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**BMO AM Multi-Manager LLP**  
(formerly Thames River Multi-Capital LLP)

**Members' Report and Financial Statements**

for the year ended 31 March 2019

Registered Number OC328350



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## **Members' Report**

The Members of BMO AM Multi-Manager LLP (formerly Thames River Multi-Capital LLP) (the 'LLP') (the 'Members') present their Report and the audited Financial Statements for the year ended 31 March 2019.

### **Principal activity**

The principal activity of the LLP is investment management. The LLP is authorised and regulated by the Financial Conduct Authority (FCA). The Company changed its name from Thames River Multi-Capital LLP to BMO AM Multi-Manager LLP on 31 October 2018.

### **Results and business review**

The results and profit available for distribution to Members for the year ended 31 March 2019 are set out in the Income Statement on page 8.

Revenue has decreased by £528,000 in the year ended 31 March 2019 to £22,514,000 (2018: £23,042,000) reflecting a marginal decrease in the assets managed over the year due to net outflows.

Operating expenses have decreased by £572,000 from £4,855,000 to £4,283,000 in the year ended 31 March 2019, primarily reflecting a reduction in certain marketing and promotional costs recharged to the LLP by BMO AM Capital (UK) Limited (formerly Thames River Capital (UK) Limited). Operating profit of £15,786,000 (2018: £15,341,000) for the reporting period was £445,000 higher than the previous year, reflecting the movements above and a £401,000 reduction in fee and commission expenses, from £2,846,000 in 2018 to £2,445,000 in 2019.

With effect from 1 June 2018, a new class of Members was introduced – 'C' Members. Four individuals were admitted as 'C' Members from this date. These Members are entitled to a profit share from the LLP.

During the year the Corporate Member, BMO AM Capital (UK) Limited, subscribed for an additional £1 million Members capital in the LLP.

### **Future developments**

The Members will continue to focus on the management of the existing funds and the associated growth opportunities in the markets in which they operate.

### **Risks**

The LLP adopts a low risk approach to treasury management and financial risks in relation to Members' equity, seeking to ensure that its capital is managed and preserved and financial risks are managed accordingly. The BMO Asset Management (Holdings) plc (formerly F&C Asset Management plc) Group's (the Group) treasury function ensures sufficient cash is retained by the LLP to meet short-term working and regulatory capital requirements.

#### *Indirect earnings risk through client assets*

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

A key risk to the business is that of poor investment performance, which could lead to the subsequent loss of client assets. A key role of the Management Committee is to monitor the fund performance achieved by the investment team. Where it is necessary, actions are taken to change process or personnel with a view to attaining improved performance.

## **Members' Report (continued)**

### **Risks (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 LLP was the impact on the employees working for the LLP and the broader market conditions and uncertainties impacting the revenues earned by the LLP.

BMO Financial Group had 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 sought to ensure effective contingency planning was carried out for all potential implications relating to Brexit.

The Brexit Steering Committee has overseen the restructuring of the business to ensure the BMO Asset Management (Holdings) plc Group, including the LLP, 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.

#### *Regulation*

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

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

### **Designated Members**

The following were Designated Members during the year under review:

R Burdett  
D Logan  
H C Moir  
G Potter

## **Members' Report (continued)**

### **Members' Drawings and Capital subscription and repayment**

In accordance with the LLP Deed, certain LLP Members are entitled to receive monthly base drawings (Members' remuneration charged as an expense) as agreed by the remuneration committee. To the extent that the base drawings of any Member are in excess of the Member's share of profits in any calendar quarter, together with undrawn profits as brought forward to the beginning of that quarter, the Member in question is obliged to repay this excess to the LLP. Any such excess not repaid by the Member within three months of the date of receipt of the quarterly management accounts, will incur a market-based interest rate.

