

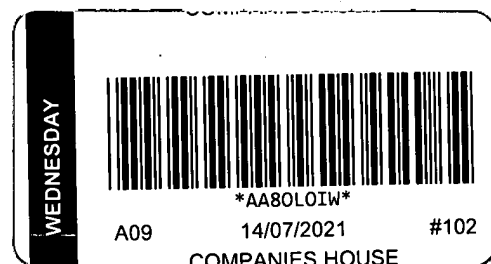
WAM Holdings Ltd

(Registered Number 4131397)

**Annual Report & Financial Statements
for the year ended
31 October 2020**

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WAM HOLDINGS LTD

DIRECTORS AND ADVISERS

REGISTERED NUMBER:

4131397

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

WAM HOLDINGS LTD

STRATEGIC REPORT

The Directors present their Strategic Report for WAM Holdings Ltd (the Company) for the year ended 31 October 2020. The Company is part of the BMO Global Asset Management (BMO GAM) business within the BMO Financial Group.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a holding company.

BUSINESS AND FINANCIAL REVIEW

Results

The Financial Statements show a loss for the 2020 financial year of £3,411,527 (2019: loss of £7,047,907).

Trading performance and development of the business

The loss of £3,411,527 incurred in 2020, compared to a loss of £7,047,907 in 2019, is primarily a result of a £3,401,000 (2019: £7,067,000) impairment charge on the Company's investments in subsidiaries. Further details of the impairment are disclosed in note 7.

The Company recognised an additional impairment loss on its loan receivable of £12,081 at 31 October 2020, compared to a partial reversal of the impairment loss on the Company's loan receivable at 31 October 2019 of £13,905.

Interest receivable on a loan owed by the Company's immediate parent 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 2020 increasing to £5,593 (2019: £9,428).

Given the principal activity of the Company is to act as a holding company, 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.

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 BMO Asset Management (Holdings) plc Group (the Group) adopts a low risk approach to treasury management and financial risks in relation to equity, seeking to manage and preserve its capital.

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 £3,401,000 was recognised in 2020, as disclosed in note 7.

WAM HOLDINGS LTD

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 the Company's immediate parent 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 the Company's immediate parent. 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 Company does not hold a bank account, however the overall Group 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 balances to meet its working capital requirements.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) OF THE COMPANIES ACT 2006

Directors of the Company are required to act in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. This requires the Directors to have regard to the:

- likely consequences of any decision in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers, and others;
- impact of the Company's operations on the community and the environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

The principal activity of the Company is to act as a holding company, with BMO Fund Management Limited being its key subsidiary.

As part of an integrated financial services group, the Company's stakeholders are largely aligned with the key stakeholders in the wider BMO GAM EMEA business (GAM EMEA). GAM EMEA considers the views and interests of a wider set of stakeholders including its shareholders.

WAM HOLDINGS LTD

STRATEGIC REPORT (continued)

Our Purpose

"To Boldly Grow the Good in Business and in Life"

BMO exists to drive change for good, both as a trusted adviser to clients and as a leader in our communities. We're not afraid to do the right thing, we challenge convention, and we strive to enable progressive growth for everyone.

The Purpose Statement

"Boldly" is about thinking big and acting confidently in the face of change; having the passion and conviction to move our business, our industry, and society forward; and our collective belief that no problem is too great to solve.

"Grow" shows we have ambition. At the core, we are builders. We aim for progress alongside profit and create value that extends far beyond the bottom line.

"The Good" is both our approach to and the outcome of our work – our ethical practices, our commitment to always do what's right, even when it's not easy, and the resulting returns when success is mutual and inclusive.

"In Business and Life" makes clear the connection to banking and the impact we make together with our employees, communities, and customers.

Directors are also encouraged to consider BMO's Purpose (opposite) when taking key decisions.

Examples of how stakeholder interests were considered this year and, in the period prior to approval of the Financial Statements, are listed below:

Customers/clients – The Company has no customers or clients.

