BMO Asset Management (Holdings) plc

Annual Report and Financial Statements 2021

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Annual Report and Financial Statements for the year ended 31 October 2021

Definitions

"Ameriprise" Ameriprise Financial, Inc.

"AUM" Assets Under Management

"BMO", "BMO Financial Group" Bank of Montreal and its subsidiaries

"BMO GAM" BMO Global Asset Management, the global asset management business within BMO

"BMO GAM EMEA", BMO Global Asset Management's business in Europe, the Middle East and Africa

"BMO GAM Europe" BMO Global Asset Management (Europe) Limited, the immediate parent company of BMO Asset Management (Holdings) plc

"BMO GAM Europe Group" BMO Global Asset Management (Europe) Limited and its subsidiaries

"BMO AM (H) plc", "BMO AM (H)", "Group" or "Company" BMO Asset Management (Holdings) plc and its subsidiaries

"BMO REP LLP" BMO Real Estate Partners LLP

"BMO REP", "BMO REP Group", BMO Real Estate Partners LLP and its subsidiaries

"CTI" Columbia Threadneedle Investments, being Ameriprise's global asset management business

"ECL(s)" Expected Credit Loss(es)

"EIR" Effective Interest Rate

"FVTPL" Fair Value Through Profit or Loss

"LLP" Limited Liability Partnership

"LP" Limited Partnership

"NCI" Non-controlling Interest

"OCI" Other Comprehensive Income

Forward-looking statements

This Annual Report and Financial Statements may contain certain "forward-looking statements" with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control including among other things: UK domestic and global economic and business conditions; market-related risks such as fluctuations in market indices, interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities; the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; estimates of assets to be managed for clients in the future; and the impact of changes in capital, solvency, accounting standards, tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. BMO AM (H) undertakes no obligation to update the forward-looking statements contained in this Annual Report and Financial Statements. Nothing in this publication should be considered as a profit forecast.

Chief Executive's Report

The COVID-19 pandemic continued to be a dominant factor in 2021, impacting global economies. However, with the roll out of vaccines and increased optimism, we generally experienced a continued recovery in global equity markets, despite further lock-downs being implemented to attempt to contain the impact of emerging strains of the virus. I am therefore truly grateful to our talented employees for their continued perseverance, creativity and collaborative approach in supporting each other and our clients in 2021, whilst growing the business through strong new business generation.

Acquisition of the Group by Ameriprise

In April 2021 it was announced that, subject to regulatory approvals, BMO's asset management business in EMEA, which encompassed the Group, was to be acquired by Ameriprise and become part of Columbia Threadneedle Investments, Ameriprise's global asset management business. After several months of hard work and planning, the acquisition completed shortly after our financial year end, on 8 November 2021.

Now that we have joined the Columbia Threadneedle Investments' family, we are moving forward to create an integrated business which, on a combined basis, will provide a broader product offering and increased investment capabilities for the benefit of our existing and future clients. However, we recognise that this journey will take time and significant investment in order to reap the full benefits of integration.

We also recognise that while both businesses are largely complementary to each other and have limited areas of overlap, the acquisition and integration creates uncertainty for our employees. The Board and senior management are therefore very cognisant that a large part of the value of our business is our people and are committed to approaching the transition with transparency and respect for all employees to minimise disruption and uncertainty during this period of change.

Significant new business momentum

The Group had a very successful year and generated a significantly increased level of new business through its distribution teams and associated activities. We achieved £15.7 billion of gross new Consumer and Institutional business in 2021, an increase of £4.8 billion compared with 2020, with our Solutions business and Responsible Investment capabilities being key contributors to this successful outcome. On a net flows basis, the Group achieved £6.4 billion of net new Consumer and Institutional business, an improvement of £8.7 billion compared with the outflows experienced in 2020. Importantly, these net flows will deliver a significant increase in recurring annualised revenues.

Investment performance

Our asset-weighted fixed income investment performance continues to be a very competitive position with 90%, 79% and 87% of assets outperforming targets or benchmarks over one, three and five-year periods. Our equities investment performance also remains encouraging over the medium-term, with 67% and 77% of assets outperforming targets or benchmarks over the three and five-year measurement periods. Our equities outperformance over the one-year time horizon period of 45% in part reflects quality style equity strategies being impacted by the market re-rating of such stocks as a consequence of increasing interest rates and inflationary pressures.

Assets under management and business flows

The total assets managed by the Group at the end of the financial year were £89.2 billion, broadly unchanged from the opening position of assets under management (AUM) of £89.4 billion. However, as this movement includes an £11.4 billion withdrawal of assets in Portugal, as anticipated, it masks the benefit of the significant new business generated by the Group, and outlined above, which added £6.4 billion of net new business to our Consumer and Institutional AUM. Positive investment performance added a further £7.5 billion to AUM, but was partially offset by a £2.5 billion negative foreign exchange impact, as a result of the strengthening of Sterling, and £0.7 billion of net outflows associated with other legacy Strategic Partner assets. A fuller analysis of movements in AUM and flows is given on pages 11 and 12.

Financial results

The Group reported a profit after tax of £7.2 million for the year, significantly lower than the £25.0 million reported last year. The Group's net operating revenue for 2021 grew to £256.3 million, some £17.3 million higher than 2020, reflecting a part-year benefit of the net new business achieved, the positive impact of markets and increased performance and transaction fees. However, the combination of some £10.7 million of non-recurring transaction-related costs and a £28.5 million increase in variable remuneration linked to the growth in the BMO share price during 2021 were the key drivers for expense growth outstripping revenue growth. The remaining recurring cost base of the Group was relatively static year-on-year and positions the Group well as we move forward into 2022. The Group's key performance indicators are shown on pages 5 and 6 and a fuller review of the financial performance of the Group is given on pages 11 to 14.

Our dedicated employees

2021 saw many achievements as we continued to ensure we focussed on delivery to our existing clients, welcomed many new clients to our Group and invested significant time and effort into ensuring a smooth completion of the acquisition and detailed planning to support the integration process. Against the backdrop of a further significant period of remote working, the resilience and support of our staff has continued to be outstanding. Our priority continued to be ensuring the health, safety and well-being of our employees and we therefore sought to make a broad range of practical support measures readily available to all employees.

On behalf of the Board and the Executive Management team, I would like to thank all our employees for their dedication, creativity and significant contribution to the prosperity of our business.

As we return to the office, our aim is to balance the desire for a level of flexibility with the benefits gained from spending time together in person, in a collaborative work environment which further supports our client-centric culture.

Summary and outlook

There are therefore many good reasons to be proud of what has been achieved by the Group in 2021. As we continue on our journey in 2022, we face significant uncertainty from global markets adapting to higher interest rate expectations and increasing inflationary pressures. These conditions can only be exacerbated by the recent invasion of Ukraine by Russia and the humanitarian crisis which continues to unfold.

However, we remain excited by the strategic aspirations which lie in the journey ahead as we rebrand GAM EMEA and integrate our business with Columbia Threadneedle Investments, to enable the combined business to deliver meaningful value for our clients.

David Logan
Chief Executive Officer

26 April 2022

Strategic Report

This Strategic Report sets out an overview of the BMO Asset Management (Holdings) plc Group, our strategic objectives and the principal risks and uncertainties that could impact the Group's strategy.

During the year to 31 October 2021 the Group continued to operate as an integral part of BMO Global Asset Management (BMO GAM), encompassing the BMO Financial Group's asset management businesses in EMEA, Canada, the US and Asia, and throughout 2021 continued on its journey to focus on the strategic priorities set out in 2020. However, as outlined in last year's Annual Report, in April 2021 BMO announced that Ameriprise had reached agreement with BMO to acquire BMO's asset management business in EMEA (GAM EMEA), of which the Group represents the most significant component, subject to customary closing conditions, including required regulatory approvals. The acquisition completed on 8 November 2021, following receipt of all such approvals, when the Group joined Columbia Threadneedle Investments (CTI), Ameriprise's global asset management business.

Ameriprise considered the GAM EMEA business to be a strong strategic and cultural fit with CTI and that the acquisition would leave the combined business well positioned by extending its reach, scale and investment capabilities. Both businesses share a client-centric culture and have a long-established commitment to responsible investment principles.

The investment capabilities set out below, which were all identified as areas of strategic focus for the Group in 2021, were also recognised as some of the strengths which made the Group attractive to Ameriprise:

- **Responsible Investment (RI)** – the Group is a recognised leader with a broad range of specialist environmental, social and governance (ESG) products and a leading reo® service providing corporate engagement on equity and bond holdings, and proxy voting services.
- **Investment Solutions** - the Group is a leading Liability Driven Investing (LDI) provider in Europe and the UK and dominant in the small/mid-market sector. The Group has also been successful in growing its Fiduciary business, a key solutions business that has teams in the Netherlands and UK.
- **Alternatives**, including European Real Estate, a continental European direct real estate capability based in Germany and France, and private equity.
- **Investment Trusts.**

During 2021, BMO GAM's strategic focus has been to leverage the key areas of differentiation, to accelerate business growth around areas of strength where we were, and still are, positioned to win. During 2021, some £15.7 billion of gross new Consumer and Institutional business was generated, with continued success, in particular, in the generation of new LDI, responsible investment and fiduciary mandates. Further details of AUM and business flows are given on pages 11 and 12.

Our culture

As an asset management business, we have a strong corporate culture which puts the client at the heart of everything we do and we seek to exceed our clients' expectations with innovative, relevant investment solutions that achieve their goals. This client-centric culture is a common characteristic shared with CTI.

We believe that a strong culture is one that promotes a robust risk management framework, encourages challenge, provides appropriate incentives for employees and which is led by example from senior management. We consider culture within the Group, and the industry, to be vital in creating a set of internal controls which protect against failings and which support the right outcomes for consumers and the market.

Integration with Columbia Threadneedle Investments

Ameriprise have set out a clear objective to integrate the Group into the broader CTI investment family creating an enlarged business comprising the "best of both" for our existing clients and our future. During 2021, in the lead up to legal completion of the transaction, a lot of hard work and planning was required. Ameriprise established a Transition Management Office (TMO) several months prior to completion to manage the overall planning and execution of the integration process, with activities split between those required to be completed prior to Completion; actions to be implemented with effect from Completion; and the prioritisation and planning of subsequent integrations activities. Workstream leaders from both BMO GAM and Ameriprise collaborated to establish the integration plans for each area of the business. The TMO were, and continue to be, actively involved with the workstream leaders, to facilitate the formal governance reporting to senior management on, among other things, integration progress, risks, approval of resourcing requirements and ensuring continued compliance with all regulatory requirements.

It is recognised that fully integrating GAM EMEA and the CTI business will be a journey that takes several years and significant investment. Whilst clear integration objectives have been developed, detailed plans and timelines are still evolving. Since completion of the transaction, both businesses have continued to operate under separate governance and regulatory structures, with any interactions between the two businesses being subject to approval.

The integration and optimisation of our combined capabilities is a critical strategic goal for the business during 2022 and beyond in order to:

- bring together our investment capabilities and distribution networks to deliver value for clients and meet their evolving needs;
- combine our established strengths in capabilities such as LDI, fiduciary management, RI, European real estate and other alternatives with CTI's strategies in core asset classes; and
- build on our strength and capability in areas of increasing prominence for European and global asset management – specifically RI, Alternatives and Solutions.

During 2022, a number of key integration activities are planned, including initiating the integration of the order management system for investments globally and, importantly, the rebranding of the GAM EMEA business to Columbia Threadneedle Investments to create a single brand.

Key performance indicators

Assets under management by client category
as at 31 October

		31 Oct 2021 £bn	31 Oct 2020 £bn
1	Third-Party Institutional	59.0	53.6
2	Investment Trusts	11.7	9.3
3	Wholesale	9.5	6.4
4	Retail	7.2	5.9
5	Strategic Partners	1.8	14.2

Assets under management by asset class
as at 31 October

		31 Oct 2021 £bn	31 Oct 2020 £bn
1	Fixed Income	52.6	59.5
2	Equities	24.7	19.2
3	Property	6.9	7.1
4	Liquidity	3.1	1.7
5	Alternative Investments	1.9	1.9

Investment performance

Average percentage of fixed income assets above index, benchmark or peer group on an asset-weighted basis
% (3 years)

79	2021
60	2020
80	2019

Average percentage of equity assets above index, benchmark or peer group on an asset-weighted basis
% (3 years)

67	2021
83	2020
74	2019

Average percentage of property assets above index, benchmark or peer group on an asset-weighted basis
% (3 years)

46	2021
28	2020
27	2019

Business flows

Net inflows/(outflows) from Consumer & Institutional business
£bn

6.4	2021
(2.3)	2020
(3.3)	2019

Gross Third-Party Institutional new business
£bn

10.6	2021
6.6	2020
7.1	2019

Performance-related fees earned
£m

19.6	2021
11.9	2020
18.7	2019

Average basis points earned on assets under management*
basis points

24.7	2021
23.9	2020
25.3	2019

Underlying operating profit#
£m

1.2	2021
29.4	2020
1.2	2019

Operating margin†
%

0.5	2021
12.3	2020
0.5	2019

Profit for the year
£m

7.2	2021
25.0	2020
1.4	2019

* Excluding performance fees.

\# Quantified as operating profit adjusted to exclude any expense relating to the amortisation of intangible assets – investment management contracts.

† Quantified as underlying operating profit expressed as a percentage of net operating revenue.

The key performance indicators shown above relate to the respective years to 31 October 2019, 2020 and 2021.

Managing principal risks and uncertainties

Across the entire BMO GAM business in EMEA, of which the Group forms a significant part, we believe risk management is every employee's responsibility and our risk culture encourages openness, constructive challenge and personal accountability. By maintaining a culture that emphasises the importance of a strong control environment through the application of rigorous disciplines and procedures, we can safeguard the interests of our clients and other key stakeholders.

In addition to the financial risks facing the Group, as outlined in note 34 of the Consolidated Financial Statements, relating to the market, interest rates and foreign currency, the Board has identified the following as the principal risks and uncertainties facing the business:

Failure to execute strategic growth plans

Key risk Over the last few years the Group's client base and revenues have evolved. As the legacy Strategic Partner business has matured and assets have been withdrawn, the Group has sought to significantly expand its Consumer and Institutional business to provide new revenues. Further growth in Consumer and Institutional AUM and, more critically, revenue, is key to the continued success of the Group. A lack of growth in new Consumer and Institutional business could stifle the targeted growth in profitability or even reduce profitability.

Mitigation The Group has sought to ensure that its product development, distribution and investment processes are aligned, positioning it to leverage our strategic-focus capabilities. These are resilient capabilities where we have distinctive competitive advantages and are well positioned for future growth. Clearly defined distribution targets allow management to monitor progress in AUM and revenue growth. This strategy provides us with an effective way to organise and marshal our resources towards profitable investment capabilities where we have the highest chances of success, given the scope of the services provided and/or well-defined distribution advantages.

Integration risk

Key risk As outlined earlier, the Group was acquired by Ameriprise on 8 November 2021 and now forms part of the broader Columbia Threadneedle Investments (CTI) asset management business within Ameriprise. Whilst detailed plans and timelines are still evolving, there is a clear objective to integrate the Group into the broader CTI operating model, where appropriate. By its very nature, integration activity can increase the inherent risks in a number of areas of the business, including increased operational risk where changes to people, process or systems are initiated; the risk that consultant ratings of products move to 'hold' while integration activity is executed, potentially impacting the new business generation; and strain being placed on employees of the Group, recognising they are key to the successful integration of the business. Failure to adequately plan and control the activities required to meet the integration objective in a timely basis may result in excessive project costs, a weakened control environment or the loss of clients or key employees. In addition, these activities must be completed in a manner which is cognisant of, and compliant with, prescribed regulatory requirements in the UK and other jurisdictions.

Mitigation Ameriprise established a Transition Management Office several months prior to legal completion of the transaction to manage the overall planning and execution of the integration process, with activities split between those required to be completed prior to Completion; actions to be implemented with effect from Completion; and the prioritisation and planning of subsequent integrations activities. Workstream leaders from both BMO GAM and Ameriprise have collaborated to establish the integration plans for each area of the business. The TMO are actively involved with the workstream leaders, to facilitate the formal governance reporting to senior management on, among other things, integration progress, risks, approval of resourcing requirements and ensuring continued compliance with all regulatory requirements.

COVID-19 pandemic

Key risk Since becoming a global pandemic, the coronavirus (COVID-19) has led to multiple "lock-down" periods across the globe causing the suspension or curtailment of business operations and imposing travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities and the wider global economy. As the pandemic continues, it is challenging at this juncture to predict the full extent and duration of its business and economic impact. As increased knowledge through research and data studies combines with increasing roll out of vaccines, anti-viral drugs, and other measures to combat the effects of the virus, fewer restrictions should be required overall in the future. However, the virus continues to evolve and certain variants of the virus may hinder progress and require some level of restrictions to be reimposed, generating further adverse economic consequences. Irrespective of when relative "normality" returns, significant economic consequences will continue to occur for some time thereafter and many industries and services may never return to pre-pandemic levels of activity and will implement permanent changes to operating models.