The distributable profits of the LLP in respect of each calendar quarter are calculated following the allocation of base drawings, and after taking into account the LLP's working capital and regulatory capital requirements. The Management Committee must pre-approve a distribution of profits to Members. The profits available for distribution are subject to a pre-determined agreement regarding their split between Members. Members can request deferral of the allocation of profits to a later period where agreed with the Management Committee.

Each Member of the LLP is required to subscribe a portion of capital in accordance with the LLP Deed, with the Corporate Member making any additional capital contributions which are necessary to meet the FCA's capital adequacy requirements. No interest is paid by the LLP to Members on their capital contributions. The capital requirements of the partnership are determined by the LLP Management Committee and are reviewed on a regular basis. The LLP's Management Committee can request the Corporate Member to make further capital contributions to meet the FCA's capital adequacy requirements, the working capital requirements of the business, or to finance a transaction approved in line with the provisions of the LLP Deed. The Corporate Member is not obliged to fulfil this contribution request. The non-Corporate Members are not required to make additional capital contributions in any circumstances.

In the case of cessation of membership, any capital repayment due to Members is to be settled by the LLP within a six-month period, provided FCA regulatory capital requirements are met. Where the LLP holds regulatory capital in excess of FCA capital adequacy requirements, capital may be repaid to Members provided the capital adequacy minimum requirements continue to be met, and the return of capital to Members is approved in advance by the FCA.

### **Going concern**

The Members have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the LLP to continue as a going concern. On the basis of their assessment of the LLP's financial position, the Members have a reasonable expectation that the LLP will be able to continue in operational existence for the foreseeable future.

### **Capital Requirements Directive**

Under Pillar 3 of Capital Requirements Directive III, the LLP is required to disclose information relating to its risks, regulatory capital, remuneration policy and risk management objectives and policies. The LLP's Pillar 3 disclosures are provided on the Group's website ([www.bmogam.com](http://www.bmogam.com)).

### **Members' and Officers' liability**

The Group maintains insurance cover in respect of Members' and certain non-Members' liability.

On behalf of the Members



H C Moir  
Designated Member  
19 July 2019

**Statement of Members' responsibilities in respect of the Members' Report and the Financial Statements**

The Members are responsible for preparing the Members' Report and the Financial Statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare Financial Statements for each financial year. Under that law the Members have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members 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 LLP and of the profit or loss of the LLP for that period. In preparing these Financial Statements, the Members 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 LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the Financial Statements comply with those regulations. 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 reasonable open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of BMO AM Multi-Manager LLP**

### **Opinion**

We have audited the Financial Statements of BMO AM Multi-Manager LLP ("the LLP") for the year ended 31 March 2019 which comprise the Income Statement, Statement of Financial Position, Reconciliation of Members' Interests and related notes, including the accounting policies in note 2.

In our opinion the Financial Statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **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 LLP 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 Members, 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 LLP'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 LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an LLP and this is particularly the case in relation to Brexit.

### **Going concern**

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 twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

### **Other information**

The Members are responsible for the other information, which comprises the Members' Report. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the other information for the financial year is consistent with the Financial Statements; and
- in our opinion the other information has been prepared in accordance with the Companies Act 2006 as applied to limited liability partnerships.

**Independent Auditor's Report to the Members of BMO AM Multi-Manager LLP**  
**(continued)**

**Matters on which we are required to report by exception**

Under the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Members' responsibilities**

As explained more fully in their statement set out on page 5, the Members 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 LLP'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 LLP 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](http://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 Members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP'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