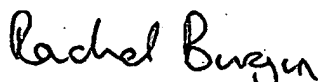
Employees – The Company has no employees, however, the Board is committed to supporting BMO's values.

BMO continues to champion diversity and inclusion initiatives. Following the Black Lives Matter movement, increased focus was given to racial equity initiatives within the Group. This included strengthening our awareness through employee education as well as initiatives to improve Black, Asian and Minority Ethnic (BAME) representation through a culture of sponsorship and providing equitable opportunities in the talent pipeline. BMO GAM's Cultural Working Group organised a number of events, including mindfulness sessions for employees, and employee discussions following the Black Lives Matter movement.

Community and Environment – The Group is committed to giving back to the communities in which it operates. The Directors are actively involved in fundraising and volunteering activities. This year, the Group helped raise funds for MacMillan Cancer Support, Ronald McDonald House and the St Barts Charity Appeal.

The Group is also committed to improving sustainability in its business operations. The Company's registered office at Exchange House has signed up to the 'Plastic Free City' Scheme and has achieved "Platinum" status. The electricity used at Exchange House is derived from 100 per cent renewable resources. Exchange House also maintains an ISO 14001 accreditation that sets out the requirements for an Environmental Management System. This system is used to identify and better manage the building's environmental aspects and impacts and helps BMO GAM EMEA to continually improve its environmental performance through a more efficient use of resources and reduction of waste.

BY ORDER OF THE BOARD



R D Burgin
Secretary
1 July 2021

WAM HOLDINGS LTD

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the year ended 31 October 2020.

RESULTS AND BUSINESS REVIEW

The Company's results for the year ended 31 October 2020 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 for the 2020 financial year of £3,411,527 (2019: loss of £7,047,907).

DIVIDENDS

No dividends were approved or paid during the year ended 31 October 2020 (2019: £nil).

FUTURE DEVELOPMENTS

The Directors do not anticipate any significant changes in the principal activity 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.

On the basis of their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements.

DIRECTORS AND THEIR INTERESTS

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

| | |
|------------|------------------------------|
| P J Doel | (appointed 13 February 2020) |
| D J Sloper | (resigned 16 January 2020) |
| R A Watts | |

There have been no appointments or resignations of Directors since 31 October 2020.

No individual director has any beneficial interests 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.

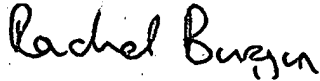
WAM HOLDINGS LTD

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
1 July 2021.

WAM HOLDINGS LTD

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.

WAM HOLDINGS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAM HOLDINGS LTD

Opinion

We have audited the Financial Statements of WAM Holdings Ltd ("the Company") for the year ended 31 October 2020 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 2020 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.

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.

WAM HOLDINGS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAM HOLDINGS LTD (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 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.

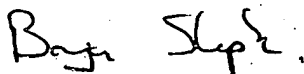
Auditor's responsibilities

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.



Bryan Shepka (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG
1 July 2021

WAM HOLDINGS LTD

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2020

| | Notes | 2020 £ | 2019 £ |
|--|-------|--------------------|--------------------|
| Operating (expenses)/income | 3 | (15,755) | 10,882 |
| Impairment of investment in subsidiaries | 7 | (3,401,000) | (7,067,000) |
| OPERATING LOSS | | (3,416,755) | (7,056,118) |
| Finance income | 5 | 5,593 | 9,428 |
| LOSS BEFORE TAX | | (3,411,162) | (7,046,690) |
| Tax expense | 6 | (365) | (1,217) |
| LOSS FOR THE FINANCIAL YEAR | | (3,411,527) | (7,047,907) |

All amounts relate to continuing operations.

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

The notes on pages 13 to 20 form an integral part of these Financial Statements.