Mitigation This remains a rapidly changing scenario, but the Group, which is now part of the broader CTI business within Ameriprise, is taking every precaution it can to safeguard employees, continue serving customers and keep operations running effectively. Key actions taken so far include:

- The BMO GAM EMEA business have an Emergency Response Team (ERT), including the Heads of key business and support functions who, in conjunction with their counterparts at CTI, will co-ordinate actions to address the evolving situation as required;
- The business has continued to implement Group-wide working from home options in line with government guidance, ensuring that this incorporates appropriate support for staff and focus on their well-being. The Group has also ensured all office environments meet staff needs, enabling staff to work from home or return to the office under a hybrid model where appropriate and when guidance permits;
- The Group continues to monitor and engage with the Group's key third-party outsource service providers, seeking to ensure maintenance of normal operations and service levels notwithstanding the evolution of the virus; and
- BMO GAM EMEA and the wider CTI business continue to issue regular communications to staff focused on well-being and providing updates, including the business expectations on future hybrid working operating model to support the continued development of the business.

Notwithstanding the measures above, it is inevitable that current events will continue to have a direct or indirect impact on the operations, financial position, and results of the Group for the year to 31 October 2022 and potentially beyond that date. Historically, the biggest impacts experienced during the early stages of the pandemic have been reduced revenues as a result of the impact of global markets on the value of the assets managed by the Group and the need to adapt operational processes and the technology infrastructure to support a working from home environment. While it is not possible to estimate the overall future operational or financial impact of COVID-19 on the Group or Company given the unpredictable nature of this pandemic and the inherent uncertainties, we have generally seen global equity markets substantially recover from the low levels experienced in 2020. In addition the Group continues to benefit from the broader diversity of its revenues and client base and, where necessary, seeks to enhance its operational resilience. The Group, and therefore the Company, are considered to be well positioned to deal with future challenges that might be presented by the pandemic as long as it continues.

Uncertain economic outlook

Key risk The UK and global macroeconomic outlook remains uncertain, particularly recognising its susceptibility to the continuation of the COVID-19 pandemic referred to above which will hinder economic growth. Client investment preferences, and the Group's AUM and revenue, may be impacted by underlying economic and market conditions. In addition, a substantial proportion of the Group's revenues are denominated in Euros. Adverse market conditions in one or more asset classes or changes in economic factors may lead to a reduction in AUM and/or revenue. In addition, actual or perceived changes in market or economic outlook may lead clients to alter their allocations to particular products or asset classes.

The operation of the Trade & Co-operation Agreement (TCA) concluded between the UK and EU remains subject to significant uncertainties given its governance structure. This includes a review every five years and the ability of the UK and EU to take action against the other for divergence from prescribed standards and structures designed to ensure that a regulatory "level playing field" remains in place between them. The operation of the Northern Ireland Protocol concluded by the UK and EU as part of the Withdrawal Agreement also remains subject to significant uncertainties around its implementation, creating ongoing challenges for trade flowing between Northern Ireland and Great Britain and having wider adverse impact on the EU-UK relationship. Consequently, the evolution of the long-term relationship between the UK and EU could still have a significant impact on underlying economic and market conditions for European asset classes.

Mitigation The Group offers competitive products across a range of asset classes, including equities, fixed income, alternatives and multi-asset, with this diversified range limiting its exposure to the impact of market volatility in any one market or asset class. Furthermore, a number of the Group's investment solutions products are much longer term in nature, with some based on a fixed fee, and their performance and marketability are less impacted by short-term market volatility. The Group continues to closely monitor developments around the relationship between the UK and the EU so as to ensure that any adverse impact is appropriately mitigated, as far as possible, in the management of European asset classes.

Failure to invest responsibly

Key risk The importance of Responsible Investment and integrating Environmental, Social and Governance risks into investment processes, and consideration of how investment decisions can adversely impact ESG factors is increasing apace within our industry and subject to increasing regulation across Europe, including the UK. Investment Managers who do not have the products which address climate change and other issues of growing importance to clients linked to ESG factors, and which meet regulatory disclosure requirements for sustainable investment, are increasingly unlikely to win new business. Furthermore, firms who do not have transparent investment processes with easily demonstrable ESG credentials and compliance with applicable ESG regulation are also likely to lose existing business over time.

Mitigation The Group's heritage and commitment to ESG investing runs deep. The Group takes its responsibility seriously and that includes considering the impact of our investments on society and the environment. The Group's product range includes specialist ESG products, investment strategies with ESG integration and engagement incorporated, and its Responsible Engagement Overlay service, *reo*®. The Group's approach is an active one (to "avoid, invest, and improve"), and it aims to contribute to public policy development and engage with companies and industries on ESG matters. The Group expresses views and perspectives through voting and thought leadership as well as working to ensure that ESG analysis is integrated across its broader investment processes. In a year engulfed by a global pandemic, the Group's commitment to responsible investing remained as clear as ever and the Group is resolved to remaining at the forefront of developments in RI.

Investment performance

Key risk The delivery of strong investment performance depends upon the successful management of client portfolios against targets, benchmarks and/or peer groups. Failure to meet these objectives could lead to outflows, may impact the Group's ability to win new mandates or assets, and may potentially expose the Group to greater risk of mandate or regulatory breaches.

Mitigation Portfolio managers are responsible for implementing investment strategies/ideas whilst effectively managing performance and the risks associated with them. The Group operates an independent Investment Risk Oversight team which monitors and challenges risks within client portfolios and provides appropriate management information. A Performance Review and Risk Oversight Committee meets regularly to ensure an appropriate level of oversight is applied to investment performance and risk. A key role of the Group's Chief Investment Officer is to monitor the fund performance achieved by our investment professionals. Where it is considered necessary, actions are taken to change investment process or personnel with a view to attaining improved performance.

Loss of key employees

Key risk The success of the Group depends on the support of its employees in key areas including investment, distribution, marketing, product development, operations and support functions. The loss of key employees may prevent the Group from winning new business or meeting its strategic goals, and may therefore lead to client outflows and the loss of key mandates. Employee retention risk is inherently heightened as a result of the transaction and the uncertainty created by future integration activity.

Mitigation The Group's compensation model targets the long-term retention of key employees. All employees receive an annual appraisal which reviews their performance against clearly defined objectives with the aim of encouraging strong performance. Reliance on key individuals is mitigated by the Group's team-based approach to investment management. Moreover, we seek to reduce our dependence on key staff through the recruitment of suitably-skilled individuals, promoting training and by ensuring succession plans are in place for senior roles to provide emergency or immediate cover. As part of CTI, we are also able to leverage a wider range of support for our investment, distribution and support function capabilities through inter-group arrangements with affiliates that form part of the existing CTI business.

Breach of client or portfolio limits

Key risk Many of the Group's investment mandates include specific limits, restrictions and/or exclusions on the construction or content of portfolios agreed with the client. In addition, certain pooled fund products may be subject to specific regulatory or fiscal limits, restrictions and/or exclusions. Any breach of client mandate may render the Group liable to pay financial compensation and can lead to reputational and regulatory risk, and further client losses if key tenets of a product are compromised.

Mitigation A Group-wide database is utilised to record and monitor mandate-related rules. Portfolio managers are the Group's first line of defence in ensuring that portfolios are managed in accordance with the mandate. An independent Investment Mandate Compliance Team is responsible for pre-trade and post-trade monitoring of investment rules, and all breaches, whether active or passive, are investigated. The Group's Compliance Monitoring Team will act as an additional line of defence in monitoring mandate compliance and will work with its Business Risk and Legal Teams to ensure that any breach is properly remediated in a timely manner. The Group seeks to mitigate financial exposure to errors and omissions by maintaining appropriate insurance arrangements to recover remediation costs of any significant errors.

Regulation

Key risk The UK, European and global regulatory environments continue to evolve rapidly. The expectations of financial regulators require regulated groups to embed regulatory compliance, and suitable conduct and culture 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 regulation including across jurisdictions. 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 core activities of investment management, client servicing and distribution.

The TCA concluded between the UK and EU only has minimal coverage of financial services. Uncertainties will therefore remain for some time at least around the future of UK financial services and its interaction with EU markets, particularly if the UK chooses to diverge significantly in its regulatory approach. The Group relies upon its Dutch subsidiary delegating portfolio management to UK regulated affiliates as allowed currently under applicable EU regulation. There is a risk that EU authorities impose further restrictions on the ability of EU regulated firms to undertake such delegation which would have a material adverse impact on the Group's current operating model.

Mitigation The Group Compliance and Legal Teams ensure that key regulatory changes are identified at the earliest opportunity, including those that may follow because of the UK's departure from the EU. Their impact is then assessed to allow practical guidance on the proper application and interpretation of any changes to be provided to all relevant business areas. Related business change is supervised through the Group's change management process and oversight provided through both the EMEA Executive Committee and the Group Audit & Compliance Committee.

The Group, as part of Ameriprise, has a clearly defined goal "your (the customer) success is our priority" which guides each employee to do the right thing. Values underpin this goal and with that the culture expected of all staff.

Reliance on third parties

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

Mitigation The Group conducts an extensive selection and due diligence process focused on many aspects of operational resilience prior to selecting outsource providers and entering into the related contractual arrangements that incorporate suitable governance arrangements and detailed service levels. The Group has established oversight teams who monitor such third-party service delivery and ensure there is appropriate oversight and effective resolution of issues. Arrangements are in place to ensure that key outsource partners provide the level of service that is required by the Group, with service levels being regularly monitored as part of the Group's ongoing governance arrangements.

Business continuity and information technology

Key risk The Group's success is dependent on access to a resilient IT infrastructure and appropriate IT systems that are sufficient to support the Group in meeting its strategic objectives. The Group is exposed to the risk that its infrastructure and systems are unable to meet the demands of clients, or regulatory and/or technology change.

Mitigation The Group has a short-term and medium-term IT plan with clear objectives to meet mandatory change requirements, deliver further system upgrades and enhance the agility, security and resiliency of the Group. The Group maintains and periodically tests its critical technology disaster recovery arrangements. The Group also has detailed business continuity plans in place to enable events to be managed, location specific actions to be taken and key business processes to be maintained in the event of a disaster.

Cyber security

Key Risk The Group is exposed to a variety of potential cyber risks, and a failure to prevent or defend against such risks could have a material adverse effect on the Group's operations and its clients. Attacks could result in a denial of services, or loss of client data or other sensitive information, thereby potentially impacting the Group's financial results and/or its reputation.

Mitigation The Group relies on the effectiveness of its internal policies and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices. These include security, access control and data leakage protection measures. In addition, the Group holds an ISO 27001 security accreditation.

Trading and financial performance

Assets under management and net new business

The Group provides asset management services to two groups of clients, which are classified as Consumer and Institutional and Strategic Partners.

Our proposition for Consumer and Institutional investors comprises a wide range of investment products and funds, sold to third-party Retail, Wholesale and Institutional clients. In line with our strategic ambitions, our Consumer and Institutional business has continued to be the focus of distribution activity, capitalising on the significant geographical footprint within the Group, as well as broader distribution resources of BMO GAM. This activity was supported by new fund launches and further enhancements to client-focused investment solutions. Consumer and Institutional assets under management as at 31 October 2021 were £87.4 billion, now representing the vast majority of the assets managed by the Group.

Strategic Partners represented a small group of insurance clients for whom the Group has historically managed assets under longer-term contractual arrangements. Our focus with Strategic Partners has therefore been on the retention of those clients and assets which we can manage on a profitable basis and which are aligned to the investment processes and priorities for the Group's Consumer and Institutional business. Following the planned withdrawal of all Strategic Partner assets managed in Portugal (£11.9 billion) in June 2021, as these assets are now managed 'in-house' by the client, the remaining assets classified as Strategic Partners effectively become akin to any other Third-Party Institutional relationship.

The movements in the Group's AUM during the latest two financial years are summarised below:

	1 November 2020 £bn	Inflows £bn	Outflows £bn	Net flows £bn	Other movements* £bn	FX impact £bn	Performance £bn	31 October 2021 £bn
Consumer and Institutional	75.2	15.7	(9.3)	6.4	1.0	(1.9)	6.7	87.4
Strategic Partners	14.2	0.4	(1.1)	(0.7)	(11.9)	(0.6)	0.8	1.8
Total	89.4	16.1	(10.4)	5.7	(10.9)	(2.5)	7.5	89.2

	1 November 2019 £bn	Inflows £bn	Outflows £bn	Net flows £bn	Other movements* £bn	FX impact £bn	Performance £bn	31 October 2020 £bn
Consumer and Institutional	74.5	10.9	(13.2)	(2.3)	(0.7)	1.1	2.6	75.2
Strategic Partners	14.6	0.8	(2.1)	(1.3)	-	0.6	0.3	14.2
Total	89.1	11.7	(15.3)	(3.6)	(0.7)	1.7	2.9	89.4

* In 2021, the £11.9 billion of 'other movements' in respect of Strategic Partners relates to the planned withdrawal of assets managed in Portugal, as outlined above. Consumer and Institutional 'other movements' are explained on page 12.

Consumer and Institutional

As noted earlier, Consumer and Institutional represents the primary growth driver for the Group. The table below shows the composition of the movements in AUM by client category during the year to 31 October 2021, together with comparable movements for the previous year.

	1 November 2020 £bn	Inflows £bn	Outflows £bn	Net flows £bn	Other movements* £bn	FX impact £bn	Performance £bn	31 October 2021 £bn
Investment Trusts	9.3	0.3	(0.3)	–	–	–	2.4	11.7
Retail	5.9	2.1	(2.0)	0.1	–	–	1.2	7.2
Consumer	15.2	2.4	(2.3)	0.1	-	-	3.6	18.9
Wholesale	6.4	2.7	(1.9)	0.8	1.0	(0.1)	1.4	9.5
Third-Party Institutional	53.6	10.6	(5.1)	5.5	-	(1.8)	1.7	59.0
Consumer and Institutional	75.2	15.7	(9.3)	6.4	1.0	(1.9)	6.7	87.4

	1 November 2019 £bn	Inflows £bn	Outflows £bn	Net flows £bn	Other movements* £bn	FX impact £bn	Performance £bn	31 October 2020 £bn
Investment Trusts	9.8	0.2	(0.2)	–	–	–	(0.5)	9.3
Retail	6.6	2.1	(2.4)	(0.3)	–	–	(0.4)	5.9
Consumer	16.4	2.3	(2.6)	(0.3)	–	–	(0.9)	15.2
Wholesale	6.6	2.0	(2.0)	–	(0.5)	–	0.3	6.4
Third-Party Institutional	51.5	6.6	(8.6)	(2.0)	(0.2)	1.1	3.2	53.6
Consumer and Institutional	74.5	10.9	(13.2)	(2.3)	(0.7)	1.1	2.6	75.2

* Other movements comprise:

- The £1.0 billion additional AUM classified in 'other movements' in 2021 comprised:
  - £0.5 billion of Portuguese client assets which were retained by the Group following exit from the Portugal-based business, previously classified as 'Strategic Partner' assets, which are now managed from the UK within pooled funds; and
  - the inclusion of £0.5 billion of assets which switched from a sub-advisory basis to a managed basis, hence now included in AUM but with no overall revenue impact on the Group.
- The £0.5 billion reduction in Wholesale AUM in 2020 relates to the closure of the Group's Exchange Traded Funds and the £0.2 billion Third-Party Institutional movement relates to assets now managed by another BMO GAM EMEA entity.

New business

2021 was a very successful year for the Group's distribution activities. The Group generated £15.7 billion of gross Consumer and Institutional new business inflows, an increase of £4.8 billion over 2020. Third-Party Institutional new business flows of £10.6 billion were significantly higher than the £6.6 billion achieved in 2020. While LDI mandates continued to generate the largest level of such inflows, new business was won across a broad range of investment capabilities, in line with our strategic focus, including Dutch and UK fiduciary mandates and responsible investment capabilities. We continued to see growth in Retail assets, with our responsible fund ranges and low-cost multi-asset fund range attracting the highest level of new business. We also achieved £2.7 billion of Wholesale client inflows, a 35% increase over 2020, with over 65% of this new business also flowing into our responsible investment fund ranges. Consumer and Institutional outflows were £9.3 billion in 2021 compared with £13.2 billion in 2020, with Third-Party Institutional outflows representing £5.1 billion of this, an element of which reflects some further client rebalancing activity, buy-outs of pension scheme liabilities and corporate activity associated with LDI portfolios. Overall Consumer and Institutional net inflows of £6.4 billion were achieved in 2021, an improvement of £8.7 billion compared to the net outflows experienced in 2020.

Market backdrop

The Group manages equity, fixed income, property and alternative assets and its revenues are affected by movements in key variables within these markets. Equity and fixed income market levels, in particular, typically have the biggest impact on our AUM and, consequently, our revenues. At 31 October 2021 approximately 59% of the assets managed by the Group were invested in fixed income securities, and a further 28% in equities. During the reporting period the Group earned approximately 35% of its net operating revenues in Euros, primarily in respect of assets managed on behalf of German, Dutch, Luxembourg and Irish-domiciled clients and funds. Depending on the nature of our products and mandates, revenues are typically determined by reference to daily, monthly or quarterly asset values.