**Income Statement**  
**For the year ended 31 March 2019**

|   | Notes | Year ended<br>31 March 2019<br>£000 | Year ended<br>31 March 2018<br>£000 |
|---|-------|-------------------------------------|-------------------------------------|
| <b>Revenue</b>  | 3     | <b>22,514</b>                       | 23,042                              |
| Fee and commission expenses   |       | <b>(2,445)</b>                      | (2,846)                             |
| <b>Net revenue</b>  |       | <b>20,069</b>                       | 20,196                              |
| Operating expenses  | 4     | <b>(4,283)</b>                      | (4,855)                             |
| <b>Operating profit</b>   |       | <b>15,786</b>                       | 15,341                              |
| Finance income  | 5     | <b>34</b>                           | 9                                   |
| Finance costs   | 6     | <b>-</b>                            | (1)                                 |
| <b>Profit for the reporting period before<br/>Members' remuneration and profit shares</b>     |       | <b>15,820</b>                       | 15,349                              |
| Members' remuneration charged as an expense   |       | <b>(264)</b>                        | (291)                               |
| <b>Profit for the reporting period available for<br/>discretionary division among Members</b> |       | <b>15,556</b>                       | 15,058                              |

All amounts are derived from continuing activities.

There are no items of comprehensive income which are not already recognised in the profit for the year. Accordingly, the profit for the year is the same as the total comprehensive income for the year.

The notes on pages 11 to 18 form an integral part of these Financial Statements.

**Statement of Financial Position**  
**At 31 March 2019**  
**Registered Number OC328350**

|   | Notes | 31 March<br>2019<br>£000 | 31 March<br>2018<br>£000 |
|---|-------|--------------------------|--------------------------|
| <b>Current assets</b>                                       |       |                          |                          |
| Trade and other receivables                                 | 9     | 3,188                    | 3,214                    |
| Cash  |       | 6,240                    | 5,707                    |
|   |       | <b>9,428</b>             | <b>8,921</b>             |
| <b>Current liabilities</b>                                  |       |                          |                          |
| Trade and other payables                                    | 10    | (258)                    | (525)                    |
| <b>Net current assets</b>                                   |       | <b>9,170</b>             | <b>8,396</b>             |
| <b>Net assets attributable to Members</b>                   |       | <b>9,170</b>             | <b>8,396</b>             |
| <b>Represented by:</b>                                      |       |                          |                          |
| <b>Loans and other debts due to Members within one year</b> |       |                          |                          |
| Members' capital classified as a liability                  |       | 14                       | 12                       |
| <b>Members' other interests</b>                             |       |                          |                          |
| Member's capital classified as equity                       | 11    | 4,260                    | 3,260                    |
| Other reserves classified as equity                         | 11    | 4,896                    | 5,124                    |
| <b>Total Members' other interests classified as equity</b>  |       | <b>9,156</b>             | <b>8,384</b>             |
| <b>Total Members' interests</b>                             |       | <b>9,170</b>             | <b>8,396</b>             |

These Financial Statements were approved by the Members on 19 July 2019 and were signed on their behalf by:



D Logan  
Designated Member

The notes on pages 11 to 18 form an integral part of these Financial Statements.

**Reconciliation of Members' Interests**  
**For the year ended 31 March 2019**

|  | Equity<br>Members' other interests    |                                     |              | Liability<br>Loans and other debts due to Members |  |                 | Total<br>Members' interests |
|--|---------------------------------------|-------------------------------------|--------------|---|--|-----------------|-----------------------------|
|  | Member's capital classified as equity | Other reserves classified as equity | Total equity | Members' capital classified as a liability        | Amounts due to Members classified as a liability | Total liability | Total                       |
|  | £000                                  | £000                                | £000         | £000  | £000   | £000            | £000                        |
| <b>Balance at 1 April 2017</b>   | 3,260                                 | 4,696                               | 7,956        | 12  | -  | 12              | 7,968                       |
| Members' remuneration charged as an expense  | -                                     | -                                   | -            | -   | 291  | 291             | 291                         |
| Members' remuneration paid to Members  | -                                     | -                                   | -            | -   | (291)  | (291)           | (291)                       |
| Profit for the reporting period available for discretionary division among Members | -                                     | 15,058                              | 15,058       | -   | -  | -               | 15,058                      |
| Distribution of profits to Members   | -                                     | (14,630)                            | (14,630)     | -   | -  | -               | (14,630)                    |
| <b>Balance at 31 March 2018</b>  | 3,260                                 | 5,124                               | 8,384        | 12  | -  | 12              | 8,396                       |
| Introduced by Members  | 1,000                                 | -                                   | 1,000        | 2   | -  | 2               | 1,002                       |
| Members' remuneration charged as an expense  | -                                     | -                                   | -            | -   | 264  | 264             | 264                         |
| Members' remuneration paid to Members  | -                                     | -                                   | -            | -   | (264)  | (264)           | (264)                       |
| Profit for the reporting period available for discretionary division among Members | -                                     | 15,556                              | 15,556       | -   | -  | -               | 15,556                      |
| Distribution of profits to Members   | -                                     | (15,784)                            | (15,784)     | -   | -  | -               | (15,784)                    |
| <b>Balance at 31 March 2019</b>  | 4,260                                 | 4,896                               | 9,156        | 14  | -  | 14              | 9,170                       |