WAM HOLDINGS LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2020

(Registered Number 4131397)

| | Notes | 31 October 2020 £ | 31 October 2019 £ |
|-------------------------------------|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 7 | 80,629,832 | 84,030,832 |
| Loan receivable | 8 | 1,512,066 | 1,522,142 |
| TOTAL ASSETS | | 82,141,898 | 85,552,974 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other payables | 9 | 5,256 | 4,805 |
| TOTAL LIABILITIES | | 5,256 | 4,805 |
| EQUITY | | | |
| Share capital | 10 | 8,100,000 | 8,100,000 |
| Share premium account | 11 | 80,199,201 | 80,199,201 |
| Retained earnings | 11 | (6,162,559) | (2,751,032) |
| TOTAL EQUITY | | 82,136,642 | 85,548,169 |
| TOTAL LIABILITIES AND EQUITY | | 82,141,898 | 85,552,974 |

The Financial Statements were approved by the Board of Directors and authorised for issue on 1 July 2021.
They were signed on its behalf by:



R A Watts
Director

The notes on pages 13 to 20 form an integral part of these Financial Statements.

WAM HOLDINGS LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2020

| | Share capital £ | Share premium account £ | Retained earnings £ | Total equity £ |
|--|-----------------------|----------------------------------|---------------------------|----------------------|
| At 1 November 2018 | 8,100,000 | 80,199,201 | 4,296,875 | 92,596,076 |
| Loss for the financial year and total comprehensive expense | - | - | (7,047,907) | (7,047,907) |
| At 31 October 2019 | 8,100,000 | 80,199,201 | (2,751,032) | 85,548,169 |
| Loss for the financial year and total comprehensive expense | - | - | (3,411,527) | (3,411,527) |
| At 31 October 2020 | 8,100,000 | 80,199,201 | (6,162,559) | 82,136,642 |

The notes on pages 13 to 20 form an integral part of these Financial Statements.

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

1. ENTITY INFORMATION

WAM Holdings Ltd 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 does 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 WAM Holdings Ltd are included in the consolidated Annual Report and Financial Statements of BMO Asset Management (Holdings) plc, which are available from 6th Floor, Quatermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

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

2. ACCOUNTING POLICIES

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 accounting standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs), making amendments where necessary in order to comply with the Companies Act 2006.

In the application of FRS 101, the Company has applied the following disclosure exemptions on the basis that equivalent disclosure is provided in the Annual Report and Financial Statements of its intermediate parent company, BMO Asset Management (Holdings) plc:

- (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 impact on the Company. Notwithstanding net current liabilities of £5,256 as at 31 October 2020, the Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the reasons outlined below.

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, including those within 12 months. Accordingly, the Financial Statements have been prepared on a going concern basis.

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

Several new and amended standards and interpretations apply for the first time in the year ended 31 October 2020, 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.

Accounting estimates, assumptions and judgements

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

The key sources of assumptions and estimation uncertainty which could affect the future carrying amounts of assets and liabilities are as follows:

- Significant estimation has been exercised in the impairment review of investments in subsidiaries. Future estimates of subsidiary entities cash flows and profitability are based on budgets and forecasts which are inherently uncertain in nature. Further details of the impairment and assumptions used are disclosed in note 7.
- The calculation of the allowance for expected credit losses (ECLs) on the Company's loan receivable balance, as disclosed in note 8, involves estimation uncertainty. The Company uses a discounted cash flow model to determine the ECL which involves an estimation, under a number of scenarios, of the timing of when the loan balance will be repaid. Any change to the assumptions around the timing and amounts of cash flows could impact the allowance for ECLs at the reporting date.

Summary of significant accounting policies

(a) Finance income

Finance income comprises interest receivable on a loan owed by the Company's immediate parent. Interest income 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) 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.

Deferred tax assets are reviewed at each reporting date and are only recognised to the extent that it is considered probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits is also considered, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

(c) Investments in subsidiaries

Investments in subsidiaries are held at cost less any applicable provision for impairment. 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.

(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 owed by the Company's immediate parent.

Derecognition of financial assets

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

Impairment of financial assets

The Company considers the requirement to recognise an allowance for 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 lifetime ECL. 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.