While the COVID-19 pandemic continued to be a dominant economic factor during the year, global financial markets continued on the recovery trajectory that we began to experience in 2020. Overall, the FTSE 100 increased by almost 30% during the year to 31 October 2021, closing at 7238, although during the year we continued to experience significant levels of volatility. From a fixed income perspective, the Barclays Euro Aggregate Index, a broad fixed income index, declined by 8.6% during the year, closing at 213, reflecting the impact of bond yields as a result of growing inflationary pressures during the year. Since the year-end, these inflationary pressures have intensified and, in the UK, the Bank of England have announced three rate rises in short succession. During 2021, Sterling strengthened by some 6.4% against the Euro, more than offsetting the 4.3% decline experienced in 2020 during the protracted Brexit negotiations.

Net operating revenue

The Group reported net operating revenues of £256.3 million for the year ended 31 October 2021, a £17.3 million increase on the previous year. The majority of this increase reflects increased management fees arising from the combination of the significant equity market growth experienced during the year, together with the benefit of the net new business generated by the Group's distribution activity during the year. However, performance-related fees of £19.6 million for 2021 also increased by £7.7 million over 2020, including a higher level of property transaction fees as COVID-19 restrictions began to ease.

Revenue margin

The Consumer and Institutional revenue margin, excluding performance-related fees, measured as management fees (net of commission and sub-contracted portfolio management costs) divided by average AUM, was 26.4 basis points in 2021, only marginally lower than the 26.9 basis points earned in 2020. Fixed income fee rates typically continue to be significantly less than equity fee rates.

On a Group-wide basis, the average revenue margin, excluding performance fees, of 24.7 basis points in 2021 was slightly higher than the 23.9 basis points achieved in 2020, primarily driven by a further decline in Strategic Partner revenues, as expected, following the withdrawal of the assets managed in Portugal.

Operating expenses

The Group's operating expenses were £253.5 million in the year to 31 October 2021 compared with the £207.4 million reported for the year to 31 October 2020. A summary of all operating expenses for both years is given in note 6(a) to the Consolidated Financial Statements.

The vast majority of this £46.1 million increase in operating expenses in 2021 can be attributed to four key factors: Firstly, the net share-based payment expense incurred (including associated social security costs) was some £28.5 million higher than 2020, driven by the consequence of the significant increase in the BMO share price during 2021, in contrast to the reduced cost in 2020 as the share price had fallen from the level in 2019 partly as a result of the pandemic's impact on global equity markets. Secondly, during 2021 some £10.7 million of non-recurring transaction-related expenses were incurred prior to the change of ownership of the Group from BMO to Ameriprise. Thirdly, a £4.1 million increase in the level of distributions payable to Limited Partnership members as a result of the higher level of management fees and performance-related fees earned by these Partnerships in 2021. Finally, an additional £2.2 million of promotional costs were incurred in order to support the strategic focus on distribution activity, including the Group's recognised strength in Responsible Investments. The remaining cost base of the Group was broadly flat year-on-year.

The Group's largest expense continues to be personnel-related costs. The Group's headcount, on a full-time equivalent basis, decreased from 741 at 31 October 2020 to 724 at 31 October 2021, with the biggest driver for this net reduction being the wind down of the Group's operations in Portugal, following the planned withdrawal in June 2021 of the remaining assets managed by BMO Portugal.

Operating margin

Operating margin represents one of management's key performance indicators and is measured as underlying operating profit as a percentage of net operating revenue. For this purpose, underlying operating profit represents operating profit before deducting the expense in respect of the amortisation of intangible assets – investment management contracts.

The Group's operating margin for the year to 31 October 2021 declined to 0.5% from the 12.3% reported in 2020. This reduction in operating margin predominantly reflects the increase in the Group's operating costs, in particular the additional share-based payment expenses and costs linked to the transaction, which are explained above, exceeding the increase achieved in net operating revenue.

Finance income and costs

The Group's finance income for 2021 was £2.1 million. This was slightly lower than the £2.4 million recognised in 2020, but continued to comprise investment gains in respect of investments recognised as fair value through profit and loss, net interest income associated with the Group's defined benefit pension arrangements and interest income on cash deposits, although the quantum of each differed slightly from the previous year.

Finance costs for the year of £2.1 million were in line with those incurred in 2020, comprising the interest cost associated with lease liabilities, the facility fee payable to BMO on the undrawn £173 million credit facility and bank interest and charges payable in the normal course of business. The BMO credit facility arrangement was terminated on 8 November 2021 when the Group was acquired by Ameriprise.

Statutory results
The Group reported a profit of £7.2 million for the year to 31 October 2021 compared with a profit of £25.0 million for the previous year. This significant reduction in profitability was primarily driven by the increase in the Group's operating costs, as outlined above, being in excess of the increase in net operating revenue. The tax credit of £6.4 million recognised for 2021 includes a £6.2 million benefit arising from the increase in the future UK rate of Corporation Tax and the consequential impact on the revaluation of certain deferred tax assets.

Dividends
The Board has determined that no dividend will be paid for 2021 (2020: £nil).

Cash resources
The Group continues to hold significant cash resources, with the quantum of cash and cash equivalents increasing to £244.6 million at 31 October 2021 from £230.5 million at 31 October 2020. In addition, the Group held £11.6 million of term deposits as at 31 October 2021 (31 October 2020: £nil) which had a maturity date of slightly more than 90 days and were classified as 'other financial assets' as they did not meet the criteria to be classified as 'cash and cash equivalents'.

Our strategic approach and commitment to corporate responsibility

Our corporate responsibility approach

The Group is committed to maintaining the highest standards of governance and corporate citizenship and is dedicated to pursuing growth in a responsible and sustainable manner. Our sustainability principles sit alongside our strategic priorities and represent the inextricable connection between financial performance and corporate responsibility. Our success as a business depends on meeting our commitments to our clients, our employees and our community and environment, as outlined below.

Responsible investing

Responsible investing is core to BMO GAM, and touches everything we do in some form. There continues to be a growing recognition of the critical role investors can play in taking a responsible approach to ethics and sustainability. Considering ESG factors in our investment and ownership activities supports the long-term financial performance our clients want, and helps us promote positive change across important issues like climate change, labour standards and human rights.

BMO GAM's heritage and commitment to ESG investing runs deep. We take our responsibility seriously and that includes considering the impact of our investments on society and the environment.

Over 30+ years we've developed a range that includes specialist ESG products, investment strategies with ESG integration and engagement incorporated, and our Responsible Engagement Overlay service, *reo®*.

Our approach is an active one. We contribute to public policy development and engage with companies on ESG matters, express our views and perspectives through voting and thought leadership as well as working to ensure that ESG analysis is integrated across our broader investment processes.

CTI also have a long-established commitment to responsible investment principles. As part of the strategic focus of the integration activity, our teams have already begun to work together to build on the considerable responsible investment strengths of both organisations, seeking to ensure we are able to respond to the changing expectations of clients, regulators, employees and other stakeholders.

Employees

The Group is committed to maintaining a diverse and inclusive workplace in which employees know that they can be their authentic selves, speak candidly and can raise any concerns confidentially. We provide equitable opportunities to employees, regardless of their gender, race, age, ethnicity, ability and sexual orientation, and maintain a workplace where all employees feel valued, respected and heard.

Supply chain

The Supplier Code of Conduct followed by the Group sets out the standards we expect our suppliers to meet in regard to respecting human rights, upholding ethical business practices and complying with the law. We stand against all forms of modern slavery and human trafficking. The Group reports in accordance with the UK Modern Slavery Act (2015).

Reducing our environmental footprint

During 2021, the Group continued to be part of BMO, which has been carbon neutral, enterprise-wide, since 2010. As part of the Group's alignment with this objective we have an organizational framework that helps us to measure and reduce the environmental impacts of our operations, including our company-wide greenhouse gas emissions and continually improve our environmental performance.

Contributing to our communities

We believe that building a successful future for our business and the customers we serve involves contributing to the health and resilience of the communities in which we operate. The Group seeks to provide support to communities through a variety of initiatives and programs such as corporate donations, sponsorships and employee volunteering.

During the year to 31 October 2021, the Group made contributions to charity of £75,000 (2020: £88,000).

Statement by the Directors in performance of their statutory duties in accordance with s.172(1) of the Companies Act 2006

Directors of the Company are required to act in 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 clients, suppliers 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 Directors also consider the views and interests of a wider set of stakeholders including its shareholder, regulators and counterparties.

When taking key decisions, the Directors receive information from across the Company and its subsidiaries and, while owned by BMO, the wider BMO Financial Group. Information is informed by stakeholder engagement at an operational level and helps the Directors gain a better understanding of the impact of their decisions on relevant stakeholder interests.

Directors were also encouraged to consider BMO's Purpose when taking key decisions.

This year, to assist the Directors in discharging their s.172 responsibilities, further changes were made to the Board reporting templates to ensure that stakeholder interests were clearly articulated. This was reinforced with additional guidance for presenters and report writers.

Whilst considering a broad range of interests is an important part of their decision making, the Directors acknowledge that decisions may not result in a positive outcome for all stakeholders.

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

Clients – The Directors receive regular reports from Management and each line of business as part of their Board materials. These Board reports highlight issues impacting our clients, including the growing importance of responsible investment to address ESG issues, as well as opportunities to enhance the client experience. Particular attention is given to the investor product offering, investment performance, communications and service KPIs. Additionally, the Board received regular updates regarding the sale of the Company and BMO GAM (Europe) Group, to Ameriprise, which completed on 8 November 2021. Various teams were engaged in discussions with clients and investment consultants prior to the transaction completing, to ensure they were kept abreast of developments. The Board also maintained a close focus on investment performance, liquidity risk and key client services.

Employees – The Company has no employees but, as the parent company of the Group, it benefits from the broader employee resources of BMO Asset Management (Services) Limited in the UK and indeed other employing entities in the Group. The Board is committed to maintaining a strong culture aligned with the Group's values. In addition, there is also engagement with employees through regular town halls and email communications.

This year, amid the continuing global pandemic, the Directors placed increased focus on employee safety, health and wellbeing. This was reflected by the decision to introduce a soft opening of the office from August 2021 on a voluntary basis; staff continued to work effectively in both home and office working environments throughout the year. The Directors remained committed to ensuring a high standard of workplace safety whilst prioritising employees' physical and mental health needs, whilst also being adaptable to a hybrid working model.

As part of the wider BMO Enterprise, the Directors also continued to champion diversity and inclusion initiatives. Following the Black Lives Matter movement, increased focus was given to help improve racial equality initiatives and diversity both within the Group and part of the wider BMO Financial 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. Diversity and inclusion remains an equally important focus for the Group following the Ameriprise acquisition.

Suppliers – Throughout the year the Board received regular updates on key third-party vendors. This included reports on the risks associated with key supplier relationships and how those risks are managed, with particular focus on errors and breach reporting and the remedial action being taken.

Community and environment – The Company is committed to improving sustainability in its business operations and further enhancing its focus on responsible investment, which was an integral part of the strategic focus during 2021. The Company is becoming even more focused on ESG factors. An example of this was the adoption of a sustainability risk policy, principal adverse impacts statement and changes to the Remuneration Policy at an Enterprise level, influenced by ESG factors and the Sustainable Financial Disclosure Regulations (SFDR).

The Company is also committed to improving sustainability in its business operations. The Group's offices at Exchange House and Quartermile 4 maintain an ISO 14001 accreditation that sets out the requirements for an Environmental Management System. This system is used to identify and better manage the buildings' 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. The electricity used at both offices is derived from 100 per cent. renewable resources.

The Company, as part of the broader BMO Group, is committed to giving back to the communities in which it operates. Many of the Directors and employees are actively involved in fundraising and volunteering activities. This year, BMO supported Farms for City Children. Employees and contractors participated in a major fundraising initiative which involved sponsored walks, runs and cycle rides. The Corporate Responsibility Committee agreed to make a significant donation to this initiative.

Regulators – During the year, the Board received reports and training on areas of regulatory interest. This included updates on Operational Resilience, COVID-19, Transaction Reporting and Cyber Security. The Board received updates on regulatory engagement, including the regulatory feedback requested in response to the ongoing COVID-19 pandemic.

The Board also considered, to the extent possible, the impact of the acquisition of the Company by Ameriprise, and sought to assess the likely long-term effects of Transaction-related matters on the interests of all stakeholders. The Board also considered the business and operational benefits that would be achieved as well as the integration and other challenges that may arise from the change in ownership to Ameriprise.

Strategic Report summary

The Strategic Report on pages 3 to 17 of this document has been approved by the Board and signed on its behalf by:

David Logan
Chief Executive Officer

26 April 2022

Company Directors

Independent Non-executive Directors

1 **Kieran Poynter‡*†**
Non-executive Chairman

2 **Charlie Porter‡***
Non-executive Director

3 **Ruth Sack‡*†**
Non-executive Director

Executive Directors

4 **David Logan†**
Chief Executive Officer, BMO Asset Management (Holdings) plc, and Global Chief Operating Officer, Columbia Threadneedle Investments

5 **Michaela Jackson**
Head of Distribution, Columbia Threadneedle Investments, EMEA

6 **Nicholas Ring**
Chief Executive Officer, Columbia Threadneedle Investments, EMEA

7 **Richard Watts**
Chief Investment Officer, Columbia Threadneedle Investments, EMEA

‡ Member of the Nomination Committee.
* Member of the Risk & Remuneration Committee.
† Member of the Audit & Compliance Committee.

Report of the Directors

Results and business review

The Group's results for the year ended 31 October 2021 are shown in the Consolidated Income Statement on page 28. A Strategic Report for the same period is set out on pages 3 to 17.

The Group recognised a statutory profit after tax of £7.2 million for the year ended 31 October 2021 compared with a profit after tax of £25.0 million for the previous financial year. Commentary on these results is provided on pages 11 to 14.

Principal activity and status

The Group's business is asset management. Details of the progress of the business during the year are contained in the Chief Executive's Report on pages 1 and 2 and the Strategic Report on pages 11 to 17.

The Company is registered as a Public Limited Company limited by shares in terms of the Companies Act 2006 and is registered in Scotland, registered number SC73508, and is domiciled in the United Kingdom.

Details of all entities within the Group are contained in note 36 to the Consolidated Financial Statements. At 31 October 2021 there were also six branch offices in the Group outside the UK, with two in France and one in each of Germany, Sweden, Spain and Ireland. The Irish branch is in the final stages of closure.

The Board

The current composition of the Board of Directors is given on page 18.

The ultimate ownership of the Group changed on 8 November 2021, when Ameriprise purchased the entire share capital of BMO Global Asset Management (Europe) Limited, the Company's immediate parent undertaking, from BMO. On that date:

- Kristi Mitchem (the Company's Chief Executive), Joan Mohammed, Bill Smith and Gilles Ouellette all resigned from the Board, recognising their continued leaderships roles within BMO;
- Nicholas Ring and Michaela Jackson both joined the Board as senior representatives from Ameriprise's Columbia Threadneedle Investments business in EMEA;
- David Logan assumed the role of Chief Executive, following the resignation of Kristi Mitchem, and was also appointed as the Global Chief Operating Officer for Columbia Threadneedle Investments;
- Richard Watts, the Group's existing Chief Investment Officer, also became a Director upon his appointment as Chief Investment Officer for the entirety of the enlarged asset management business in EMEA; and
- Kieran Poynter resigned from the Board in order to avoid any conflicts of interest arising on Completion. He was subsequently re-appointed to his role as Chairman on 23 December 2021 once these had been resolved.

The Board maintains a balance of skills, knowledge, experience and perspectives taking into account the Group's strategy, risk profile and operations. It is collectively responsible for supervising the effective and prudent management of the business and affairs of the Group and for ensuring it has a robust corporate governance structure with well-defined, transparent and consistent lines of accountability. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, ensuring that they are properly briefed on issues for consideration in advance of meetings. In addition, all Directors have access to senior management and can request, either during meetings or at other appropriate times, further explanation or written papers on matters as they see fit.

The Board focuses mainly on: strategy; investment and financial performance; the Group's control environment; and executive management and Board succession. The Board has a detailed list of matters specifically reserved to it – the 'Board Reserved List'. The Corporate Governance Framework ("CGF") sets out what authority is delegated from the Board to Committees of the Board and to Management, including how those delegated activities are discharged. The Board Matters Reserved list is an Appendix of the CGF and only lists those matters explicitly reserved for Board approval. This ensures that matters of significance are overseen and reviewed by the Board prior to implementation. Examples of matters reserved for the Board as set out in the Board Reserved List are the approval of: the Group strategy; the annual budget; the composition and terms of reference of any of the Board Committees; the high-level organisational structure; and the review of the effectiveness of the Group's system of internal control.