The notes on pages 11 to 18 form an integral part of these Financial Statements.

## **Notes to the Financial Statements**

### **1. Entity information**

BMO AM Multi-Manager LLP is a limited liability partnership, incorporated in England. The LLP's registered office is Exchange House, Primrose Street, London, EC2A 2NY.

### **2. Accounting policies**

#### **Basis of preparation and statement of compliance**

These Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102), Companies Act 2006 as applicable to LLPs and the Statement of Recommended Practice, Accounting by Limited Liability Partnerships (LLP SORP), issued in January 2017.

The LLP's Financial Statements are presented in Sterling, the LLP's functional and presentational currency, on the basis that this represents the currency of the primary economic environment in which it operates, and are rounded to the nearest thousand pounds (£000).

The LLP has elected to apply certain exemptions from the FRS 102 disclosure requirements relating to the following areas, for which equivalent disclosure is provided in the consolidated financial statements of the Group:

- Presentation of a Statement of Cash Flows and related notes;
- Related Party Disclosures – key management personnel compensation; and
- Financial instruments disclosures.

Copies of the Group's Annual Report and Financial Statements, in which the LLP is consolidated, are available from the Group's registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

#### **Going concern**

The LLP's activities, together with the factors likely to affect its future development, performance and position are set out in the Members' Report on pages 2 to 4.

After considering the LLP's financial position and expected future trading activity, the Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its Financial Statements.

#### **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.

No significant estimates or judgements have been applied in the preparation of these Financial Statements.

## **Notes to the Financial Statements (continued)**

### **2. Accounting policies (continued)**

#### **Summary of significant accounting policies**

The following accounting policies have been applied consistently throughout the reporting period in dealing with items which are considered material in relation to the LLP's Financial Statements.

#### ***Revenue recognition***

Revenue consists of the investment management fees earned on funds under management, net of rebates. Revenue is measured at the fair value of the consideration received or receivable, taking into account the contractually defined terms of payment and excluding any taxes.

Management fees are recognised in the Income Statement over the period for which these investment management services are provided, regardless of when the payment is due.

#### ***Fee and commission expenses***

Fee and commission expenses primarily comprise renewal commission paid to agents. These costs are expensed as the services are provided.

#### ***Finance income***

Finance income comprises 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.

#### ***Finance costs***

Finance costs comprise bank interest and charges payable and are recognised in the Income Statement on an EIR basis.

#### ***Cash***

Cash comprises cash balances and deposits held at call with banks.

#### ***Basic financial instruments – recognition and measurement***

A financial asset or financial liability is recognised only when the LLP becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured on initial recognition at the transaction price, including transaction costs.

Financial instruments are classified into the categories described below:

##### **(a) Financial assets that are debt instruments measured at amortised cost**

Financial assets consist of cash, amounts owed by group entities, amounts owed by the Corporate Member, other receivables and amounts owed by Members. Subsequent to initial recognition, financial assets are measured at amortised cost using the EIR method and, on the basis that the assets are receivable within one year, are measured at the undiscounted amount of the cash or other consideration expected to be received.