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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:

(e) Share capital

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

3. OPERATING (EXPENSES)/INCOME

Total operating (expenses)/income comprise the following:

| | 2020 £ | 2019 £ |
|--|-----------------|---------------|
| Impairment (loss)/reversal on loan receivable | (12,081) | 13,905 |
| Auditor's remuneration – audit of these Financial Statements | (3,674) | (3,023) |
| Total operating (expenses)/income | (15,755) | 10,882 |

The Company had no employees during the year ended 31 October 2020 (2019: nil).

4. DIRECTORS' REMUNERATION

The Company does not remunerate Directors, nor can their remuneration paid from elsewhere in the Group be apportioned meaningfully in respect of their services to the Company.

5. FINANCE INCOME

| | 2020 £ | 2019 £ |
|--|-----------|-----------|
| Financial assets measured at amortised cost: | | |
| Interest receivable on loan owed by immediate parent | 5,593 | 9,428 |

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INCOME TAX

(a) Analysis of tax expense in the year

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

| | 2020 £ | 2019 £ |
|---|------------|--------------|
| Current income tax | | |
| UK Corporation Tax | | |
| Current tax on loss for the year | 365 | 1,217 |
| Tax expense reported in the Income Statement | <u>365</u> | <u>1,217</u> |

(b) Reconciliation of total tax expense for the year

A reconciliation between the actual tax expense and the accounting loss multiplied by the Company's domestic tax rate for the years ended 31 October 2020 and 31 October 2019 is as follows:

| | 2020 £ | 2019 £ |
|---|--------------------|--------------------|
| Loss before tax | <u>(3,411,162)</u> | <u>(7,046,690)</u> |
| Tax at the Company's statutory income tax rate of 19% (2019: 19%) | (648,121) | (1,338,871) |
| Impairment of subsidiaries | 646,190 | 1,342,730 |
| Non-taxable item | 2,296 | (2,642) |
| Tax expense reported in the Income Statement | <u>365</u> | <u>1,217</u> |

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

The current Corporation Tax rate of 19% became effective from 1 April 2017, resulting in a statutory UK Corporation Tax rate of 19% for the year ended 31 October 2020 for the Company.

A future UK Corporation Tax rate reduction to 17% 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% 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% from 1 April 2020 rather than reduce to 17%, and this change was substantively enacted on 17 March 2020. The statutory UK Corporation Tax rate for the Company was therefore expected to remain at 19% from 2020 onwards.

In a further announcement by the Chancellor of the Exchequer on 3 March 2021, it was announced that the UK rate of Corporation Tax will increase to 25% on 1 April 2023. This change was substantively enacted on 24 May 2021 and will result in a Company statutory UK Corporation Tax rate of 22.52% for 2023 and 25% from 2024 onwards.

(d) Unrecognised deferred tax assets

At 31 October 2020 the Company has unrecognised gross tax losses of £1,128,495 (31 October 2019: £1,128,495). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around the timing of when suitable taxable profits will arise in other BMO UK entities against which these losses can be offset.

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES

| | |
|---|---------------------|
| | £ |
| Cost: | |
| At 31 October 2018, 31 October 2019 and 31 October 2020 | <u>91,097,832</u> |
| Cumulative impairment: | |
| At 1 November 2018 | |
| Impairment in the year | <u>(7,067,000)</u> |
| At 31 October 2019 | <u>(7,067,000)</u> |
| Impairment in the year | <u>(3,401,000)</u> |
| At 31 October 2020 | <u>(10,468,000)</u> |
| Net book value: | |
| At 31 October 2019 | <u>84,030,832</u> |
| At 31 October 2020 | <u>80,629,832</u> |

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. The carrying value of the Company's investments in subsidiaries was tested for impairment at the reporting date.

An impairment loss of £3,401,000 (2019: £7,067,000) arose in investments in subsidiaries, primarily due to a reduction in investment management revenues in its key subsidiary, BMO Fund Management Limited, over the forecast period. This was recognised in profit and loss.

