMO AM TREASURY LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2018

	Notes	2018 £000	2017 £000
Operating expenses	3	(41)	(15)
OPERATING LOSS		(41)	(15)
Impairment of investments in subsidiaries	8	-	(27,371)
Finance income	5	419	89
Finance costs	6	(1,088)	(252)
LOSS BEFORE TAX		(710)	(27,549)
Tax income	7	128	29
LOSS FOR THE FINANCIAL YEAR		(582)	(27,520)

All amounts are derived from continuing activities.

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 13 to 25 form an integral part of these Financial Statements.

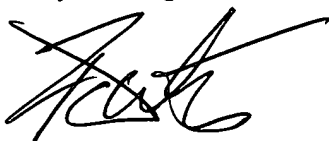
BMO AM TREASURY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2018

(Registered Number 4425921)

	Notes	31 October 2018 £000	31 October 2017 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	194,321	186,321
Loans receivable	9	37,719	38,848
Total non-current assets		232,040	225,169
Current assets			
Other receivables	10	48	16
Current tax receivable		2,221	-
Cash and cash equivalents	11	61,470	34,078
Total current assets		63,739	34,094
TOTAL ASSETS		295,779	259,263
LIABILITIES			
Current liabilities			
Loans and borrowings	12	305,387	269,814
Trade and other payables	13	1,684	429
Current tax payable		-	7,730
TOTAL LIABILITIES		307,071	277,973
EQUITY			
Share capital	14	8,000	-
Retained earnings	15	(19,292)	(18,710)
TOTAL EQUITY		(11,292)	(18,710)
TOTAL LIABILITIES AND EQUITY		295,779	259,263

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 July 2019.
They were signed on its behalf by:



R A Watts
Director

The notes on pages 13 to 25 form an integral part of these Financial Statements.

BMO AM TREASURY LIMITED

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

	Share capital £000	Retained earnings £000	Total equity £000
At 1 November 2016	-	8,810	8,810
Loss for the financial year and total comprehensive expense	-	(27,520)	(27,520)
At 31 October 2017	-	(18,710)	(18,710)
Share capital issued on capital injection	8,000	-	8,000
Loss for the financial year and total comprehensive expense	-	(582)	(582)
At 31 October 2018	8,000	(19,292)	(11,292)

The notes on pages 13 to 25 form an integral part of these Financial Statements.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

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

These Financial Statements present information about the Company as an individual undertaking and do not include information about its group.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group financial statements, as it is a wholly owned subsidiary of BMO Asset Management (Holdings) plc, which prepares consolidated Financial Statements. The results of BMO AM Treasury 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 pounds Sterling, the Company's functional and presentational currency, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

2. ACCOUNTING POLICIES

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) A Statement of Cash Flows and related notes;
- (b) The effects of new but not yet effective IFRSs;
- (c) Disclosures of key management personnel compensation; and
- (d) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Certain figures reported in the 2017 Financial Statements have been reclassified for consistency with the presentation applied within these Financial Statements. These changes are presentational in nature and do not change the previously reported financial results for the year ended 31 October 2017 nor the aggregate assets and liabilities at that date.

Measurement convention

The Financial Statements are prepared under the historical cost convention.

Going concern

Notwithstanding net liabilities of £11,292,000 as at 31 October 2018, the Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons outlined below.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

Going concern (continued)

The Company is dependent on continuing finance being made available by its immediate parent company, BMO Asset Management (Holdings) plc, to enable it to continue operating and to meet its liabilities as they fall due. BMO Asset Management (Holdings) plc has agreed to provide sufficient funds for these purposes. BMO Asset Management (Holdings) plc has provided a letter of support guaranteeing funding to enable the entity to meet any liabilities as they fall due over the course of the next 12 months from the date of the letter and approval of these Financial Statements.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements, and therefore have prepared the Financial Statements on a going concern basis.

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 dates 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.

Significant estimation and judgement was exercised in the impairment review of investments in subsidiaries at 31 October 2017. Further details are disclosed in note 8 to the Company's 2017 Financial Statements.

Summary of significant accounting policies

(a) Foreign currencies

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. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined.