##### **(b) Financial liabilities measured at amortised cost**

Financial liabilities consist of amounts owed to group entities, amounts owed to the Corporate Member and accruals. Subsequent to initial recognition, financial liabilities that are debt instruments are measured at amortised cost using the EIR method and, on the basis that the liabilities are payable within one year, are measured at the undiscounted amount of the cash or other consideration expected to be paid.

## **Notes to the Financial Statements (continued)**

### **2. Accounting policies (continued)**

#### ***Basic financial instruments – derecognition***

##### ***Financial assets***

A financial asset or, where applicable, part of a financial asset, is derecognised when the contractual rights to the cash flows from the financial asset expire or are settled.

##### ***Financial liabilities***

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

#### ***Impairment of financial assets***

The LLP assesses at each reporting date, whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

#### ***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.

#### ***Taxation***

No provision has been made for tax in the Financial Statements. Each Member is exclusively liable for any tax liabilities arising on their interest in the LLP, which is assessed on the individual Members and not on the LLP.

#### ***Liability and equity elements of Members' interests***

##### ***Members' remuneration charged as an expense***

Members' base drawings are treated as payments-on-account of profit allocation, and are treated as an expense in the Income Statement, and as a liability in the Statement of Financial Position until paid under:

- Loans and other debts due to Members within one year – Members' capital classified as a liability.

##### ***Members' profit share***

The LLP Management Committee is responsible for calculating the profit or loss of the LLP on a quarterly calendar basis in accordance with the LLP Deed. Subject to the prior approval of the Management Committee, profits are substantially distributed, with 90% of calculated profits after the deduction of Member base drawings, and after taking into account the LLP's regulatory capital requirements, being allocated to Members in accordance with agreed distribution allocations. The remaining 10% of profits are allocated to Members following the end of the reporting period, again at the discretion of the Management Committee.

Given the Management Committee's approval over distribution of any profits, including the need to consider the adequacy of working and regulatory capital prior to allocating profits, even where the allocation is pre-agreed, the Members' profit share is considered equity rather than debt in nature. The profit share is classified as follows in the Statement of Financial Position:

- Members' other interests – Other reserves classified as equity.

## **Notes to the Financial Statements (continued)**

### **2. Accounting policies (continued)**

#### *Non-Corporate Members' capital*

On leaving the partnership under normal business circumstances, non-Corporate Members are unconditionally entitled to repayment of their capital within a six-month period, provided the FCA capital adequacy requirements have been met. The return of capital to Members is therefore deemed non-discretionary, with the Non-Corporate Members' capital contribution treated as a liability and disclosed in the Statement of Financial Position under:

- Loans and other debts due to Members within one year – Members' capital classified as a liability.

Any amounts owed by Members are recorded as an asset in the Statement of Financial Position under:

- Trade and other receivables – Amounts owed by Members.

#### *Corporate Member's capital*

The Corporate Member's capital is only repayable on either the winding up or the sale of the LLP and is paid out of a surplus of assets or sale proceeds following settlement of all creditor liabilities, in addition to expenses of the winding up or sale respectively. The Members have concluded that due to the residual and discretionary basis of the Corporate Member's capital repayment, the Capital is considered equity in nature, and on this basis has been classified in the Statement of Financial Position under:

- Members' other interests – Member's capital classified as equity.