The Board committees

The Board has delegated specific responsibilities to facilitate the smooth conduct of business within the Group.

The terms of reference of each Board committee, outlining its authority and duties, are reviewed by each Board committee at least annually, updating them appropriately with the agreement of the Board. There are three main Board committees, each of which is listed below together with an outline of their main responsibilities. Details of the current membership of each committee is set out on page 18.

Audit & Compliance Committee

The Audit & Compliance Committee scrutinises the processes and controls surrounding the production and review of the Group's Financial Statements, including the interaction with and the reporting by the external auditors, and oversees, monitors and evaluates the effectiveness of the Company's Compliance and Internal Audit functions. It also receives and considers reports from the Money Laundering Reporting Officer, oversees compliance with Data Protection regulation and reviews internal whistleblowing arrangements.

Risk & Remuneration Committee

The Risk and Remuneration Committee is responsible for assisting the Board in fulfilling its oversight responsibilities with regard to the adequacy and effectiveness of the risk management framework and in reviewing any departure from the control environment and the standards of business practice and ethics. It is also responsible for assisting the Board in its review of remuneration arrangements.

Nomination Committee

The Nomination Committee is responsible for leading the process for appointments to the Board and making recommendations to the Board, ensuring the existence of a formal and transparent policy for the appointment of new Directors. The Nomination Committee is also responsible for reviewing the current structure, size, composition and performance of the Board and for succession planning.

Directors' and Officers' liability

The Group maintained insurance cover in respect of Directors' and Officers' liability throughout the year and, since completion of the transaction, now participates in the wider Ameriprise Group policy.

The Directors have the benefit of an indemnity in accordance with the Company's Articles of Association at article 166 which is a qualifying third-party indemnity provision as defined in the Companies Act 2006.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or can have, an interest that conflicts, or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors.

Employee matters

Statement of diversity policy

The Group recognises the value of a diverse workforce and aims to attract and retain the best people from the widest pool of talent, experience and perspectives, drawn from all sections of society. We believe that differences in gender, background, perspective, expertise and culture are an asset to the Group.

Equal opportunities

The Group aims to provide equal opportunities for all, without discrimination on the grounds of race, religion, marital status, age, gender, sexual orientation or disability. We recruit and promote those best suited for the job. The Group respects the dignity of individuals and their beliefs. The Group does not tolerate any sexual, racial, physical or mental harassment of staff in the workplace.

Internal control, the control environment and business risks

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness on a regular basis. Management's role is to implement and operate the Board's policies on risk and risk management. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud.

The procedures that the Directors have established are designed to provide effective control within the Group. A high-level overview of the ongoing process for identifying, evaluating and managing significant risks, is detailed below.

Control environment

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all areas of the business. The Group has in place appropriate procedures for the reporting and resolution of activities that do not meet the required standards of business conduct.

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations, including outsourced activities, in order to achieve its objectives. The structure is designed to provide clear responsibilities and a control framework for key areas of the Group's business.

Operational responsibility rests with the Chief Executive and is devolved through a documented executive structure with clearly delegated and appropriate levels of authority. Members of management are, therefore, accountable for the operation of the systems of internal control within the Group's business.

Business risks

The identification of major business risks is carried out by the Board in conjunction with management and procedures to control these risks, where possible, are reviewed and agreed.

The key risks facing the Group at the year end and the mitigating actions assigned to these risks are detailed in the Strategic Report on pages 7 to 10.

Monitoring and corrective action

The Company has an independent compliance team which provides regulatory advice to the business, as well as a business unit compliance function which separately undertakes a programme of compliance monitoring on behalf of management. The Corporate Audit function also conducts regular monitoring of various business areas. Any issues of significance are brought to the attention of the Board by the Corporate Audit, Risk or the Compliance control functions and through the regular reporting process. Any necessary corrective actions are independently monitored for timely completion and reviewed by the Audit & Compliance Committee.

External auditor matters

Auditor

KPMG LLP are not seeking re-appointment as auditor of the Company. It is expected that a resolution proposing the appointment of PricewaterhouseCoopers LLP (PwC) as auditor of the Company will be submitted to the Board of Directors later this year for their consideration and approval, recognising that PwC is the current auditor of Ameriprise.

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.

Independence of the auditor

The Board has in place rigorous systems for ensuring the independence, objectivity and effectiveness of the Group's auditor and has satisfied itself that during the year no aspect of its work was impaired on these grounds. In maintaining a clear perception of independence and balancing that with the best interests of the Group, the Board has a clear policy, which, prior to the acquisition, was aligned to the wider BMO Financial Group's policy. Since the date of acquisition, the same broad principles apply and the Group now seeks to follow Ameriprise's independence requirements.

Details of audit and non-audit fees paid to KPMG, the Group's external auditor, are disclosed in note 6(c) on page 50 of the Consolidated Financial Statements.

Political donations

No political donations or contributions were made or expenditure incurred during the reporting year (2020: £nil).

Financial instruments

The financial risk management objectives and policies of the Group, together with the Group's exposure to financial risks, are disclosed in note 34 to the Consolidated Financial Statements on pages 79 to 83.

Pillar 3

Under Pillar 3 prudential regulations, the BMO GAM Europe Group, which is the relevant regulatory reporting group as at 31 October 2021, is required to disclose information relating to its risks, regulatory capital, remuneration policy and risk management objectives and policies. The BMO GAM Europe Group's Pillar 3 disclosures are provided on BMO GAM's website (www.bmogam.com).

Future developments

The key focus of the Board continues to be the achievement of the Group's strategic objectives, as set out on page 3 of the Strategic Report.

Events after the reporting period

Details of significant events affecting the Group which have occurred since the end of the financial year are disclosed in note 42 to the Consolidated Financial Statements on pages 96 and 97.

Streamlined Energy and Carbon Reporting (SECR)

Financial Year 2021 Greenhouse Gas Emissions and Energy Use

The Group's UK greenhouse gas (GHG) emissions for the year ended 31 October 2021 (FY 2021) are reported as 491.70 tCO_2e, with the breakdown by the Greenhouse Gas Protocol scope given in the table below, along with comparatives:

UK Greenhouse Gas Emissions	FY 2021	FY 2020
Scope 1 GHG Emissions / tCO_2e	5.34	13.43
Scope 2 GHG Emissions / tCO_2e	471.43	568.65
Scope 3 GHG Emissions / tCO_2e	14.93	21.02
TOTAL / tCO_2e	**491.70**	**603.10**

FY 2021 UK energy consumption and associated GHG emissions aligned with the SECR reporting requirements are summarised in the table below:

UK Energy Use (Aligned with SECR scope of reporting)	FY 2021	FY 2020
UK Energy Use/kWh	2,327,233	2,718,181
UK Energy Intensity/kWh/employee/year	3,558	4,208
GHG emissions associated with UK Energy Use/tCO_2e	491.70	603.10
UK GHG Emission Intensity, emissions associated with UK Energy Use/tCO_2e/employee/year	0.75	0.93

Reported energy consumption is the sum of energy use associated with electricity use, imported heat for offices, company cars, hire cars and employee's personal car use for business travel.

UK GHG Emissions	GHG Protocol Scope	FY 2021 GHG Emissions/ tCO_2e	FY 2020 GHG Emissions/ tCO_2e
Emissions from fuel for company cars	1	5.34	13.43
Emissions from business travel in hire cars	1	0.00	0.00
Emissions from combustion of gas	1	0.00	0.00
Emissions from purchased electricity	2	352.13	451.46
Emissions from imported heat (landlord managed combustion of gas for office boilers)	2	119.30	117.19
Emissions from employee-owned vehicles	3	14.93	21.02

Methodology

i) The scope of reporting is the Group's UK operational footprint for the financial year ended 31 October 2021, with the comparatives being for the year ended 31 October 2020.

ii) GHG emissions are calculated and presented in accordance with the GHG Reporting Protocol – Corporate Standard and the UK Government's Environmental Reporting Guidelines, including streamlined energy and carbon reporting guidance, March 2019.

The FY 2021 GHG emissions are calculated using the UK Government's 2021 conversion factors for carbon dioxide, methane and nitrous oxide and reported as tonnes carbon dioxide equivalent (tCO_2e).

iii) The scope of GHG emissions reporting encompasses energy use and GHG emissions associated with the Group's UK offices and transport, and is consistent for FY 2020 and FY 2021.

iv) Reporting of energy use and GHG emissions is based on operational control. The Group does not have operational control over the building infrastructure and plant at its UK offices due to shared tenancy and the presence of facilities management companies, consequently reported emissions primarily fall within Scope 2 and 3 of the Greenhouse Protocol.

- Reported Scope 1 emission sources are based on fuel use for company and hire cars.
- Scope 2 emissions are emissions associated with electricity and 'imported heat' used in the Group's UK offices.
- Reported electricity consumption is the sum of sub-metered direct consumption and the Group's allocation of electricity used for shared areas of the building over which it does not have operational control.
- Reported Scope 3 sources are emissions from business travel by hire cars and employees' cars.

v) The Group's environmental activity data and GHG emissions calculation has not been independently verified, but was prepared with the support of an independent consultant.

Energy efficiency actions undertaken by BMO GAM during 2021

In the last year, BMO has continued to match 100 percent of its electricity usage with electricity produced from renewable sources across our global operations. This achievement includes investment in Renewal Energy Certificates from wind, solar and hydro projects in the regions where BMO operates, in quantities that match our 2020 global electricity consumption.

The Group continues to maintain its ISO:14001 accreditation for its offices at Exchange House, London, and Quartermile 4 in Edinburgh. During 2021 we also extended the scope of certification to include our office in Seymour Street, London. Certification to the ISO:14001 standard sets out the requirements for an Environmental Management System which is used to identify and better manage our environmental aspects and impacts and helps us continually improve our environmental performance through more efficient use of resources and reduction of waste.

By order of the Board,

M Nurse

Michelle Nurse
Secretary
Quartermile 4
7a Nightingale Way
Edinburgh EH2 3BU

26 April 2022

Statement of Directors' Responsibilities

in respect of the Annual Report, Strategic Report, Report of the Directors and the Financial Statements

The Directors are responsible for preparing the Annual Report, Strategic Report, the Report of the Directors and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they have elected to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company 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 Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Group and Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

to the members of BMO Asset Management (Holdings) plc

Opinion

We have audited the Financial Statements of BMO Asset Management (Holdings) plc ("the Company") for the year ended 31 October 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the Financial Statements 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 Group 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 Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board minutes to assess for any discussion of fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as goodwill, investment in subsidiaries and the present value of defined benefit obligations. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is calculated in line with predefined agreements with no significant estimates or judgements.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all material post year-end closing journals.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statements items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering and proceeds of crime legislation, foreign corrupt practices act, misrepresentation act, GDPR compliance requirements and fraud, corruption and bribery legislation and certain aspects of company legislation recognising the financial and regulated nature of the Group and regulated subsidiaries' activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 23, 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 Group and Parent 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 Group or the Parent 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.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG

26 April 2022

Consolidated Financial Statements

for the year ended 31 October 2021

These Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company Financial Statements of BMO Asset Management (Holdings) plc, included on pages 99 to 115, have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Consolidated Income Statement

for the year ended 31 October 2021

	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Revenue from contracts with customers			
Investment management fees	2	258.7	239.8
Other revenue – customers	2	19.6	16.9
Fee and commission income	2	0.7	1.0
Total revenue from contracts with customers	2	279.0	257.7
Rental income		–	1.2
Total revenue		279.0	258.9
Cost of sales	3	(22.7)	(19.9)
Net operating revenue		256.3	239.0
Net investment guarantee expense	4	(1.6)	(2.2)
Net loss on dealing in units and shares	5	(0.1)	–
Operating expenses			
Operating expenses	6(b)	(234.8)	(192.8)
Distributions to members of LLPs and LPs	7	(18.7)	(14.6)
Total operating expenses	6(a)	(253.5)	(207.4)
Operating profit		1.1	29.4
Finance income	8	2.1	2.4
Finance costs	9	(2.1)	(2.1)
Share of loss of associate	10	(0.3)	–
Profit before tax		0.8	29.7
Tax income/(expense)	11(a)	6.4	(4.7)
Profit for the year		7.2	25.0

All profits for the years ended 31 October 2021 and 31 October 2020 are attributable to the equity holders of the parent.

All amounts in respect of the years ended 31 October 2021 and 31 October 2020 are derived from continuing activities.

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 October 2021

	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Profit for the year		7.2	25.0
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss:			
Net actuarial losses on defined benefit pension arrangements	30(d)	(1.1)	(3.4)
Tax income on net actuarial losses on defined benefit pension arrangements	11(a)	0.4	0.6
Corporation Tax rate change expense in respect of defined benefit pension arrangements	11(a)	(3.4)	(1.4)
Items which may be reclassified subsequently to profit or loss:			
Foreign exchange movements on translation of foreign operations		(3.0)	2.2
Other comprehensive expense for the year		(7.1)	(2.0)
Total comprehensive income for the year		0.1	23.0

The total comprehensive income for the years ended 31 October 2021 and 31 October 2020 are attributable to the equity holders of the parent.

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statement of Financial Position

as at 31 October 2021

	Notes	31 October 2021 £m	31 October 2020 £m
Assets			
Non-current assets			
Property, plant and equipment	12	5.5	6.7
Right-of-use asset	26	25.8	28.0
Financial investments	17(a)	0.8	2.4
Intangible assets:			
- Goodwill	13	611.9	611.9
- Investment management contracts	13	0.2	0.3
- Software and licences	13	1.9	1.9
	13	614.0	614.1
Pension surplus	30	71.0	72.2
Trade and other receivables	14	0.9	1.0
Investment in associate	10	3.6	-
Deferred acquisition costs	15	0.1	0.1
Non-current tax assets		1.3	-
Deferred tax assets	16(a)	36.6	26.8
Total non-current assets		759.6	751.3
Current assets			
Trade and other receivables	14	97.6	154.3
Deferred acquisition costs	15	-	0.1
Financial investments	17(a)	4.8	4.5
Reinsurance assets	19(a)	0.1	0.5
Contract assets	20	39.1	33.4
Current tax receivable		3.0	5.2
Other financial assets	21	11.6	-
Cash and cash equivalents	21	244.6	230.5
Total current assets		400.8	428.5
Total assets		1,160.4	1,179.8
Liabilities			
Non-current liabilities			
Pension deficit	30	11.6	12.3
Trade and other payables	22	0.1	2.3
Employee benefit liabilities	23	25.7	18.5
Provisions	24	4.2	3.3
Liabilities to members of LLPs and LPs		0.8	0.6
Contract liabilities	25	0.3	0.3
Lease liabilities	26	23.0	25.3
Insurance contract liabilities	19(a)	4.6	3.1
Non-current tax liabilities		1.2	-
Deferred tax liabilities	16(a)	17.5	14.3
Total non-current liabilities		89.0	80.0
Current liabilities			
Trade and other payables	22	103.7	141.5
Employee benefit liabilities	23	65.0	48.0
Provisions	24	9.3	13.9
Liabilities to members of LLPs and LPs		3.1	3.1
Current tax payable		0.3	2.4
Contract liabilities	25	1.1	2.1
Lease liabilities	26	4.9	4.8
Total current liabilities		187.4	215.8
Total liabilities		276.4	295.8
Equity			
Share capital	28	0.9	0.9
Share premium account	29	406.6	406.6
Capital redemption reserve	29	0.8	0.8
Merger reserve	29	295.6	295.6
Foreign currency translation reserve	29	41.1	44.1
Retained earnings	29	139.0	136.0
Total equity attributable to equity holder of the parent		884.0	884.0
Total liabilities and equity		1,160.4	1,179.8

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2022. They were signed on its behalf by:

Kieran Poynter

Kieran Poynter
Chairman

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statement of Changes in Equity

for the year ended 31 October 2021

		Attributable to equity holder of the parent						
	Note	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 November 2019		0.9	406.6	0.8	295.6	41.9	115.2	861.0
Profit for the year		–	–	–	–	–	25.0	25.0
Other comprehensive expense		–	–	–	–	2.2	(4.2)	(2.0)
Total comprehensive income		–	–	–	–	2.2	20.8	23.0
Transactions with owners:								
Deferred tax on common control transactions	11(a)	–	–	–	–	–	(0.1)	(0.1)
Corporation tax on common control transactions	11(a)	–	–	–	–	–	0.1	0.1
As at 31 October 2020		0.9	406.6	0.8	295.6	44.1	136.0	884.0
Profit for the year		–	–	–	–	–	7.2	7.2
Other comprehensive expense		–	–	–	–	(3.0)	(4.1)	(7.1)
Total comprehensive (expense)/income		–	–	–	–	(3.0)	3.1	0.1
Transactions with owners:								
Deferred tax on common control transactions	11(a)	–	–	–	–	–	(0.2)	(0.2)
Corporation tax on common control transactions	11(a)	–	–	–	–	–	0.1	0.1
At 31 October 2021		0.9	406.6	0.8	295.6	41.1	139.0	884.0

Cumulative defined benefit pension scheme actuarial gains (as disclosed in note 30(d)) recognised as at 31 October 2021 are £24.5m and are included in retained earnings (31 October 2020: cumulative gains of £25.6m).

