F&C Equity Partners plc

(Registered number 01659209)

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

Contents

F&C EQUITY PARTNERS PLC

DIRECTORS AND ADVISERS

REGISTERED NUMBER:	01659209
DIRECTORS:	P J Doel R A Watts
SECRETARY:	R D Burgin 95 Queen Victoria Street London EC4V 4HG
REGISTERED OFFICE:	Exchange House Primrose Street London EC2A 2NY
SOLICITORS:	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
AUDITOR:	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

F&C EQUITY PARTNERS PLC

STRATEGIC REPORT

The Directors present their Strategic Report on F&C Equity Partners plc (the Company) for the year ended 31 October 2019. The Company is part of the BMO Global Asset Management (BMO GAM) business within the BMO Financial Group.

PRINCIPAL ACTIVITY

The Company no longer has any trading activity, but continues to earn interest on a loan to another BMO Asset Management (Holdings) plc Group (the Group) subsidiary.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements for the 2019 financial year show a profit after tax of £30,753 (2018: £5,050).

Key performance indicators

Given the Company no longer has any trading activity, 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.

Trading performance and development of the business

As a result of the Company adopting IFRS 9 *Financial Instruments* with effect from 1 November 2018, the Company recognised an opening impairment loss of £183,355 on its intra-group loan receivable at that date. The impairment loss allowance was subsequently reviewed at 31 October 2019, resulting in a £21,406 reduction to the impairment loss being recognised during the year ended 31 October 2019. Further details of the adoption of IFRS 9 are disclosed in note 2.2.2.

Operating profit increased from £6,234 in the year ended 31 October 2018 to £18,383 in the year ended 31 October 2019, largely due to the partial reversal of the impairment loss on the Company's loan receivable.

Revenue in 2018 consists of interest receivable on a loan owed by a group subsidiary. As a result of the Company adopting IFRS 15 *Revenue from Contracts with Customers* with effect from 1 November 2018, interest receivable is no longer classified as revenue and in 2019 has been recorded in the Income Statement under finance income. Further details are disclosed in note 2.2.1.

Interest receivable on the loan owed by a group subsidiary continues to be based on the loan balance and the prevailing interest rate levels during the year, with income for the year ended 31 October 2019 increasing to £14,563 (2018: £9,257).

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. However, as the Company no longer has any trading activity, the Directors are of the view that these risks are now significantly diluted from previous years. The principal risks and uncertainties facing the Company are broadly grouped as follows:

Financial risk

The Group adopts a low risk approach to treasury management and financial risks in relation to equity, seeking to manage and preserve its capital.

F&C EQUITY PARTNERS PLC

STRATEGIC REPORT (continued)

Market risk (interest rate risk)

The Company is exposed to interest rate risk through market fluctuations in the variable rate of interest, impacting interest received on a loan owed by a group subsidiary which is subject to interest based on LIBOR rates.

Credit risk

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

Liquidity risk

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

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

BY ORDER OF THE BOARD

Rachel Burgin

R D Burgin
Secretary
3 June 2020

F&C EQUITY PARTNERS PLC

REPORT OF THE DIRECTORS

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

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2019 are shown in the Income Statement on page 8. A Strategic Report for the same period is set out on pages 2 to 3.

The Company recognised a profit of £30,753 for the year ended 31 October 2019 (2018: profit of £5,050).

DIVIDENDS

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

FUTURE DEVELOPMENTS

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

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

M F Mannix (resigned 30 April 2019)
D J Sloper
R A Watts

D J Sloper resigned as Director on 16 January 2020 and P J Doel was appointed as Director on 18 February 2020.

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

DIRECTORS' AND OFFICERS' LIABILITY

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

AUDITOR

KPMG LLP has expressed its willingness to continue in office as auditor and a resolution proposing its reappointment, in accordance with Section 489 of the Companies Act 2006, will be submitted to the Annual General Meeting.

ADEQUACY OF THE INFORMATION PROVIDED TO THE AUDITOR

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

BY ORDER OF THE BOARD

Rachel Burgin

R D Burgin
Secretary
3 June 2020

F&C EQUITY PARTNERS PLC

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.

F&C EQUITY PARTNERS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F&C EQUITY PARTNERS PLC

Opinion

We have audited the Financial Statements of F&C Equity Partners plc ("the Company") for the year ended 31 October 2019 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the Financial Statements:

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

Basis for opinion

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

Going concern

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

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

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

Strategic Report and Report of the Directors

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF F&C EQUITY PARTNERS PLC (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the Financial Statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Satish Iyer

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

F&C EQUITY PARTNERS PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £	2018 £
Revenue	3	-	9,257
Operating income/(expenses)	4	18,383	(3,023)
OPERATING PROFIT		18,383	6,234
Finance income	6	14,563	-
PROFIT BEFORE TAX		32,946	6,234
Tax expense	7	(2,193)	(1,184)
PROFIT FOR THE FINANCIAL YEAR		30,753	5,050

All amounts relate to continuing operations.

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

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

The notes on pages 11 to 19 form an integral part of these Financial Statements.