### **3. Revenue**

Investment management fees and other income earned in each year were as follows:

|                            | <b>Year ended<br/>31 March 2019<br/>£000</b> | <b>Year ended<br/>31 March 2018<br/>£000</b> |
|----------------------------|--|--|
| Investment management fees | <b>22,405</b>                                | 22,715                                       |
| Other income               | <b>109</b>                                   | 327  |
|                            | <b><u>22,514</u></b>                         | <b><u>23,042</u></b>                         |

## **Notes to the Financial Statements (continued)**

### **4. Operating expenses**

|  | Year ended<br>31 March 2019<br>£000 | Year ended<br>31 March 2018<br>£000 |
|--|-------------------------------------|-------------------------------------|
| Operating profit is stated after charging: |                                     |                                     |
| Auditor's remuneration: Audit fees         | 14                                  | 14                                  |
| Foreign exchange losses                    | -                                   | 1                                   |

Amounts receivable by the LLP's auditor in respect of services to the LLP, other than for the audit of the LLP's Financial Statements, have not been disclosed as the information is disclosed on a consolidated basis in the Annual Report and Financial Statements of BMO Asset Management (Holdings) plc.

Total operating expenses can be summarised by nature as follows:

|  | Year ended<br>31 March 2019<br>£000 | Year ended<br>31 March 2018<br>£000 |
|--|-------------------------------------|-------------------------------------|
| Administration and other overhead expenses†        | 2,936                               | 3,284                               |
| Employee and member benefits and related expenses* | 1,243                               | 1,476                               |
| Communication and information technology expenses  | 99                                  | 90                                  |
| Promotional and client servicing expenses          | 5                                   | 5                                   |
| Total operating expenses                           | 4,283                               | 4,855                               |

† These amounts have predominantly been recharged to the LLP from BMO AM Capital (UK) Limited.

\* These amounts have predominantly been recharged to the LLP from BMO Asset Management (Services) Limited. (formerly F&C Asset Management Services Limited).

### **5. Finance income**

|                          | Year ended<br>31 March 2019<br>£000 | Year ended<br>31 March 2018<br>£000 |
|--------------------------|-------------------------------------|-------------------------------------|
| Bank interest receivable | 34                                  | 9                                   |

### **6. Finance costs**

|                                   | Year ended<br>31 March 2019<br>£000 | Year ended<br>31 March 2018<br>£000 |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Bank interest and charges payable | -                                   | 1                                   |



## **Notes to the Financial Statements (continued)**

### **7. Remuneration of Members**

Members' remuneration has been calculated based on the total of Members' remuneration charged as an expense plus any distributions of profits to Members which have been pre-approved by the Management Committee during the reporting period.

All profits and losses are divided among the Members in accordance with the LLP Deed. The average number of LLP Members during the year ended 31 March 2019 was 6 (2018: 3). The largest entitlement to a share of profits (including Members' remuneration) that were approved for distribution to Members during the year ended 31 March 2019 was £12.0 million (2018: £11.1 million).

### **8. Employees**

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

### **9. Trade and other receivables**

|                                  | <b>31 March 2019</b> | <b>31 March 2018</b> |
|----------------------------------|----------------------|----------------------|
|                                  | <b>£000</b>          | <b>£000</b>          |
| <b>Current:</b>                  |                      |                      |
| Amounts owed by group entities   | 3,004                | 3,168                |
| Amounts owed by Corporate Member | 140                  | -                    |
| Prepayments                      | 39                   | 36                   |
| Other receivables                | 3                    | 8                    |
| Amounts owed by Members          | 2                    | 2                    |
|                                  | <b>3,188</b>         | <b>3,214</b>         |

### **10. Trade and other payables**

|                                  | <b>31 March 2019</b> | <b>31 March 2018</b> |
|----------------------------------|----------------------|----------------------|
|                                  | <b>£000</b>          | <b>£000</b>          |
| <b>Current:</b>                  |                      |                      |
| Amounts owed to group entities   | 235                  | 231                  |
| Amounts owed to Corporate Member | -                    | 150                  |
| Accruals                         | 23                   | 144                  |
|                                  | <b>258</b>           | <b>525</b>           |

In the event of a winding up or disposal of the business, creditors rank above Members' other interests in order of repayment. Further details are disclosed in note 11.