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Consolidated Statement of Cash Flows

for the year ended 31 October 2021

	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Cash flows from operating activities			
Profit before tax		0.8	29.7
Finance income	8	(2.1)	(2.4)
Finance costs	9	2.1	2.1
Adjustments for non-cash items	32(a)	8.3	8.8
Changes in working capital and provisions	32(a)	33.6	(23.5)
Cash inflows from operating activities		42.7	14.7
Income tax paid		(3.4)	(3.4)
Net cash inflows from operating activities		39.3	11.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(1.3)	(2.4)
Payment to increase investment in associate	10	(3.9)	-
Payment to acquire other financial assets		(11.6)	-
Proceeds from disposal of property, plant and equipment		0.1	-
Purchase of software and licences		(1.0)	(1.2)
Payments to acquire investments		(0.1)	(0.2)
Proceeds from disposal and realisation of investments		2.3	-
Investment income – interest and dividends		0.1	0.5
Net cash outflows from investing activities		(15.4)	(3.3)
Cash flows from financing activities			
Payment of principle portion of lease liabilities	26	(5.7)	(5.4)
Interest and fees paid to BMO Group		(0.9)	(1.0)
Other interest paid		(0.5)	(0.2)
Net cash outflows from financing activities		(7.1)	(6.6)
Net increase in cash and cash equivalents		16.8	1.4
Effect of exchange rate fluctuations on cash held		(2.7)	1.7
Cash and cash equivalents at 1 November		230.5	227.4
Cash and cash equivalents at 31 October	21	244.6	230.5

The accompanying notes to the Consolidated Financial Statements form an integral part of these statements.

Notes to the Consolidated Financial Statements

1. Accounting policies

1.1 Basis of preparation and statement of compliance

These are the Consolidated Financial Statements of BMO Asset Management (Holdings) plc and its subsidiaries (the Group) which have been prepared on a going concern basis, and under the historical cost convention, as modified by the fair value of financial assets and financial liabilities measured at fair value through profit or loss (FVTPL), and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), in conformity with the requirements of the Companies Act 2006. These Consolidated Financial Statements are presented in millions of pounds Sterling (£m), rounded to one decimal place, except where otherwise indicated.

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 17. The financial position of the Group and its cash resources are also described in the Strategic Report. In addition, note 34 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital and its regulatory capital requirements; its financial risk management objectives; and details of its financial instruments and its exposure to credit risk, liquidity risk and market risk.

The Group has considerable financial resources, and benefits from a broad client base across different geographic areas and industries. As part of the Directors assessment of going concern they have considered, as best they can, the on-going impacts of COVID-19 on the Group and the potential impact of the integration of the Group into the broader CTI business. The Group, as part of the broader BMO GAM EMEA business, is expected to become more integrated with the CTI business, although both businesses currently continue to be operated under separate governance arrangements. While there can be no absolute certainty, having considered the current results of the Group, the potential ongoing impact of COVID-19 (including plausible downside scenarios impacting revenues, expenses and financial resilience), the potential integration activity on the Group's results and operations, and the current liquidity, net assets and regulatory capital surpluses of Group entities, the Directors are satisfied that it remains a reasonable assumption that the Group should have sufficient resources to meet both its working capital and regulatory capital requirements for at least 12 months from the date of approval of these Financial Statements. Accordingly, the Financial Statements have been prepared on a going concern basis.

1.3 New IFRS standards, amendments and interpretations to IFRS

Several amendments and interpretations to IFRS were effective for the first time during the reporting period ended 31 October 2021, but had no significant impact on the Consolidated Financial Statements of the Group:

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the Consolidated Financial Statements of the Group as it does not have any interest rate hedging relationships.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Consolidated Financial Statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not an accounting standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Consolidated Financial Statements of the Group.

1. Accounting policies continued

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases.*

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if any change were not a lease modification. These amendments had no impact on the Consolidated Financial Statements of the Group.

1.4 Parent Company Financial Statements

The Parent Company has prepared its Financial Statements in accordance with FRS 101 and presented its individual Financial Statements prepared on that basis as permitted by section 395(1) of the Companies Act 2006, adopting the exemption of omitting the Income Statement and related notes conferred by section 408 of that Act. The Company Financial Statements, together with their respective accounting policies and notes, are presented on pages 99 to 115.

1.5 Accounting estimates, assumptions and judgements

The preparation of the 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 or require an adjustment to the carrying amount of assets or liabilities affected in future periods.

The critical judgements in applying accounting policies are disclosed, where appropriate, in the following notes to the Consolidated Financial Statements:

(a) Recognition of pension surplus

The Group has considered the availability of a refund or reduction in future contributions in recognising the surplus in respect of the F&C Asset Management Pension Plan (FCAM Plan), as disclosed in note 30.

(b) Consolidated Financial Statements, Joint Arrangements and Interests in Other Entities

The Group's assessment of whether it is an agent or principal in respect of funds it manages, its direct interest in these funds, and the assessment of whether funds are unconsolidated structured entities are key judgements, as disclosed in note 37.

(c) Revenue from contracts with customers

Identification of the customer

The Group has exercised considerable judgement in identifying whether the customer is the fund or the underlying investor, based on who the contracting parties are. A contract must create enforceable rights and obligations between two parties which result in the Group collecting revenue to which it will be entitled in exchange for services that will be provided to the customer. In the majority of instances where the Group manages pooled vehicles, the Group considers the fund to be the customer in the context of IFRS 15.

Identifying performance obligations in bundled sales of services

The Group has contracts which include several performance obligations. However, the Group considers that most of these performance obligations are bundled, and not distinct, in the context of the contracts with customers, as they are provided as a single service. Where performance obligations are not available as a separate service, they are generally considered as bundled performance obligations.

Principal versus agent considerations

The Group enters into certain contracts where satisfaction of certain performance obligations can be delegated or outsourced to third parties. Ascertaining who is in control of the services provided to the customer is key to determining the identification of who the principal or agent are in these circumstances.

The key sources of assumptions and estimation uncertainties at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed, where appropriate, in the following notes to the Consolidated Financial Statements:

(a) Impairment testing of goodwill

The perpetuity growth rates, discount rates applied to cash flow projections, as well as the quantum of cash flows, are disclosed in note 13, together with sensitivities.

(b) Pension assumptions

The mortality assumptions, discount rates, rates of salary increases, and inflation increases, are disclosed in note 30. The sensitivities of the amounts recognised to changes in assumptions are disclosed in note 30(b)(iv).

(c) Deferred tax assets

The quantum of deferred tax assets recognised, as detailed in note 16, is based upon assumptions as to the future profitability of the Group and of the underlying companies to which the assets relate and the timing of when such profits arise.

(d) Investment protection guarantees

The Group provides an investment protection guarantee to eligible investors in certain investment trust savings products. These contracts are classified as insurance contracts under IFRS 4 Insurance Contracts. At each reporting date, the Directors are required to assess the value of the insurance contract liabilities. By necessity, this entails making a number of assumptions and judgements which are subject to significant inherent uncertainty, whereby the actual cost of settling guarantee payouts could differ from the assumptions applied. Details of these key assumptions and the related sensitivities are provided in note 19(b).

1. Accounting policies continued

(e) Share-based payments

The liability for share-based payments, as disclosed in note 31, is a cumulative estimate based on the BMO share price at the reporting date, the foreign exchange rate at the reporting date and the relative proportion of the vesting period for which services have been provided. There was a significant increase in the BMO share price between 31 October 2020 and 31 October 2021 (CAD 79.33 to CAD 134.37) which resulted in a considerable increase in the cumulative charge recognised in 2021 compared to 2020. The quantum of the liability and the associated National Insurance, at any future reporting date and/or the vesting date, will be subject to changes in these variables.

(f) Determination of lease terms and lease discount rates

The Group has made assumptions about the determination of lease terms and the exercise of lease extensions or termination options on the Group's properties and other third-party services. Properties have been assumed to run until the end of the lease extensions (in line with previous experience) and rolling leases are based on management's best estimates of the likely timeframes. The Group has also made assumptions about the discount rates used in calculating lease liabilities based on the applicable borrowing rates for the Group. Lease disclosures are shown in note 26.

1.6 Summary of significant accounting policies

The accounting policies set out below have been applied consistently throughout the Group's Consolidated Financial Statements for the years ended 31 October 2021 and 31 October 2020.

(a) Consolidated Financial Statements, Joint Arrangements and Interests in Other Entities

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 October 2021.

(i) Consolidated Financial Statements

The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company controls an investee if the Company has all of the following elements present:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Company's returns.

Where decision-making is controlled through voting rights that also expose the Company to variable returns, a majority of voting rights signifies control of the investee. Control may be held through voting rights or contractual arrangements. Control is required to be continually reassessed by the Group.

If the Group has power and variable returns, it must then assess whether it is acting as principal or agent. Power arises from rights, which include voting rights, potential voting rights, rights to appoint key personnel, decision making rights within a management contract, and removal or 'kick-out' rights. Power does not arise from protective rights alone. The Group must assess whether it is acting as a principal or agent in respect of the investee entity. If it acts as a principal it consolidates the investee; if it acts as an agent then it does not consolidate the investee.

Variable returns include management and performance fees, dividends, interest and other income attributable to the Group.

Evaluating the linkage between power and returns includes consideration of scope of authority, rights held by other parties, remuneration and exposure to variability from other interests.

A majority of the Company's subsidiaries and related undertakings have coterminous reporting periods, with the exceptions as listed in note 36.

The Consolidated Financial Statements incorporate the assets, liabilities, results and cash flows of the Company and its subsidiaries. The results of subsidiaries acquired or sold during the period are included in the consolidated results from the date of acquisition or up to the date of disposal respectively. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. When necessary, adjustments are made to the financial statements of subsidiaries, to align their accounting policies with those of the Group.

Common control transactions are accounted for using the equity method. These have no impact on the Group's financial statements, except where the underlying tax position is not neutral on the Group. A change in ownership interest of a subsidiary is also accounted for as an equity transaction.

(ii) Joint Arrangements and Associates

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require unanimous consent of the parties sharing control. The terms of a contractual arrangement are used to evaluate whether joint control exists.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without control or joint control existing over those policies.

Interests in associates and joint ventures are accounted for using the equity method.

(iii) Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities (including sponsored entities).

1. Accounting policies continued

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the decisions about the activities that significantly affect the returns of the arrangement are directed by means of contractual arrangements. Unconsolidated structured entities are structured entities that are not controlled by the reporting entity. The Group considers itself to be a sponsor of an entity where some or all of the following factors are present: it has been involved in determining the purpose and design of the entity; it is the majority user of the entity; the BMO or F&C name appears in the name of the entity; and/or BMO is involved in the marketing and promotion of the entity.

Disclosures of interests in other entities are shown in note 37.

(iv) Business combinations
IFRS 3 (Revised) (relating to business combinations from 1 January 2010)

A business combination is the bringing together of separate entities or businesses into one reporting entity. The result is that one entity, the acquirer, obtains control of one or more entities or businesses. The acquisition date is the date on which the acquirer obtains control of the acquiree. Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred for the acquisition, plus any non-controlling interests (NCI), over the fair value of the Group's share of identifiable net assets acquired, is recorded as goodwill. Acquisition-related expenses are expensed in the Income Statement.

(b) Foreign currencies

The Group's presentational currency is Sterling, which is also the Company's functional currency. Each entity in the Group determines its own functional currency, and amounts included in the financial statements of each entity are measured in that functional currency.

(i) Foreign currency translation
Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement.

Non-monetary assets and liabilities (other than intangible assets arising on the acquisition of foreign operations measured at historical cost in a foreign currency) are translated using the exchange rate ruling at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement. Similarly, when fair value movements in assets and liabilities are reflected directly in equity, the corresponding exchange movements are also recognised directly in equity.

(ii) Foreign operations
The functional currency of foreign operations is predominantly the Euro.

The assets and liabilities of, or relating to, foreign operations are translated into Sterling at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Sterling at foreign exchange rates approximating to the rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations into Sterling, including related intangible assets, are recognised directly in the Group's Foreign Currency Translation Reserve, which is a separate component of equity, and reported in the Statement of Comprehensive Income. The amounts recognised as exchange differences are reclassified to profit or loss as income or expense in the period in which the disposal of foreign operations took place.

(c) Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current or non-current classifications. An asset is current if it is expected to be realised within twelve months after the reporting period or held for the purpose of trading. A liability is current if it is due to be settled within twelve months after the reporting date or held for the purpose of trading. All other assets or liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current.

(d) Revenue from contracts with customers

The Group's primary source of revenue is fee income from investment management activities. The Group considers revenue to be the amount it is entitled to for the exchange of its investment management and associated services, and expected revenue is recognised as these services are provided to customers. The Group has generally concluded that it is the principal in its revenue arrangements, because it controls the services provided.

The Group enters into a variety of contracts to provide management and other services to segregated clients and investment vehicles structured as companies, trusts, open-ended funds or partnerships, which invest in a variety of different asset classes.

The Group applies a five-stage model to revenue recognition:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue when (or as) the entity satisfies a performance obligation

1. Accounting policies continued

The Group's contracts are normally formal investment management agreements. Contracts could include verbal agreements or assumed practice in the absence of a formal agreement. The Group considers a customer to be a party that has contracted with a Group entity to obtain investment management services in exchange for remuneration. Determining which party the Group has enforceable rights and obligations with is key to identifying the customer. Each party must have rights identified in respect of the services to be transferred for a contract to exist. The Group's customer could be either a fund or individual investors. In certain circumstances, the Group will sub-contract or delegate its performance obligations to a third-party or a BMO Financial Group company.

The Group recognises revenue when it provides a service to a customer. Revenue can be recognised either over time or at a point in time. The majority of the Group's fees are recognised over time as the investment management and associated activities generally reflect an ongoing provision of services on a daily basis.

Certain contracts are subject to rebates or discounts. Where the rebates or discounts are due to the customer, these amounts are deducted from revenue. In certain circumstances, rebates or discounts could be repaid to investors or third parties not considered customers in the context of IFRS 15 which would result in these being disclosed within cost of sales.

Any rebates or discount liabilities owed to customers are included within trade and other payables.

(i) Performance obligations
The Group's contracts with customers contain many performance obligations. However, many of these performance obligations are sold as a combined package to customers and are therefore considered to be a single performance obligation within the context of IFRS 15. Therefore, many of the associated investment administration activities are not considered to be separate performance obligations. The Group generally does not provide these services separately from its investment management services. Where the Group could separately contract for such a service, the Group considers this to be a separate performance obligation in the context of IFRS 15, e.g. fund secretarial services.

Where a contract has multiple performance obligations, the Group allocates the transaction price by reference to their relative stand-alone selling prices. If such a price is not directly observable, the Group has estimated it.

The Group considers carried interest to be treated as revenue (similar to a performance fee) where the Group manages the underlying fund and the Founder Partner is consolidated by the Group, which creates an entitlement to the carried interest. In a number of the Group's Founder Partners, a share of such 'carry' falls to the benefit of individual members other than BMO AM (H).

(ii) Variable or fixed consideration
Most of the Group's revenues are variable in nature, being based on a percentage of Assets Under Management (AUM), although a few contracts provide for fixed annual management fees. Variable consideration can only be recognised if it is highly probable that its inclusion will not result in a significant revenue reversal in the future when any uncertainty has been subsequently resolved. Performance fees are only recognised by the Group at the end of the performance period when it is certain over the quantum of fees earned.

Some of the Group's revenues relate to specific activities, e.g. fees associated with property transactions. These are generally recognised at the point in time when the service has been delivered.

In some instances, revenue can be restricted by Total Expense Ratios (TER) agreed with the fund, capping the extent of costs borne by the funds. The revenue recognition process will reflect the extent of such TER obligations.

(iii) Principal or Agent
When another party is involved in providing services to the Group's customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. Where the Group is responsible for and controls the delivery of service provided to the customer, it acts as a principal. In these circumstances it records revenue on a gross basis, including revenue relating to delegated portfolio management activity. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is considered to be an agent and will record revenue at the net amount that it retains for its agency services.

(iv) Contract balances
The standard requires an entity to present the following items separately in the statement of financial position:

- *Costs to obtain a contract*
  The Group recognises the incremental costs of obtaining a contract as an asset if the entity expects to recover those costs. Any capitalised contract costs assets are amortised over a period that is consistent with the provision of services to the customer.

  The costs to obtain a contract are presented as a separate class of asset (deferred acquisition costs) in the Statement of Financial Position and its amortisation is recognised within costs of sales as fee and commission expenses.

  The Group's deferred acquisition costs are released to the Income Statement over an amortisation period of five years. Capitalised contract costs are subject to an impairment assessment at the end of each reporting period.

- *Trade receivables*
  A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the invoiced amount of consideration is settled).

1. Accounting policies continued

- *Contract assets*
  A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs services for a customer before the customer is invoiced or before payment is due, a contract asset is recognised for the earned consideration that will become payable. The Group has classified accrued income as a contract asset.