F&C EQUITY PARTNERS PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019

(Registered number 01659209)

	Notes	31 October 2019 £	31 October 2018 £
ASSETS			
Non-current assets			
Loan receivable	8	2,351,197	2,501,461
Other receivables	9	2,963	2,963
TOTAL ASSETS		2,354,160	2,504,424
LIABILITIES			
Current liabilities			
Other payables	10	6,400	4,062
TOTAL LIABILITIES		6,400	4,062
EQUITY			
Share capital	11	93,786	93,786
Capital redemption reserve	12	150,600	150,600
Retained earnings	12	2,103,374	2,255,976
TOTAL EQUITY		2,347,760	2,500,362
TOTAL LIABILITIES AND EQUITY		2,354,160	2,504,424

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

R A Watts
Director

The notes on pages 11 to 19 form an integral part of these Financial Statements.

F&C EQUITY PARTNERS PLC

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

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 November 2017	93,786	150,600	2,250,926	2,495,312
Profit for the financial year and total comprehensive income	-	-	5,050	5,050
At 31 October 2018	93,786	150,600	2,255,976	2,500,362
Effect of adoption of new accounting standards*	-	-	(183,355)	(183,355)
At 1 November 2018	93,786	150,600	2,072,621	2,317,007
Profit for the financial year and total comprehensive income	-	-	30,753	30,753
At 31 October 2019	93,786	150,600	2,103,374	2,347,760

* Amounts adjusted for the adoption of IFRS 9 as disclosed in note 2.2.2.

The notes on pages 11 to 19 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

F&C Equity Partners plc is a public company limited by share capital, incorporated and domiciled in England. The Company's registered office and principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.

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

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

(a) Information regarding the entity's objectives, policies and processes for managing capital;
(b) A Statement of Cash Flows and related notes;
(c) Financial instruments disclosures;
(d) The effects of new but not yet effective IFRSs;
(e) Disclosures of key management personnel compensation; and
(f) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Measurement convention

The Financial Statements are prepared under the historical cost convention.

Going concern

As part of the Directors assessment of going concern they have considered, as best they can, the potential impact of COVID-19 on the Company. Due to the nature of the Company's activities, the Directors do not currently expect this to have a significant direct or indirect impact on the Company, as outlined in note 14 'Events after the reporting period'. The Company has net assets that support the Directors' assessment that the Company has adequate resources to continue in business for a period of at least 12 months from the date of approval of the Financial Statements and the Directors expect to be able to obtain sufficient repayment of the intra-group loan receivable to enable all liabilities to be met as they fall due. Accordingly, the Financial Statements have been prepared on a going concern basis.

2.2 New and amended standards and interpretations

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

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

F&C EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.2.1 IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and was effective from annual reporting periods beginning on or after 1 January 2018. Under IAS 18 *Revenue*, interest charges on loans due to the Company were classified as a form of revenue. However, financial instruments and contractual rights within the scope of IFRS 9 are not within the scope of IFRS 15, therefore, interest receivable on financial instruments is no longer considered to be revenue. This will now be disclosed as finance income in the Income Statement.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 November 2018 and interest receivable on loans owed by group entities will be classified as finance income from this date.

As this adjustment is a reclassification only, there is no cumulative effect of applying IFRS 15 to the opening balance of retained earnings at the date of initial application.

As the previous years' results have been presented in accordance with the prior revenue standards, the results are not directly comparable with the current year.

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

The Company has applied IFRS 9 prospectively, with an initial application date of 1 November 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings at the date of initial application.

The effect of adopting IFRS 9 on the Statement of Financial Position as at 1 November 2018 was as follows:

	Notes	Decrease £
Non-current assets		
Loan receivable	*(b)*	(183,355)
Total impact on assets		(183,355)
Equity		
Retained earnings	*(b)*	(183,355)
Total impact on equity		(183,355)

The adjustment shown above has been recognised in equity at 1 November 2018, as shown on page 10. The nature of this adjustment is described below:

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

The classification requirements of IFRS 9 did not have a significant impact on the Company's financial instruments, with the only change being as follows:

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

The Company has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Company's financial liabilities.

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

Upon adoption of IFRS 9 the Company recognised an impairment on the Company's loan receivable of £183,355 at 1 November 2018.

Set out below is the reconciliation of the impairment allowances in accordance with IAS 39 to the resulting opening loss allowances determined on the adoption of IFRS 9:

	Allowance for impairment under IAS 39 as at 31 October 2018	Remeasurement	ECL under IFRS 9 as at 1 November 2018
	£	£	£
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	-	183,355	183,355

2.3 Accounting estimates, assumptions and judgements

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

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

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies

(a) Revenue recognition

In 2018, revenue consists of interest receivable on a loan owed by a group subsidiary, with this representing the Company's only source of income. Revenue 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 underlying loan balance to its net carrying amount.

(b) Finance income

Finance income comprises interest receivable on a loan owed by a group subsidiary. Interest income is recognised in the Income Statement as it accrues using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the underlying loan balance to its net carrying amount.

(c) Income tax

The income tax 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.

(d) Financial instruments

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

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting cash flows, selling the financial assets or both.