(b) Finance income

Finance income comprises interest receivable on loans owed by group subsidiaries and bank interest receivable and is recognised in the Income Statement as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

(c) Finance costs

Finance costs comprise interest payable on loans owed to the immediate parent company and other group subsidiaries and bank interest and charges payable. These costs are recognised in the Income Statement on an EIR basis.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(d) Income tax

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

(e) Investments in subsidiaries

Investments in subsidiaries are held at cost. The Company assesses investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(f) Financial instruments

i) Financial assets

Initial recognition and measurement

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

Loans and receivables are recorded as current or non-current in the Statement of Financial Position according to their expected settlement dates and consist of loans receivable, interest receivable, group relief receivable 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 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 assesses at each reporting date whether a financial asset 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. If any such indication of impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. In relation to financial assets held with Group subsidiaries, Directors undertake an ongoing review of the financial position and performance of the underlying entities to identify and assess any potential evidence of impairment, together with the resultant risk to the recovery of the specific financial asset. Evidence of impairment in respect of cash and cash equivalents includes review of counterparty credit ratings.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities have been initially recognised at fair value plus directly attributable transaction costs and consist of loans owed to group subsidiaries and to the immediate parent company, group relief payable, other payables and amounts owed to the immediate parent company.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances held in a current account, deposits held at call with banks and deposits with original maturity dates of three months or less.

(h) Share capital

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

3. OPERATING EXPENSES

Total operating expenses comprise the following:

	Note	2018 £000	2017 £000
Impairment charge in the year on loans receivable	16(a)(iii)	36	8
Auditor's remuneration – audit of these Financial Statements		5	5
Other expenses		-	2
		41	15

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 immediate parent company, BMO Asset Management (Holdings) plc.

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

4. DIRECTORS' REMUNERATION

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

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCE INCOME

	2018 £000	2017 £000
Loans and receivables:		
Bank interest receivable	287	46
Interest receivable on loans owed by group subsidiaries	132	43
	<u>419</u>	<u>89</u>

6. FINANCE COSTS

	2018 £000	2017 £000
Financial liabilities recognised at cost using the EIR method:		
Interest payable on loans owed to immediate parent company and other group subsidiaries	1,088	251
Bank interest and charges payable	-	1
	<u>1,088</u>	<u>252</u>

7. INCOME TAX

(a) Analysis of tax income in the year

The tax income recognised in the Income Statement is as follows:

	2018 £000	2017 £000
Current income tax:		
<i>UK Corporation Tax</i>		
Current tax on loss for the year	(128)	(33)
Adjustments in respect of previous periods	-	4
	<u>(128)</u>	<u>(29)</u>
Tax income reported in the Income Statement		

(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>(710)</u>	<u>(27,549)</u>
Tax at the Company's statutory income tax rate of 19.00% (2017: 19.42%)	(135)	(5,350)
Disallowed expenses	7	5,317
Adjustments in respect of previous periods	-	4
	<u>(128)</u>	<u>(29)</u>
Tax income reported in the Income Statement		

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INCOME TAX (continued)

(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.

8. INVESTMENTS IN SUBSIDIARIES

	£000
Cost:	
At 1 November 2016 and 31 October 2017	213,692
Additions in the year	8,000
At 31 October 2018	<u>221,692</u>
Cumulative impairment:	
At 1 November 2016	-
Impairment in the year	(27,371)
At 31 October 2017 and 31 October 2018	<u>(27,371)</u>
Net book value:	
At 31 October 2017	<u>186,321</u>
At 31 October 2018	<u>194,321</u>

The additions in 2018 relate to a capital injection of £8,000,000 in the Company's subsidiary WAM Holdings Ltd in exchange for 80 million Ordinary shares of £0.10 each.

The Directors assess the Company's investments in subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. In the opinion of the Directors, no such indicator of impairment has been identified in the year ended 31 October 2018.

However, at 31 October 2017 the carrying value of investments in subsidiaries was tested for impairment due to an indicator of potential impairment arising, following the annual goodwill impairment review undertaken at Group level. An impairment loss of £27,731,000 in investments in subsidiaries arose, which was recognised in profit and loss in 2017. Further details are disclosed in note 8 to the Company's 2017 Financial Statements.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Company name	Share class	Percentage interest and voting rights	Country of incorporation
WAM Holdings Ltd	Ordinary shares	100	England*
BMO Managers Limited (formerly F&C Managers Limited)†	Ordinary shares	100	England*
BMO Fund Management Limited (formerly F&C Fund Management Limited)†	Ordinary shares	100	England*

* The registered office is Exchange House, Primrose Street, London, EC2A 2NY.

† Subsidiary of WAM Holdings Ltd.

In addition, the Company became a Designated Member of BMO Real Estate Partners LLP (the LLP), a fellow Group subsidiary, on 13 March 2017, and holds one unit in the LLP which entitles the Company to participate in the operation of the LLP. The Company is not entitled to a financial reward from the LLP.

9. LOANS RECEIVABLE

	31 October 2018 £000	31 October 2017 £000
Non-current:		
Loans owed by group subsidiaries	37,719	38,848

The loans owed by group subsidiaries are unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin, with the exception of one loan of £1,000 (31 October 2017: £1,000) which is not subject to interest. The Company does not expect to receive repayment of these loans within the next year.