## **Notes to the Financial Statements (continued)**

### **11. Nature and purpose of Members' interests**

#### **Members' capital**

Members are required to make capital contributions in accordance with the LLP Deed as determined by the Management Committee. No member is entitled to receive interest on their capital contribution. The Management Committee can determine to return capital contributions to Members provided sufficient regulatory capital exists and the transaction is approved by the FCA.

In the event of (i) the winding up or (ii) any sale of the business and assets of the LLP:

- (i) Any surplus assets of the LLP over its liabilities remaining at the conclusion of the winding up after payment of all monies due to creditors of the LLP and all expenses of the winding up; or
- (ii) The sale proceeds after payment of all expenses of the sale together with the amount standing to the credit of the Members' capital accounts less any negative balance on the Members' loss reserves accounts, shall be payable to the Members in the following order of priority:
  - (1) the Corporate Member shall first be entitled to receive a sum equal to the cash capital contribution made by it pursuant to FCA capital adequacy requirements, as reduced by any amounts in respect of the assets or proceeds of the sale of the LLP which are insufficient to repay the total;
  - (2) each Member shall then receive an amount equal to the value of their capital contributions, reduced to the extent the amounts realised in respect of the assets or proceeds of the LLP are insufficient to repay the total of such capital contributions;
  - (3) the remaining surplus assets or sale proceeds after payment of the amounts above shall be distributed in equal priority between the Corporate Member and the Members in accordance with the allocation in the LLP Deed.

In the case of cessation of membership, any capital repayment due to Members is to be settled by the LLP within a six-month period, provided FCA regulatory capital requirements are met.

#### **Members profit shares**

Profits of the LLP, other than those automatically distributed by way of Members' base drawings, are available for distribution by the Management Committee. Approved allocations of profits are distributed to Members in accordance with pre-agreed proportions.

## **Notes to the Financial Statements (continued)**

### **12. Related party transactions**

The LLP has taken advantage of the exemption in Section 33 'Related Party Disclosures' of FRS 102 to not provide details of transactions between the LLP and other entities in the Group on the basis that these entities are wholly owned by the Group.

The non-Corporate Designated Members are considered to be related parties as they are involved in the management of the LLP.

Transactions with non-Corporate Members for each reporting period and the balances due to/(from) those Members are as follows:

|   | Transactions for<br>the year ended<br>31 March 2019<br>£000 | Outstanding<br>at<br>31 March 2019<br>£000 | Transactions for<br>the year ended<br>31 March 2018<br>£000 | Outstanding<br>at<br>31 March 2018<br>£000 |
|---|---|--|---|--|
| Members' remuneration<br>charged as an expense                                  | 264   | -  | 291   | -  |
| Profit approved and<br>distributed to Members<br>during the reporting<br>period | 3,436   | -  | 3,513   | -  |
| Members' capital<br>classified as a liability                                   | -   | (2)  | -   | (2)  |

The Members are not aware of any other related party transactions.

### **13. Ultimate controlling party**

BMO AM Capital (UK) Limited, a subsidiary of BMO Asset Management (Holdings) plc, is the Corporate Member of the LLP. At 31 March 2019, the smallest group of which the LLP was a member and for which an Annual Report and Financial Statements was prepared was BMO Asset Management (Holdings) plc, which is registered in Scotland. Copies of the Annual Report and Financial Statements of BMO Asset Management (Holdings) plc can be obtained from its registered office at 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

The ultimate parent and controlling party of BMO Asset Management (Holdings) plc is Bank of Montreal, a company incorporated in Canada. Bank of Montreal's registered address is 129, rue Saint-Jacques, Montréal, Québec, H2Y 1L6, Canada. The consolidated financial statements of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28<sup>th</sup> Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1.

### **14. Events after the Reporting Date**

#### **Members' profit distributions**

During the period between the reporting date and the date of approval of these Financial Statements, Members' distributions of £4,527,000 were made in respect of the retained profits included within 'Members' other interests – Other reserves classified as equity' at 31 March 2019.