Subsequent measurement
Subsequent to initial recognition, financial assets at amortised cost are measured using the EIR method. Gains and losses are recognised in the Income Statement when an asset is derecognised or impaired, as well as through the amortisation process. The Company's financial assets at amortised cost consist of a loan receivable and other receivables.

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.

2. ACCOUNTING POLICIES (continued)

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

For loan receivables, the Company uses a discounted cash flow model to determine the expected credit loss. This model assesses the maximum credit exposure, taking in to account inputs concerning probabilities of default. Corresponding movements in the ECL allowance are recognised in operating expenses.

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

ii) Financial liabilities

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

The Company's financial liabilities consist of amounts owed to an intermediate parent company and group relief payable.

Subsequent measurement
Subsequent to initial recognition, financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

iii) Offsetting of financial assets and liabilities

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

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

IAS 39 accounting policy for year ended 31 October 2018

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

F&C EQUITY PARTNERS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (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, 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. The Group treasury function monitor the Group's working capital on an ongoing basis to determine if there is any evidence of impairment and therefore indication of financial difficulty.

(e) Share capital

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

3. REVENUE

Revenue, as recognised in the Income Statement, consists of interest receivable in the UK as follows:

	2019 £	2018 £
Loans and receivables:		
Interest receivable on loan owed by group subsidiary	-	9,257

As a result of adopting IFRS 15, interest receivable is disclosed as finance income in 2019, as explained in note 2.2.1.

4. OPERATING INCOME/(EXPENSES)

Total operating income/(expenses) comprise the following:

	2019 £	2018 £
Impairment loss reversal on loan receivable	21,406	-
Auditor's remuneration – audit of these Financial Statements	(3,023)	(3,023)
Total operating income/(expenses)	18,383	(3,023)

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

5. DIRECTORS' REMUNERATION

No Director received any remuneration in respect of services to the Company during the year ended 31 October 2019 (2018: nil). Their remuneration is paid by BMO Asset Management (Services) Limited.

6. FINANCE INCOME

	2019 £	2018 £
Debt instruments at amortised cost:		
Interest receivable on loan owed by group subsidiary	14,563	-

Prior to the adoption of IFRS 15, interest receivable was disclosed as revenue in 2018, as explained in note 2.2.1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INCOME TAX

(a) Analysis of tax expense in the year

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

	2019 £	2018 £
Current income tax		
UK Corporation Tax		
Current tax on profit for the year	2,193	1,184
Tax expense reported in the Income Statement	2,193	1,184

(b) Reconciliation of total tax expense for the year

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

	2019 £	2018 £
Profit before tax	32,946	6,234
At the Company's statutory income tax rate of 19.00% (2018: 19.00%)	6,260	1,184
Non-taxable items	(4,067)	-
Tax expense reported in the Income Statement	2,193	1,184

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

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

A future UK Corporation Tax rate reduction to 17.00% from 1 April 2020 was substantively enacted on 6 September 2016. The reduction in the UK Corporation Tax rate would have led to a Company statutory UK Corporation Tax rate of 17.83% for 2020 and 17.00% from 2021 onwards.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. LOAN RECEIVABLE

	31 October 2019 £	31 October 2018 £
Non-current:		
Loan owed by group subsidiary	2,513,146	2,501,461
Allowance for expected credit losses	(161,949)	-
	2,351,197	2,501,461

The loan is between the Company and BMO AM Treasury Limited. The loan is unsecured, repayable on demand and subject to interest at the 3-month LIBOR less 0.25% margin. The Company does not expect to receive repayment of this loan within the next year.

An impairment analysis is performed on the loan receivable balance at each reporting date to measure expected credit losses. The calculation reflects the time value of money associated with recovery of the loan receivable. As disclosed in note 2.2.2, on adoption of IFRS 9 the Company recognised an impairment allowance of £183,355 on the Company's loan receivable at 1 November 2018. The impairment allowance was reduced by £21,406 during the year ended 31 October 2019 resulting in an impairment allowance of £161,949 at 31 October 2019.

9. OTHER RECEIVABLES

	31 October 2019 £	31 October 2018 £
Non-current:		
Other receivables	2,963	2,963

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

10. OTHER PAYABLES

	31 October 2019 £	31 October 2018 £
Current:		
Amounts owed to intermediate parent company	3,023	3,023
Group relief payable	3,377	1,039
	6,400	4,062

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

	31 October 2019 £	31 October 2018 £
Authorised:		
2,600,000 Ordinary shares of 10p each	260,000	260,000
Issued and fully paid:		
937,855 Ordinary shares of 10p each	93,786	93,786

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.

12. RESERVES

The analysis of movements in reserves is disclosed within the Statement of Changes in Equity on page 10.

Nature and purpose of reserves:

Capital redemption reserve
The capital redemption reserve is used to maintain the capital of the Company when its own shares are bought back or redeemed without Court Approval. This reserve is non-distributable.

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

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent company is F&C Equity Partners Holdings Limited, a company which is registered in England.

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

The Company's ultimate parent company 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.

14. EVENTS AFTER THE REPORTING PERIOD

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