Loans owed by group subsidiaries are stated net of an impairment provision of £760,000 (31 October 2017: £724,000) in relation to loans receivable where the Directors consider recovery unlikely, with the impairment provision reflecting the extent of net liabilities in the related subsidiary entities. A reconciliation of changes in the impairment provision are disclosed in note 16(a)(iii).

In the Directors' opinion there are no discernible differences between the carrying amounts and fair values of the loan receivable balances disclosed.

10. OTHER RECEIVABLES

	31 October 2018 £000	31 October 2017 £000
Current:		
Interest receivable	48	9
Group relief receivable	-	7
	48	16

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 AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CASH AND CASH EQUIVALENTS

	31 October 2018 £000	31 October 2017 £000
Short-term deposits	61,385	33,822
Cash at bank	85	256
	<u>61,470</u>	<u>34,078</u>

Recognising that the Company acts as a treasury management company for a number of UK companies in the Group, cash and cash equivalents are held for the purpose of meeting short-term cash commitments of certain Group entities rather than for investment or other purposes. 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.

12. LOANS AND BORROWINGS

The contractual terms of the Company's loans and borrowings are as follows:

	31 October 2018 £000	31 October 2017 £000
Current:		
Loans owed to group subsidiaries (i)	195,220	187,566
Loan owed to immediate parent company (ii)	<u>110,167</u>	<u>82,248</u>
	<u>305,387</u>	<u>269,814</u>

- (i) The loans owed to group subsidiaries are unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin, with the exception of one loan of £70,000 (31 October 2017: one loan of £70,000) which is not subject to interest.
- (ii) The loan owed to the immediate parent company is unsecured, repayable on demand and subject to interest at 3-month LIBOR minus 0.25% margin.

13. TRADE AND OTHER PAYABLES

	31 October 2018 £000	31 October 2017 £000
Current:		
Group relief payable	1,257	-
Other payables	422	422
Amounts owed to immediate parent company	<u>5</u>	<u>7</u>
	<u>1,684</u>	<u>429</u>

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

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL

	31 October 2018 £000	31 October 2017 £000
Issued and fully paid:		
8,000,001 Ordinary shares of £1 (31 October 2017: 1 Ordinary share of £1)	8,000	-
	2018 £000	2017 £000
At 1 November	-	-
Share capital issued to BMO Asset Management (Holdings) plc	8,000	-
At 31 October	8,000	-

On 31 October 2018 the Company's immediate parent, BMO Asset Management (Holdings) plc, subscribed for an additional 8 million Ordinary shares of £1 each in the Company. The £8m 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 Ordinary shares do not confer any rights of redemption.

15. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 12.

Nature and purpose of reserves:

Retained earnings

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

16. FINANCIAL RISK MANAGEMENT

Financial risks

The Company is exposed to a number of financial risks through its financial assets and liabilities, including credit risk, liquidity risk and market risk. An explanation of each of these risks and the Company's objectives, policies and processes for managing these risks, is set out under 'Principal risks and uncertainties' in the Strategic Report on pages 2 to 4.

Management of capital

The overall objective of capital management is to ensure that there is sufficient liquidity over the short and medium-term to meet the operational needs of the Company, including the liquidity requirements of Group entities for which the Company provides treasury management. This includes an assessment of the liquidity to cover the Company's operating expenses, taxation payments and repayment of amounts owed to other Group entities. While the Company has net liabilities of £11,292,000 as at 31 October 2018 (31 October 2017: net liabilities of £18,710,000), it is recognised that these liabilities are primarily intra-group and liquidity risk is therefore considered to be low given common overall ownership of the entities involved. The overall cash position of the Group is monitored as a whole by the Group treasury team, with each company within the Group drawing on the available cash balances to meet its working capital requirements.

Extent of risks arising from financial instruments

The extent of risks arising from the Company's financial instruments is set out below:

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

(i) Maximum exposure to credit risk

The carrying amounts of loans and receivables, as disclosed in the tables below, represents the Company's maximum exposure to credit risk. The credit risk of the loans and receivables, analysed by the external credit ratings of the counterparties, is as follows:

As at 31 October 2018	AA £000	A £000	BBB £000	Not rated £000	Total £000
Loans and receivables:					
Loans receivable [†]	-	-	-	37,719	37,719
Other receivables	-	-	-	48	48
Cash and cash equivalents	25,294	36,176	-	-	61,470
	25,294	36,176	-	39,988	101,458

[†] Loans receivable are all owed by Group subsidiaries. As the Group's working capital is monitored on a group-wide basis, the risk of non-recovery is considered to be low.