- *Contract liabilities*
  A contract liability is the obligation to provide future services to a customer for which the Group has received consideration from the customer. Deferred income or deferred front-end fees are considered to be contract liabilities.

  Contract liabilities are subsequently recognised as revenue when the Group performs its services under the contract.

  The Group determines contract assets and liabilities at the contract level and not at the performance obligation level. Contract asset or contract liability positions are determined for each contract on a net basis.

  The Group has elected to use the following IFRS 15 practical expedients:

  - Not to recognise a significant financing component if the period between a service is transferred to the customer and when the customer pays for that service will be one year or less.
  - Recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

(e) Leases

IFRS 16 Leases
The Group assesses whether a contract is, or contains, a lease at the inception of the contract. A lease is identified if the contract conveys the right to control the use or economic benefits of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases for individual low value assets. The Group's leasing arrangements are predominantly in respect of its offices in the UK and Europe, but the Group also leases some motor vehicles and office and computer equipment.

(i) Right-of-use (ROU) assets
The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the expected lease term and the estimated useful lives of the assets, as follows:

Leasehold land and buildings	2 – 12 years
Motor vehicles	2 – 4 years
Office and computer equipment	2 – 4 years

Where applicable, the Group's ROU asset for leased office premises also includes an estimate of costs incurred by the lessee in restoring the office to the condition required by the terms and conditions of the lease (known as dilapidations).

The ROU assets are also subject to impairment. Refer to accounting policy (l) Impairment of non-financial assets.

(ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The Group has assessed its incremental borrowing rate to be either the borrowing rate it can obtain from the BMO Financial Group or, for smaller items, the rate it could borrow from within the Group. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included within current and non-current lease liabilities according to the expected payment dates.

(iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office and computer equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease "low value assets recognition exemption" to leases of office and computer equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

1. Accounting policies continued

(f) Fee and commission expenses

Fee and commission expenses comprise two main elements – costs associated with gaining new asset management contracts and subsequent renewal commission paid to agents. The costs associated with gaining contracts are deferred and amortised over the estimated term of the contracts, in line with the treatment of the associated initial fees received, as disclosed in policy (d)(iv), while the subsequent renewal commission paid to agents is expensed as the services are provided.

(g) Finance income

Finance income comprises interest, dividends, net interest income on any defined benefit pension surplus and net fair value gains recognised through the Income Statement. Dividend income is recognised when the right to receive payment is established. Interest income is recognised in the Income Statement on an effective interest rate (EIR) basis as it accrues. 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.

(h) Finance costs

Finance costs comprise bank interest and charges, interest on lease liabilities, other interest payable and facility fees. Borrowing costs and charges are recognised in the Income Statement on an EIR basis.

(i) Income taxes

The income tax expense or income disclosed on the face of the Income Statement represents the aggregate of current tax and the movement in deferred tax.

Current income tax

Income tax is recognised in the Income Statement for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Comprehensive Income or Statement of Changes in Equity. In such cases the gain or loss shown in equity is stated separately from the attributable income tax, which is also recognised directly in equity.

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.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, and the carry forward of unused tax credits, can be utilised, except:

- where the deferred tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss; or
- in respect of taxable or deductible temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits are 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.

Sales taxes

Expenses and assets are recorded net of the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Uncertain tax treatments

The Group assess any uncertain tax treatments individually based on the facts and circumstances of each case.

(j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation, accumulated impairment losses and estimated residual value.

Expenditure on property, plant and equipment is capitalised on initial recognition. Subsequent expenditure is only capitalised when it is probable that there will be future economic benefits associated with the expenditure which can be measured reliably. All other expenditure is recognised in the Income Statement as an expense as incurred.

1. Accounting policies continued

Property, plant and equipment, with the exception of motor vehicles, is depreciated so as to write off the cost of assets using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	-	over 10 years (or lease term if shorter)
Computer equipment	-	over 3 years
Office furniture & equipment	-	over 3-5 years
Motor vehicles	-	25% reducing balance

Depreciation on property, plant and equipment is recognised as an operating expense in the Income Statement.

The carrying value of assets and their useful lives are reviewed at each reporting date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the Income Statement in the period in which it arises. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the fair value less costs to sell) is included in the Income Statement in the reporting period the asset is derecognised.

(k) Intangible assets

(i) Goodwill

Goodwill arising from a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Business combinations arising after 31 December 2009 are accounted for under IFRS 3 (Revised) Business Combinations. Where the initial amount of goodwill can only be determined on a provisional basis at the end of the financial reporting period, adjustments are made to the amount of goodwill up to twelve months and from the date of acquisition to the extent that they relate to revisions to the quantum of net assets acquired. Any adjustment to the initial consideration, including amounts which are conditional upon performance criteria, are recognised in the Income Statement in the period in which the subsequent change arises.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Investment management contracts

Investment management contracts acquired separately are measured on initial recognition at cost.

The investment management contracts acquired in a business combination are recognised at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial fair value less accumulated amortisation and any accumulated impairment losses.

The useful lives of investment management contracts are finite and such contracts are amortised on a straight-line basis over their estimated useful lives or average contractual term, with amortisation being charged to the Income Statement. Details of estimated useful lives are shown in note 13.

(iii) Software and licences

This comprises both internally generated software and acquired licences. Separately purchased software and licences have a finite life and are shown at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the Income Statement in equal annual instalments, based on the following useful economic lives:

Software	-	3-7 years
Licences	-	3 years

Subsequent expenditure on capitalised software and licences is expensed as incurred.

(l) Impairment of non-financial assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment arising is recognised in the Income Statement. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a cash-generating unit that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

(m) 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 subsequently measured at amortised cost, fair value through OCI, and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

1. Accounting policies continued

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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 Group'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.

The Group has determined that most of its financial assets relate to collecting cash flows.

Subsequent measurement
The Group's financial assets are classified into the categories described below, based on its business model for these assets:

(a) *Financial assets at amortised cost (debt instruments)*
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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.

The Group's financial assets at amortised cost includes cash and cash equivalents, contract assets, trade receivables and other receivables.

(b) *Financial instruments at fair value through profit or loss*
These include investments that are held for trading purposes or that have been specifically designated as FVTPL. Financial assets with cash flows that are not solely SPPI are classified and measured at FVTPL, irrespective of the business model.

They are carried in the Statement of Financial Position at fair value and movements in fair value are taken to the Income Statement in the period in which they arise. Interest and dividend income on these financial instruments are recognised within finance income.

The Group has adopted 'trade date' accounting for purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established in the marketplace concerned. Accordingly, such financial instruments are recognised on the date the Group commits to the purchase of the investment, and, are derecognised on the date it commits to their sale.

The Group's financial instruments at FVTPL include financial investments and stock of units and shares.

The Group has a number of property investments which provide it with carried interest entitlement, which is typically linked to the investment performance of the underlying funds exceeding long-term hurdle rates. Where the Group does not manage the underlying funds, the carry investments are classified and measured as financial investments at FVTPL.

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.

Renegotiation of the terms of financial assets
Where financial assets past due have been renegotiated, the Group classifies these assets in accordance with the revised terms and conditions.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months (a twelve-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivable and the economic environment.

1. Accounting policies continued

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

(ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, liabilities to Members of LLPs and LPs and other financial liabilities.

Subsequent measurement
Financial liabilities are classified into the categories described below:

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Gains or losses on liabilities held for trading are recognised in the Income Statement.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the IFRS 9 criteria are satisfied.

(b) Trade and other payables
This is the category most relevant to the Group. After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method.

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

(iii) Offsetting of financial instruments

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

(iv) Financial guarantees

The Group assesses, at each reporting date, whether it is required to recognise a liability in respect of any guarantee it has issued. A liability is only recognised if it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Fair value measurement

The Group measures certain financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group measures the fair value of an instrument using the quoted price in an active market where one is available for that instrument.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy and based on the lowest level input that is significant to the fair value measurement as a whole.

Transfers between levels in the fair value hierarchy are deemed to occur on the date of the event or change in circumstances that caused the transfer.

Carried interest investments are valued in accordance with the underlying property fund valuations and the underlying partnership agreements.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks, and other short-term, highly liquid investments in money-market instruments with original maturity dates of three months or less.

Deposits with a maturity in excess of 90 days, which cannot be converted into cash on demand, are classified as other financial assets.

(p) Accounting for Employee Benefit Trusts (EBTs)

The Group has an EBT which holds investments and liquid assets to enable it to satisfy future settlements of employee benefits. These assets, which relate to unsettled awards, are consolidated into the Group's results. Investments held by the EBT are recognised as assets at fair value in the Statement of Financial Position.

1. Accounting policies continued

(q) Employee and member benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services.

Short-term compensated absences are recognised, in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences or, in the case of non-accumulating compensated absences, when the absences occur.

(ii) Profit-sharing and bonus payments

Profit share and bonus entitlements are recognised when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(iii) Profit entitlement of members of Limited Liability Partnerships and Limited Partnerships

Where a member of a Limited Liability Partnership (LLP) or Limited Partnership (LP) has an automatic entitlement to distributions of partnership profits in respect of their services or carried interest distributions, an expense (distributions to members of LLPs and LPs) and a liability (liabilities to members of LLPs or other financial liabilities) are recognised as their services are rendered during an accounting period.

(iv) Pension obligations

Defined benefit schemes

The Group operates a number of defined benefit pension arrangements. Defined benefit pension schemes provide benefits based on final pensionable salary.

The pension surplus or deficit recognised in the Statement of Financial Position is the present obligation of the employer, which is the estimated present value of future benefits that employees have earned in return for their services in the current and prior years, less the value of the plan assets in the schemes. A pension surplus is recognised where there is the availability of a refund to the sponsoring entity, reduction in future contributions, or residual interest in the plan. The discount rate applied to the employees' benefits is the appropriate corporate bond yield at the reporting date which has a maturity date similar to the terms of the Group's obligations. A qualified actuary performs the calculation annually using the projected unit credit method.

The defined benefit pension expense in the Income Statement is analysed into:

- current service costs, which are the actuarially calculated present value of the benefits earned by the active employees in each period;
- past service income or costs, which relate to employee service in prior periods, and arise as a result of the introduction of changes in, or improvements to, retirement benefits in the current period. These are recognised in the Income Statement at the earlier of when the plan amendment or curtailment occurs, and when the Group recognises related restructuring costs or termination benefits;
- settlements or curtailments to the extent that they are not allowed for in the actuarial assumptions. Gains or losses on settlements or curtailments are recognised at the date on which there is a demonstrable commitment to making a significant reduction in the number of employees covered by the plan, or an amendment to the terms of the plan; and
- the net interest on the net defined benefit surplus/(deficit). This represents the change during the period in the net defined benefit surplus/(deficit) that arises from the passage of time. A net interest expense is recognised in finance costs and net interest income is recognised in finance income.

The actuarial gains and losses, which arise from any new valuation and from updating the previous actuarial valuation to reflect conditions at the reporting date, are taken in full to the Statement of Comprehensive Income for the period.

Defined contribution schemes

Contributions made to these schemes are charged to the Income Statement as they become payable, in accordance with the rules of the scheme.

(v) Other long-term employee benefits

Other long-term employee benefits are recognised at the discounted present value of the obligation at the reporting date. The benefit is determined using actuarial techniques to estimate the amount of benefit employees have earned for their services at the reporting date.

(vi) Termination benefits

Termination benefits are recognised as a liability and an expense when the Group is committed to the termination of employment before the normal retirement date. Termination benefits are recognised only when the offer cannot be withdrawn, or when the related restructuring costs are recognised as a provision.

(r) Share-based payments

The Group operates share scheme arrangements for employees (in exchange for services rendered) which require to be accounted for as share-based payments.

The fair value is measured at market price at the date the award is granted and the expense is spread over the period during which the employees become unconditionally entitled to exercise the awards, known as the vesting period. The cumulative expense recognised in the Income Statement over the vesting period is equal to the estimated fair value of the award multiplied by the number of awards expected to vest.

Non-market related conditions are performance criteria not directly linked to BMO's share price, such as continued employment. The probability of meeting non-market conditions is incorporated into the expense charge via the estimate of the number of awards expected to vest. The total cumulative expense is reassessed at each reporting date and is ultimately adjusted to reflect the actual number of awards which vest. Therefore, if no awards vest, no cumulative expense charge is ultimately recognised.

1. Accounting policies continued

IFRS 2 Share-based Payment makes a distinction between awards settled in equity and those settled in cash. All BMO Omnibus Restricted Share Unit Plan (BMO RSU) awards are cash-settled and are therefore charged to the Income Statement with a corresponding credit to liabilities. The estimated fair value of awards is re-measured at each reporting date until the payments are ultimately settled.

Awards to employees treated as good leavers continue to be settled on the vesting date, although the remaining expense of the awards is charged to the Income Statement immediately. In respect of the BMO RSU awards, the vesting period for any employee who becomes eligible to retire is accelerated.

(s) Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

Where the Group expects some or all of a provision to be recovered from external parties, the recovery is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the Group has obligations under property leases, and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected subletting arrangements.

(t) Investment protection guarantees

Introduction

The investment protection guarantee provided to investors in certain investment trust savings products has been classified as an insurance contract under IFRS 4 Insurance Contracts. The investment protection cover element of these products is currently passed on in full to a third-party reinsurance provider through a rolling annual reinsurance contract.

Further details relating to the investment protection guarantee product are provided in note 19(a).

Measurement of insurance contract liabilities

At the reporting date, the Group performs liability adequacy testing to review the expected future cash flows associated with contracts offering an investment protection guarantee to determine if there is any net exposure to the Group. A provision is made for any liability shortfall. Any movement in the liability is immediately recognised in the Income Statement, as disclosed within net investment guarantee expense, with the insurance contract liabilities balance, as disclosed in the Statement of Financial Position, revised accordingly.

Insurance contract liabilities are calculated using a stochastic valuation in line with UK insurance related actuarial standards, guidance and principles. The valuation is based on a range of economic scenarios and outcomes, fully capturing both the intrinsic value and time value associated with the investment protection guarantee. The liabilities are determined as the sum of the discounted value of estimated future cash flows relating to the guarantee, as assessed on a prudent basis (best estimate basis as adjusted to reflect a margin for risk), including asset management income, expenses and future claim payout cash flows. The key valuation assumptions applied at the reporting date are also assessed on a prudent basis and are disclosed in note 19(b)(ii).

Investment guarantee income

The annual management fee paid by investors in relation to investment trust savings contracts offering investment protection is recognised in revenue in the Income Statement over the period for which the related services are provided, regardless of when payment is due.

Investment guarantee claims (payouts)

Investment guarantee claims incurred, as recognised in the Income Statement, reflect the cost relating to claims arising during the year.

Reinsurance

Reinsurance premiums are recognised as an expense over the period that the reinsurance is provided and are included within cost of sales in the Income Statement. Amounts recoverable from the reinsurer in relation to claims arising during the year are included within net investment guarantee expense in the Income Statement.

Reinsurance assets disclosed in the Statement of Financial Position represent claims recoverable from the reinsurance provider. Reinsurance assets are assessed for impairment at each reporting date.

(u) Share capital

When shares are issued, any component that creates a financial liability of the Company or Group is presented as a liability in the Statement of Financial Position, measured initially at fair value, net of transaction costs and thereafter at amortised cost until extinguished, on conversion or redemption.

The remainder of the issue proceeds is allocated to the equity component and included in shareholder's equity, net of transaction costs.

Dividends on Ordinary shares are recognised on the date of payment or, if subject to approval, the date approved by the shareholder.

1. Accounting policies continued

1.7 New standards and interpretations issued but not yet effective

The International Accounting Standards Board has issued the following standards, amendments and interpretations which have either not yet been applied or have an effective adoption date after the date of these Financial Statements:

International Accounting Standards (IAS/IFRS)		Effective for accounting periods beginning on or after
Endorsed by the UK Accounting Standards Endorsement Board and available for early adoption:		
IFRS 4	Deferral of IFRS 9 (amendments)	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
IFRS 16	COVID-19-related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to IFRS	2018 – 2020 Cycle – various standards	1 January 2022
IAS 37	Onerous contracts – Costs of Fulfilling a Contract (amendments)	1 January 2022
Not yet endorsed by the UK Accounting Standards Endorsement Board:		
IFRS 17	Insurance Contracts	1 January 2023
IFRS 17	Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information (amendments)	1 January 2023
IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements and Disclosure of Accounting Policies (amendments)	1 January 2023
IAS 8	Accounting policies Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendments)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments)	1 January 2023
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (amendments)	1 January 2024

Impact of new IFRS standards, amendments and interpretations

The following accounting standards are effective for periods beginning on or after 1 January 2021. The Group is assessing the impact of these new and revised standards to be implemented in 2022 and beyond. The Group intends to adopt the standards in the reporting period in which they become effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. The amendment is effective for the year ended 31 October 2022.