The recoverable amount of the asset (representing the aggregate of cash flows from all subsidiaries), to which the carrying value has been written down, is based on value in use calculated using management's latest five-year forecast and a discount rate of 10.25% (31 October 2019: 11.80%). The discount rate has been determined using the Capital Asset Pricing Model, with key model inputs based on applicable market data, including data relating to market participants, which are similar to the Group, in order to calculate a market relevant rate, taking into account the relative risks associated with the Group's revenue streams.

Revenue in year one of the net present value model is based on the budget for 2021, with revenue for years two to five based on management forecasts for those years. The forecasts inherently reflect management's growth projections relating to net new business. Whilst no further adjustment is made for net new business beyond the management forecast period, all revenues and operating expenses have been grown from year six onwards at the perpetuity growth rate of 2.00% (31 October 2019: 2.00%). Operating expenses are based on the 2021 budget and management forecasts up to and including 2025, with expenses for those years grown in line with management's expense inflation assumptions. Thereafter, expenses have been grown at the perpetuity growth rate applied to revenues as disclosed above.

Details of the Company's subsidiaries at 31 October 2020, which are all directly held, are as follows:

| Company name | Share class | Percentage interest and voting rights | Country of incorporation |
|-----------------------------|-----------------|---------------------------------------|--------------------------|
| BMO Managers Limited | Ordinary shares | 100 | England* |
| BMO Fund Management Limited | Ordinary shares | 100 | England* |

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

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. LOAN RECEIVABLE

| | 31 October 2020 £ | 31 October 2019 £ |
|--------------------------------------|-------------------------|-------------------------|
| Non-current: | | |
| Loan owed by immediate parent | 1,628,992 | 1,626,987 |
| Allowance for expected credit losses | (116,926) | (104,845) |
| | <u>1,512,066</u> | <u>1,522,142</u> |

The loan is to BMO AM Treasury Limited, the Company's immediate parent. The loan is unsecured, repayable on demand and is subject to interest at the 3-month LIBOR minus 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. The impairment allowance was increased by £12,081 during the year ended 31 October 2020 resulting in an impairment allowance of £116,926 at 31 October 2020.

9. OTHER PAYABLES

| | 31 October 2020 £ | 31 October 2019 £ |
|-------------------------------------|-------------------------|-------------------------|
| Current: | | |
| Amounts owed to intermediate parent | 3,674 | 3,023 |
| Group relief payable | 1,582 | 1,782 |
| | <u>5,256</u> | <u>4,805</u> |

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

10. SHARE CAPITAL

| | 31 October 2020 £ | 31 October 2019 £ |
|--|-------------------------|-------------------------|
| Issued and fully paid: | | |
| 81,000,000 Ordinary shares of £0.10 each | <u>8,100,000</u> | <u>8,100,000</u> |

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

WAM HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. RESERVES

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

Nature and purpose of reserves:

Share premium account

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

Retained earnings

Retained earnings comprise net profits and losses recognised through the Income Statement and dividend distributions.

12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent is BMO AM Treasury Limited, a company registered in England.

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

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.

13. EVENTS AFTER THE REPORTING PERIOD

On 12 April 2021, BMO announced that agreement had been reached to sell its asset management business in EMEA to Ameriprise Financial, Inc (Ameriprise), which is incorporated in Delaware, United States of America. The Company is part of the BMO Global Asset Management (Europe) Group (BMO GAM E Group), which forms a significant element of BMO's asset management business in EMEA. Therefore, as part of the broader transaction agreed with BMO, the BMO GAM E Group will transfer to become part of the Columbia Threadneedle Investments asset management business within Ameriprise.

The proposed transaction is subject to the satisfaction of certain regulatory approvals and other conditions. It is currently expected that this transaction would complete before the end of the 2021 calendar year.

While the proposed acquisition has had no impact on the Company's results for the year to 31 October 2020, or the financial position at that date, it could impact the results of the Company for the year to 31 October 2021 and beyond. Once the transaction completes, Ameriprise is expected to become the Company's ultimate parent.