As at 31 October 2017	AA £000	A £000	BBB £000	Not rated £000	Total £000
Loans and receivables:					
Loans receivable [†]	-	-	-	38,848	38,848
Other receivables	-	-	-	16	16
Cash and cash equivalents	-	33,822	256	-	34,078
	-	33,822	256	38,864	72,942

[†] Loans receivable are all owed by Group subsidiaries. As the Group's working capital is monitored on a group-wide basis, the risk of non-recovery is considered to be low.

(ii) Analysis of financial assets past due but not impaired

The loans and receivables disclosed in note 16(a)(i) above were neither past due nor impaired at both 31 October 2018 and 31 October 2017.

(iii) Impairment losses

The loans receivable disclosed in note 9 are stated net of this impairment provision. Details of the impairment provision for loans receivable at 31 October 2018 and 31 October 2017 are as follows:

	Note	2018 £000	2017 £000
Loans receivable impairment provision			
At 1 November		724	1,799
Charge in the year*	3	36	8
Utilised in the year		-	(1,083)
At 31 October		760	724

* Included within operating expenses in the Income Statement.

No other financial instruments have been impaired during the years ended 31 October 2018 or 31 October 2017.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(iv) Concentration risk

Specific concentration of risk in respect of amounts receivable from any one bank or financial institution, or any one group entity at the reporting date is provided below:

	31 October 2018 £000	31 October 2017 £000
Concentrations of £1.0m or more		
Loans receivable – 2018: 3 group subsidiaries (2017: 4)	36,744	37,400
Cash and cash equivalents – 2018: 7 financial institutions (2017: 5)	61,385	33,822
	<u>98,129</u>	<u>71,222</u>

Concentration risk is considered to arise in relation to receivable balances with individual entities of £1.0m or more at the reporting dates. This disclosure shows the potential impact of these entities failing to satisfy payment of the receivable amounts. The disclosure does not indicate the likelihood of these entities defaulting.

The counterparties for the loans receivable are fellow subsidiaries of the Group. As the Group treasury function monitors working capital on a group basis, the risk of default is considered to be minimal.

(b) Liquidity risk

The cash flow profile associated with the Group's financial liabilities is as follows:

	Within 1 year or on demand	
	31 October 2018 £000	31 October 2017 £000
Loans and borrowings:		
Loans owed to group subsidiaries	(195,220)	(187,566)
Loan owed to immediate parent company	(110,167)	(82,248)
Trade and other payables:		
Group relief payable	(1,257)	-
Other payables	(422)	(422)
Amounts owed to immediate parent company	(5)	(7)
	<u>(307,071)</u>	<u>(270,243)</u>

The maturity dates of the Company's financial liabilities have been determined by reference to the earliest contractual date on which the counterparty could demand payment and the stated amounts represent undiscounted cash flows. While the Company may be required to provide funding to entities within the Group, it is unlikely that all entities would require their loans to be repaid simultaneously. Hence the Group treasury function monitors the Group cash position on a daily basis. However, as the Company is in a net liability position, it has received a letter of financial support from its immediate parent company which would ensure, if necessary, the Company receives sufficient funding to meet its obligations as they fall due.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk – interest rate risk

The following table sets out the carrying amount and maturity profile of the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year or on demand	
	31 October 2018 £000	31 October 2017 £000
Variable rate		
Loans and receivables:		
Loans owed by group subsidiaries	37,718	38,847
Cash and cash equivalents	61,470	34,078
Loans and borrowings:		
Loans owed to group subsidiaries	(195,150)	(187,496)
Loan owed to immediate parent company	(110,167)	(82,248)
	<u>(206,129)</u>	<u>(196,819)</u>

Sensitivity analysis

The Company has quantified the impact of an increase or decrease of 1% in the interest rate applied to closing loans and receivables and loans and borrowings balances (which approximate to fair value) at each reporting date, with the profit or loss and equity impact of these changes set out below. The financial impact is disclosed after taxation.

The sensitivity analysis assumes changes in interest rates which may differ materially from the actual outcome due to the inherent uncertainties in global financial markets. The calculation methods and assumptions have been consistently applied in the sensitivity analysis for both reporting periods.

	Profit or loss sensitivity £000	Profit or loss sensitivity £000	Equity sensitivity £000	Equity sensitivity £000
As at 31 October 2018				
Interest rate movement	+1%	-1%	+1%	-1%
(Decrease)/increase in profit/equity	(1,670)	1,670	(1,670)	1,670
As at 31 October 2017				
Interest rate movement	+1%	-1%	+1%	-1%
(Decrease)/increase in profit/equity	(1,586)	1,586	(1,586)	1,586

17. 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.

BMO AM TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent company is BMO Asset Management (Holdings) plc, which is incorporated in Scotland.

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.