Amendments to IAS 37: Onerous contracts – Costs of Fulfilling a Contract

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly-related cost approach". The costs that relate directly to a contract to provide services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

This IAS 37 amendment is expected to be effective for the year ended 31 October 2023 and is effective for contracts with outstanding obligations at the beginning of that reporting period.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 will apply to all types of insurance contracts as well as certain guarantee contracts. The new standard provides an accounting model for all insurance contracts. IFRS 17 is effective for periods beginning on or after 1 January 2023, with comparatives required.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That the classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

This IAS 1 amendment is effective for periods beginning on or after 1 January 2024 and must be applied retrospectively.

2. Revenue from contracts with customers

2.1 Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers. Further information about the nature and timing of performance obligations in contracts with customers, and the uncertainties surrounding revenues and cash flows, including significant payment terms, are detailed in section 2.2 below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are disclosed in note 1.5(c).

Types of revenue and client categories

The following tables show an analysis of the Group's types of revenues and their split by client categories according to how the Group monitors its AUM.

Revenue classification	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Investment management fees			
Base management fees		239.1	227.9
Performance-related management fees#		19.6	11.9
	2.2(a)	258.7	239.8
Other revenue – customers			
Investment Trust Savings Schemes revenue	2.2(b)(i)	5.2	5.4
Responsible Engagement Overlay fees	2.2(b)(ii)	4.8	4.5
Marketing services provided to funds	2.2(b)(iii)	3.1	2.3
Other income	2.2(b)(iv)	6.5	4.7
		19.6	16.9
Fee and commission income			
Commission income		0.5	0.8
Front-end fee income	25	0.2	0.2
	2.2(c)	0.7	1.0
Total revenue from contracts with customers		279.0	257.7

Includes £0.5m of revenue recognised in respect of carried interest entitlement (2020: £0.2m).

Revenues by client category	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Investment Trusts	72.3	58.4
Retail	42.5	46.4
Consumer	114.8	104.8
Wholesale	44.5	35.7
Third-Party Institutional	110.0	104.9
Consumer and Institutional	269.3	245.4
Strategic Partners	9.7	12.3
Total revenue from contracts with customers	279.0	257.7

In the years ended 31 October 2021 and 31 October 2020, the Group had no single client contributing 10% or more of total revenue.

Geographical information

An analysis of the Group's revenue for the year by geographical location is detailed below:

Revenue by location of clients	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
United Kingdom	158.7	147.2
Germany	28.2	26.6
Luxembourg	24.7	15.6
The Netherlands	22.7	23.9
Guernsey	11.6	12.3
Canada	10.9	9.4
Ireland	10.7	11.4
Other countries	11.5	11.3
Total revenue from contracts with customers	279.0	257.7

The Group's client base is diversified, primarily across the UK and Europe.

2. Revenue from contracts with customers continued

Currency of revenues

The Group's revenues are subject to fluctuations in changes to foreign exchange rates, most significantly the Euro to GBP rate. Total revenue from contracts with customers can be analysed by denomination of revenues by currency as follows:

Currency of revenue	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
GBP	131.5	125.8
Euros	123.7	115.5
US dollars	12.9	7.0
Canadian dollars	10.8	9.3
Other	0.1	0.1
Total revenue from contracts with customers	279.0	257.7

Timing of revenue recognition and split of fixed and variable fees

The Group's revenues are predominantly earned over a period of time as its investment management services are performed. The majority of fees are variable in nature, usually measured on the underlying AUM of the fund.

Timing of revenue recognition	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Services transferred over time	271.2	249.0
Services transferred at a point in time	7.8	8.7
Total revenue from contracts with customers	279.0	257.7

Revenues based on a fixed or variable fee	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Services subject to a variable fee	257.0	240.0
Services subject to a fixed fee	22.0	17.7
Total revenue from contracts with customers	279.0	257.7

2.2 Performance obligations

The Group's revenue is measured based on the consideration specified in contracts with customers.

(a) Investment management fees

The majority of investment management contracts are for a rolling period of time and contain a pre-determined notice period connected with termination of the contract by either party, which range between zero to six months. However, the underlying investors within open-ended funds generally have short or no notice periods for removing their assets. The terms and conditions of contracts can vary between customers and by the nature of the mandate.

Revenue is recognised when the investment management services have been provided, which is usually over a period of time. Investment management is a continual process for most clients, including investment research, asset selection, dealing, investment accounting and/or related administration services. While a number of these activities can be captured in the contract, these can normally be considered to be a single performance obligation in the context of IFRS 15, as the contract is performed in totality as a combination of all these investment-related activities.

Generally, investment management fees are variable in nature as they are normally based on fund valuations at a point in time. Fees are typically quantified on a daily, monthly or quarterly basis, while invoicing usually takes place on a monthly or quarterly basis. However, in a few instances, the Group receives fixed annual investment management fees. Sales invoices generally have 30-day payment terms from date of receipt of the invoice.

The Group also performs some services which involve completion of a specific task, e.g. property transactions. Fees for these task-based services are generally recognised and invoiced upon completion of the specific performance obligation.

Certain management contracts have a performance fee arrangement as well as a base management fee, which is based on absolute performance or outperformance of a stipulated benchmark or set objective. These generally cover one or three-year performance periods and only become payable if the performance exceeds the benchmark. In the case of certain property funds, the performance fees can be measured over the life of the fund and would generally only crystallise towards, or at the end of, the life of the fund.

Fund valuations can be volatile, depending on the asset class, and can increase or decrease with inflows or outflows of assets. The Group's revenues and the associated cash flows received are therefore impacted by such changes in valuation.

2. Revenue from contracts with customers continued

(b) Other revenue – customers

The Group obtains revenue from customers in respect of other investment-related activities:

(i) 'Investment Trust Savings Schemes revenues' – The Group operates Investment Trust Savings Schemes which generate fees for administration and associated dealing charges. These fees are mainly fixed per customer and collected at certain points in time during the year, although the services are performed over a period of time.

(ii) 'Responsible Engagement Overlay fees' – The Group provides Responsible Engagement Overlay (reo®) advisory services to customers and fellow BMO Financial Group entities. These services focus on engagement, voting and sharing ESG analysis on holdings. Reo® services, which are generally provided over a period of time, can be exclusive of contracts for investment management services. Fees can either be fixed or based on AUM and invoices are generated on either a monthly or quarterly basis.

(iii) 'Marketing services provided to funds' – The Group provides marketing services for certain customers to promote funds or investment trusts. This can include a range of general and targeted marketing. Fees can be either fixed or based on AUM. Invoices are generated on either a monthly or quarterly basis in arrears.

(iv) 'Other income' – Other income from customers includes secretarial and accounting services provided to certain funds, property service fees and provision of staff to property funds. Services are predominantly provided over time. Generally, fees in respect of secretarial and accounting services are fixed annual amounts in accordance with the contracts. Invoices are generated in accordance with the terms of each contract, usually either monthly or quarterly in arrears.

(c) Fee and commission income

This comprises:

- Commission income on arrangement of insurance for properties which is recognised over the period of the insurance cover; and
- Front-end fees on open-ended products which are deferred and released to the income statement over the estimated period over which the investments are expected to be held. Further details are shown in note 25.

2.3 Contract balances

Trade receivables, contract assets and contract liabilities from contracts with customers are summarised as follows:

	Notes	31 October 2021 £m	31 October 2020 £m
Trade receivables	14	14.9	18.8
Contract assets	20	39.1	33.4
Contract liabilities	25	(1.4)	(2.4)

Trade receivables represent consideration for services completed and invoiced at the reporting date. They are generally receivable within 30 days of receipt of the invoice and are non-interest bearing. At 31 October 2021 £0.2m (31 October 2020: £0.2m) was recognised as a loss allowance for ECLs on trade receivables.

Contract assets are recognised for revenue relating to the Group's rights to consideration for services completed but not invoiced at the reporting date (primarily accrued income). These are usually invoiced on a monthly or quarterly basis after the reporting date and follow standard payment terms thereafter. At 31 October 2021 £0.1m (31 October 2020: £0.1m) was recognised as a loss allowance for ECLs on contract assets.

The amount of revenue recognised in the year ended 31 October 2021 from performance obligations satisfied (or partially satisfied) in previous periods is £0.3m (2020: £0.3m). This is mainly due to revisions to the valuation estimations recognised at the reporting date resulting from non-coterminous invoice or measurement periods. Invoices raised are often dependent upon finalisation of net asset values of certain funds which can only be determined after the reporting date.

Information about the Group's exposure to credit risk is disclosed in notes 34 and 35(a).

Contract liabilities comprise deferred income for consideration paid in advance of services being provided, including front-end fees. £2.1m of the contract liabilities recognised at the beginning of the reporting period have been recognised as revenue during the year ended 31 October 2021 (2020: £1.2m).

In addition to the above, amounts owed by BMO Group entities at 31 October 2021 (as disclosed in note 14) includes £1.1m (31 October 2020: £1.1m) in relation to accrued income from intra-group revenues.

3. Cost of sales

Cost of sales comprises:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Sub-contract management fee expenses	12.0	10.4
Fee and commission expenses	10.4	9.2
Reinsurance premiums	0.3	0.3
	22.7	19.9

4. Net investment guarantee expense

Net investment guarantee expense recognised in the Income Statement relates to the investment protection guarantee products and consists of the following components:

	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Investment guarantee claims		0.3	0.3
Reinsurance recovery of investment guarantee claims		(0.2)	(0.3)
Insurance contract liabilities movement	19(a)	1.5	2.2
Net investment guarantee expense		1.6	2.2

Further details of the investment protection guarantee are provided in note 19.

5. Net loss on dealing in units and shares

The net loss on dealing in units and shares represents the net gains and losses on the creation and liquidation of units and shares in OEICs and Unit Trusts.

6. Expenses

(a) Total operating expenses

Total operating expenses can be summarised into the following categories:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Employee and member benefits and related expenses#	168.2	128.4
Communication and information technology expenses	26.6	25.4
Third-party administration expenses	18.4	17.6
Premises expenses	3.9	5.7
Promotional and client servicing expenses	8.3	6.1
Depreciation, amortisation and impairment expenses	7.7	8.8
Other expenses	20.4	15.4
Total operating expenses	253.5	207.4

This includes £5.1m (2020: £4.8m) of employment-related expenses (e.g. travel, training, etc.), which are not employee benefit expenses and are therefore excluded from the table in note 7.

(b) Operating expenses

Operating expenses include the following:

	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Depreciation of owned property, plant and equipment	12	2.4	2.4
Impairment of owned property, plant and equipment	12	0.1	–
Amortisation of intangible assets	13	1.0	1.5
Depreciation of ROU assets	26	5.0	4.7
Impairment of ROU assets	26	–	0.1
Impairment of contract assets	20	0.1	–
Impairment of other receivables (reversal)/expense	14	(0.5)	0.1
Net foreign exchange (gains)/losses		(0.2)	0.2

6. Expenses continued

(c) Auditor's remuneration

Fees payable to the Group's auditor are summarised as follows:

Group auditor – KPMG LLP	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Annual audit fees	0.3	0.2
Fees payable to the Group's auditor for the audit of the Group and Company's annual Financial Statements	0.3	0.2
Audit of Financial Statements of subsidiaries pursuant to legislation	0.6	0.6
Total audit fees of the Group	0.9	0.8
Audit-related assurance services	0.3	0.2
Other assurance services	0.3	0.2
Total auditor's remuneration	1.5	1.2

Fees paid by investment funds and client portfolios

In addition to the above, fees of £0.1m (2020: £0.1m) were paid by client funds for services provided directly by KPMG, for which a Group company is responsible for the selection of the respective service provider.

7. Employee and member benefit expenses

Total employee benefit expenses, including remuneration of the Directors and expenses relating to LLP and LP members, were:

	Notes	Gross Year ended 31 October 2021 £m	Expenses recovered from BMO Financial Group £m	Net Year ended 31 October 2021 £m	Gross Year ended 31 October 2020 £m	Expenses recovered from BMO Financial Group £m	Net Year ended 31 October 2020 £m
Short-term employee and member benefits:							
Salaries and related benefits		65.4	(2.4)	63.0	66.9	(2.6)	64.3
Bonus		33.7	(2.2)	31.5	25.4	(1.8)	23.6
Wages and salaries		99.1	(4.6)	94.5	92.3	(4.4)	87.9
Distributions to members of LLPs and LPs		18.7	–	18.7	14.6	–	14.6
Social Security costs		17.6	(0.8)	16.8	11.8	(0.8)	11.0
		135.4	(5.4)	130.0	118.7	(5.2)	113.5
Post-employment benefits:							
Defined contribution pension expense	30(h)	5.6	–	5.6	5.6	–	5.6
Defined benefit pension expense	30(d)	2.5	–	2.5	1.0	–	1.0
		8.1	–	8.1	6.6	–	6.6
Total of wages and salaries, distributions to members of LLPs and LPs, Social Security costs and post-employment benefits		143.5	(5.4)	138.1	125.3	(5.2)	120.1
Share-based payment expense	31	31.8	(2.7)	29.1	7.1	(2.4)	4.7
Termination expenses		(4.1)	–	(4.1)	(1.2)	–	(1.2)
Total employee and member benefit expenses		171.2	(8.1)	163.1	131.2	(7.6)	123.6

The monthly average number of employees and members (including Executive Directors) of the Group during the year ended 31 October 2021 was 784 (2020: 793).

8. Finance income

	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Financial assets measured at amortised cost:			
Bank interest receivable		0.1	0.4
Investments designated as FVTPL:			
Net gains on fair value of investments		0.9	0.7
Other finance income:			
Net interest income on pension obligations	30(d)	1.1	1.3
Total finance income		2.1	2.4

9. Finance costs

	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Interest expense on financial liabilities recognised using the effective interest rate method:			
Bank charges and other interest payable		0.4	0.3
Bank interest payable to BMO Group		0.1	0.1
Interest on lease liabilities	26	0.7	0.8
Total interest expense		1.2	1.2
Facility fees payable to BMO Group		0.9	0.9
Total finance costs		2.1	2.1

10. Investment in an associate

At 31 October 2021, the Group has a 33.33% interest in BMO UK Residential Real Estate FCP-RAIF, a Luxembourg common investment fund focussed on UK residential real estate. However, as the fund has further undrawn commitments from other investors, the Group has effectively a 20.00% interest in the fund. The fund targets the private rented sector with an objective of providing affordable private rent housing for the mass market. The Group's interest in BMO UK Residential Real Estate FCP-RAIF is accounted for using the equity method in the Consolidated Financial Statements. The following table illustrates the summarised financial information of the Group's associate:

	31 October 2021 £m
Non-current assets	–
Current assets	11.4
Current liabilities	(1.3)
Non-current liabilities	–
Equity	10.1

	Note	2021 £m
Administrative expenses		(1.4)
Loss for the year from continuing operations, loss for the year and total comprehensive expense		(1.4)
Group's share of loss for the year	32(a)	(0.3)

	31 October 2021 £m
Group's investment in associate paid during the year	3.9
Group's share of loss for the year	(0.3)
Group's carrying amount of the investment	3.6

The associate had no contingent liabilities or capital commitments at 31 October 2021.

11. Income tax

(a) Analysis of tax expense in the year

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

	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Current income tax:			
UK		(0.2)	(0.1)
Foreign		2.3	2.6
Adjustments in respect of previous periods		1.3	0.6
Deferred tax:			
Relating to origination and reversal of temporary differences		(2.0)	5.2
Adjustments in respect of previous periods		(1.6)	(1.0)
Adjustments in respect of Corporation Tax rate change		(6.2)	(2.6)
	16(b)	(9.8)	1.6
Tax (income)/expense reported in the Income Statement		(6.4)	4.7

11. Income tax continued

The major components of tax expense recognised in the Statement of Changes in Equity and Statement of Comprehensive Income are:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Deferred and current income tax related to items charged or credited directly to equity:		
Tax income on net actuarial losses on defined benefit pension arrangements	(0.4)	(0.6)
Adjustments in respect of Corporation Tax rate change in respect of defined benefit pension arrangements	3.4	1.4
Corporation tax income on common control transactions	(0.1)	(0.1)
Deferred tax expense on common control transactions	0.2	0.1
Tax expense recognised directly in the Statement of Changes in Equity and the Statement of Comprehensive Income	3.1	0.8

Deferred tax assets and liabilities are shown in note 16.

(b) Reconciliation of the tax expense for the year

A reconciliation between the actual tax expense and the accounting profit multiplied by the Group's domestic tax rate for the years ended 31 October 2021 and 31 October 2020 is as follows:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Profit before tax	0.8	29.7
Tax at the Group's statutory income tax rate of 19.00% (2020: 19.00%)	0.2	5.6
Adjustments in respect of previous periods	(0.3)	(0.4)
Disallowed expenses	0.2	0.3
Employee remuneration arrangements	(0.8)	0.4
Foreign tax at different rates(1)	1.3	0.7
Disallowed distributions to LLP and LP members	3.6	2.8
Non-taxable income attributable to LLP and LP members	(3.6)	(2.8)
Restructuring expenses(2)	(1.5)	0.2
UK Corporation Tax rate change	(6.2)	(2.6)
Unrecognised losses	0.7	0.5
Tax (income)/expense reported in the Income Statement	(6.4)	4.7

Effective tax rate

The effective tax charge of (24)% (excluding the UK Corporation Tax rate change) is lower than the statutory rate of 19%. The most significant items are as follows:

(1) The foreign tax at different rates is largely in relation to the fact that the UK statutory tax rate is now lower than that of other jurisdictions in which the Group has a significant presence.

(2) Reversal of previously disallowable restructuring expenses which are now treated as non-taxable.

(c) Factors affecting future tax charges

The current UK 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 2021 for the Group.

The UK Government announced an increase in the UK Corporation Tax rate from 19% to 25% effective from 1 April 2023. This was substantively enacted on 24 May 2021. The effect of this rate change is to increase the value of deferred tax assets of the company by a £6.2m credit through the Income Statement offset by a £3.4m charge to Equity.

The increase in the UK Corporation Tax rate will lead to a statutory UK Corporation Tax rate for the Group of 22.52% for the year ending 31 October 2023 and 25% for years ending 31 October 2024 onwards.

The deferred tax assets have been stated at the rate at which the temporary differences are expected to reverse, except where the timing of the reversal is clearly known.

No additional UK Corporation Tax rate changes have been substantively enacted since the reporting date.

12. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Cost:					
At 1 November 2019	6.8	9.4	3.4	0.5	20.1
Additions	–	2.2	0.1	–	2.3
Disposals	(0.8)	(1.0)	–	(0.1)	(1.9)
Foreign exchange movements	–	–	0.1	–	0.1
At 31 October 2020	6.0	10.6	3.6	0.4	20.6
Additions	–	1.5	–	–	1.5
Disposals	(0.1)	(0.9)	–	(0.1)	(1.1)
Foreign exchange movements	–	(0.1)	(0.1)	–	(0.2)
At 31 October 2021	5.9	11.1	3.5	0.3	20.8
Depreciation and impairment:					
At 1 November 2019	3.7	7.6	1.9	0.2	13.4
Depreciation charge for the year	0.5	1.3	0.5	0.1	2.4
Disposals	(0.8)	(1.0)	–	(0.1)	(1.9)
At 31 October 2020	3.4	7.9	2.4	0.2	13.9
Depreciation charge for the year	0.5	1.4	0.4	0.1	2.4
Disposals	(0.1)	(0.8)	–	(0.1)	(1.0)
Impairment expense	0.1	–	–	–	0.1
Foreign exchange movements	–	–	(0.1)	–	(0.1)
At 31 October 2021	3.9	8.5	2.7	0.2	15.3
Net book values:					
At 31 October 2019	3.1	1.8	1.5	0.3	6.7
At 31 October 2020	2.6	2.7	1.2	0.2	6.7
At 31 October 2021	2.0	2.6	0.8	0.1	5.5

There are no restrictions on the Group's title to the above assets and none are pledged as security for liabilities.

The cost of fully depreciated property, plant and equipment which is still in use at 31 October 2021 is £8.0m (31 October 2020: £8.3m).

13. Goodwill and other intangible assets

	Goodwill £m	Investment management contracts £m	Software and licences £m	Total £m
Cost:				
At 1 November 2019	611.9	702.7	16.7	1,331.3
Additions	–	–	1.1	1.1
Disposals	–	–	(0.1)	(0.1)
At 31 October 2020	611.9	702.7	17.7	1,332.3
Additions	–	–	0.9	0.9
Disposals	–	–	(0.9)	(0.9)
At 31 October 2021	611.9	702.7	17.7	1,332.3
Amortisation and impairment:				
At 1 November 2019	–	702.4	14.4	716.8
Amortisation charge for the year	–	–	1.5	1.5
Disposals	–	–	(0.1)	(0.1)
At 31 October 2020	–	702.4	15.8	718.2
Amortisation charge for the year	–	0.1	0.9	1.0
Disposals	–	–	(0.9)	(0.9)
At 31 October 2021	–	702.5	15.8	718.3
Net book values:				
At 31 October 2019	611.9	0.3	2.3	614.5
At 31 October 2020	611.9	0.3	1.9	614.1
At 31 October 2021	611.9	0.2	1.9	614.0

Software and licences additions consists of £0.6m (2020: £1.0m) of internally generated software and £0.3m (2020: £0.1m) of acquired licences.

The cost of fully amortised software and licences which are still in use at 31 October 2021 is £14.7m (31 October 2020: £14.2m).

The cost of software where amortisation has not yet commenced at 31 October 2021 is nil (31 October 2020: £0.5m).

13. Goodwill and other intangible assets continued

Goodwill

Goodwill has arisen from various business combinations and is represented by two cash-generating units (CGUs), as follows:

CGU	31 October 2021 £m	31 October 2020 £m
Investment Management, exc. BMO REP (IM)	484.0	484.0
BMO REP	127.9	127.9
	611.9	611.9

Goodwill is not amortised but is tested for impairment annually at an individual CGU level, or when indicators of potential impairment are identified. The carrying value of goodwill attributable to each CGU was tested for impairment as at 31 October 2021, as described below; to date, neither of the CGUs has suffered any impairment of goodwill.

Investment management contracts (management contracts)

Management contracts predominantly relate to contracts arising from business acquisitions.

Management contracts are amortised over their expected useful lives and are tested for impairment only when indicators of potential impairment are identified. No such indicators have been identified since the last impairment review undertaken, as at 31 December 2013, and therefore no impairment review of management contracts has been undertaken this year.

Accumulated historical impairment losses on management contracts at the year end are as follows:

CGU	31 October 2021 £m	31 October 2020 £m
Investment Management, exc. BMO REP	218.3	218.3
BMO REP	1.4	1.4
	219.7	219.7

The management contracts, their carrying amounts at the reporting date, remaining amortisation periods and estimated useful lives are as follows:

	31 October 2021			31 October 2020		
	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)	Net book values £m	Remaining amortisation period (years)	Estimated useful life (years)
Private equity fund of funds	0.2	3.5	20	0.3	4.5	20

Impairment testing of goodwill

The recoverable amounts of the CGUs have been determined using their values in use (including terminal value) at each respective testing date for 2021 and 2020. The values in use are calculated by discounting the cash flow projections as based on the latest annual financial budgets and management forecasts. A Euro/Sterling exchange rate of €1.17/£1 which was assumed for the purposes of both the 2022 budget (2021 budget: €1.10/£1) and management forecast period (2023 to 2026), has been retained at a constant level in determining future cash flows. A market standard perpetuity growth rate and constant discount rate are applied to calculate a terminal value in addition to the projected discounted net cash flows over the management forecast period, reflecting the nature of the Group's business, and the Board's current view that there is no reason to believe that the CGUs will not continue to operate in perpetuity.

The key long-term assumptions adopted in these calculations for each operating segment are as follows:

	31 October 2021		31 October 2020	
	IM	BMO REP	IM	BMO REP
Discount rate	9.25%	9.25%	10.25%	10.25%
Perpetuity growth rate	2.00%	2.00%	2.00%	2.00%

The discount rates for 2021 and 2020 are 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. The same discount rate has been applied to the Investment Management and BMO REP segments, reflecting the similar risk profiles and client base of these segments. The discount rates used in the impairment testing of goodwill, as disclosed in this note, are stated on a pre-tax basis.

13. Goodwill and other intangible assets continued

Revenue in year one of the net present value model for each operating segment is based on the budget for 2022, 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. Operating expenses are based on the 2022 budget and management forecasts up to and including 2026, 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 in the table above.

Values in use are compared to the carrying values of goodwill, attributable management contracts and other intangible assets, right-of-use assets, property, plant and equipment and lease liabilities in order to ascertain whether any impairment exists.

As this annual impairment review of goodwill indicated surpluses in both segments, no impairment has been recognised in the year in respect of goodwill (2020: £nil).

In order to assess the sensitivity of the key assumptions on the carrying values of goodwill, an analysis was conducted to ascertain the change that would be required to derive values in use which approximated to the carrying values of goodwill, and beyond which impairment would arise.

The absolute rates, on a standalone basis, of the key long-term assumptions, which most closely resulted in a match in the values in use to the carrying values of goodwill, were as follows:

	31 October 2021		31 October 2020	
	IM	BMO REP	IM	BMO REP
Discount rate	12.40%	10.98%	13.60%	13.02%
Perpetuity growth rate	(1.33%)	(0.11%)	(3.15%)	(2.34%)

14. Trade and other receivables

	Note	31 October 2021 £m	31 October 2020 £m
Non-current:			
Other receivables		0.6	0.8
Prepayments		0.3	0.2
		0.9	1.0
Current:			
Trade receivables*	2.3	14.9	18.8
OEIC and unit trust receivables		67.1	102.5
Employee benefit receivables		1.0	0.5
Other receivables		3.3	14.6
Prepayments		5.6	6.8
Amounts owed by BMO Group entities		5.4	10.0
VAT receivable		0.3	1.1
		97.6	154.3

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

Set out below is the movement in the allowance for ECLs for other receivables and trade receivables:

		Other receivables		Trade receivables	
	Note	2021 £m	2020 £m	2021 £m	2020 £m
As at 1 November		0.6	0.5	0.2	0.2
ECL impairment (income)/expense	6(b)	(0.5)*	0.1	–	–
As at 31 October		0.1	0.6	0.2	0.2
Gross impaired receivables		0.1	0.6	0.2	0.2

* The uncertainty over recovery of the receivable was removed during the year and the amount was subsequently recovered.

The Group's ECLs for trade receivables and contract assets (see note 20) have been determined using a provision matrix based on historic loss rates and adjusted for forward looking estimates. It estimates risk weighting percentages based on product and customer types with similar risk characteristics.

14. Trade and other receivables continued

The Group has estimated this provision matrix based using the following ranges of losses as a percentage of contract assets and trade receivables at each reporting date:

Estimated loss rate	Current (not overdue)*	0-30 days overdue	31-60 days overdue	61-90 days overdue	Over 90 days overdue
At 31 October 2020	0.10%-0.125%	0.15%-0.25%	0.25%-0.50%	1.50%-3.00%	3.00%-6.00%
At 31 October 2021	**0.10%-0.125%**	**0.15%-0.25%**	**0.25%-0.50%**	**1.50%-3.00%**	**3.00%-6.00%**

* Includes accrued income.

15. Deferred acquisition costs

	2021 £m	2020 £m
At 1 November	**0.2**	0.2
Deferred in the year	**–**	0.1
Recognised as cost of sale in the year	**(0.1)**	(0.1)
At 31 October	**0.1**	0.2

	31 October 2021 £m	31 October 2020 £m
Split as follows:		
Non-current assets	**0.1**	0.1
Current assets	**–**	0.1
	0.1	0.2

Deferred acquisition costs represent the initial commission paid in respect of certain new asset inflows into open-ended funds. These costs are amortised over the expected terms of the contracts, in line with the initial fees received from investors, as disclosed in note 25.

16. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 October 2021			31 October 2020		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Employee benefits#	**4.4**	**(17.2)**	**(12.8)**	3.8	(13.6)	(9.8)
Share-based payments and other deferred schemes	**11.6**	**–**	**11.6**	8.6	–	8.6
Unused tax losses	**16.1**	**–**	**16.1**	9.9	–	9.9
Property, plant and equipment	**4.5**	**–**	**4.5**	4.2	–	4.2
Receivables, payables and provisions	**–**	**–**	**–**	0.1	–	0.1
Intangible assets	**–**	**–**	**–**	0.2	–	0.2
Tax on fair value revaluations	**–**	**(0.3)**	**(0.3)**	–	(0.7)	(0.7)
Net deferred tax assets/(liabilities)	**36.6**	**(17.5)**	**19.1**	26.8	(14.3)	12.5

Includes deferred tax on defined benefit pension arrangements.

Based on profit forecasts, the Directors believe it is appropriate to recognise a deferred tax asset for a proportion of unused losses, and for all other underlying timing differences, because it is considered probable that there will be suitable future taxable profits and gains within the Group in the next five years from which they can be deducted. Under current UK Corporation Tax legislation, unused trading losses and all other categories of temporary differences disclosed can be carried forward indefinitely to be utilised against future trading profits in the respective company or other entities in the same UK tax grouping.

16. Deferred tax assets and liabilities continued

(b) Movement in temporary differences during the year

	1 November 2020 £m	Tax income/ (expense) recognised in profit or loss £m	Tax expense recognised in OCI £m	Tax expense recognised in equity £m	Revaluation in year £m	31 October 2021 £m
Employee benefits	(9.8)	-	(3.0)	-	-	(12.8)
Share-based payments and other deferred schemes	8.6	3.0	-	-	-	11.6
Unused tax losses	9.9	6.2	-	-	-	16.1
Property, plant and equipment	4.2	0.3	-	-	-	4.5
Receivables, payables and provisions	0.1	(0.1)	-	-	-	-
Intangible assets	0.2	-	-	(0.2)	-	-
Tax on fair value revaluations	(0.7)	0.4	-	-	-	(0.3)
	12.5	9.8	(3.0)	(0.2)	-	19.1

	1 November 2019 £m	Tax expense recognised in profit or loss £m	Tax expense recognised in OCI £m	Tax expense recognised in equity £m	Revaluation in year £m	31 October 2020 £m
Employee benefits	(9.0)	(0.1)	(0.8)	-	0.1	(9.8)
Share-based payments and other deferred schemes	9.0	(0.4)	-	-	-	8.6
Unused tax losses	10.5	(0.6)	-	-	-	9.9
Property, plant and equipment	4.4	(0.2)	-	-	-	4.2
Receivables, payables and provisions	0.2	(0.1)	-	-	-	0.1
Intangible assets	0.3	-	-	(0.1)	-	0.2
Tax on fair value revaluations	(0.5)	(0.2)	-	-	-	(0.7)
	14.9	(1.6)	(0.8)	(0.1)	0.1	12.5

(c) Unrecognised deferred tax assets

At 31 October 2021 the Group has unrecognised tax losses, of £96.1m (31 October 2020: £97.7m), available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around whether there will be sufficient taxable profits that will arise against which the losses can be offset and when such profits would arise. These losses can be carried forward indefinitely, with the exception of losses of £30.3m (31 October 2020: £30.2m) which can only be carried forward until 2035.

17. Financial instruments

Analysis of financial assets at the reporting date

Financial investments have been classified within either current or non-current assets based on the expected realisation of the cash flows from these investments. Trade and other receivables included within current and non-current assets are measured at amortised cost.

(a) Financial assets at fair value through profit or loss

Financial investments	Notes	31 October 2021 £m	31 October 2020 £m
Carried interest investments	(i)	1.9	3.9
NIC hedge	(ii)	2.8	2.4
Direct partnership investments	(iii)	0.8	0.5
Seed capital	(iv)	0.1	0.1
	18	5.6	6.9
Split as follows:			
Non-current		0.8	2.4
Current		4.8	4.5
		5.6	6.9

(i) 'Carried interest investments' – investment in a property fund which entitles BMO AM (H) to a share of future profits upon exceeding predetermined performance hurdles where no investment management services are being provided.

(ii) 'NIC hedge' – investments in equities and other assets made via an Employee Benefit Trust for the purpose of funding future National Insurance Contributions (NIC) on legacy employee share plans. The provision for the NIC liability is separately recognised.

(iii) 'Direct partnership investments' – represent investments into private equity vehicles. The beneficial entitlement to these rests with employees, although the investment is made via a subsidiary of the Company. Therefore, a corresponding liability has been separately recognised.

(iv) 'Seed capital' – investments in Sociétés d'Investissement à Capital Variable (SICAVs) and Irish offshore funds for the purpose of launching new fund share classes.

The net fair value gains on these financial investments are disclosed in note 8.

17. Financial instruments continued

(b) Held for trading

The Group holds a stock of units and shares (the 'manager's box') in respect of its OEIC and unit trust operations which is valued using observable prices. The Group is therefore exposed to market value movements in the value of these assets. Although the manager's box is immaterial at both reporting dates the balance can fluctuate during the course of a reporting period.

(c) Debt instruments at amortised cost

	Notes	31 October 2021 £m	31 October 2020 £m
Cash and cash equivalents	21	**244.6**	230.5
Other financial assets	21	**11.6**	–
Trade and other receivables:			
Contract assets	20	**39.1**	33.4
Trade receivables	14	**14.9**	18.8
OEIC and unit trust receivables	14	**67.1**	102.5
Other receivables	14	**3.9**	15.4
Amounts owed by BMO Group entities	14	**5.4**	10.0
		386.6	410.6

18. Fair value measurement

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by category of valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers between categories generally occur when the status of available prices changes.

Fair value measurement

In the Directors' opinion there are no discernible differences between the amortised cost carrying amount and the fair values of the trade and other receivables, cash and cash equivalents, other financial assets and trade and other payables balances disclosed, due to the short-term maturities of these financial instruments.

The following tables provide the fair value measurement hierarchy of the Group's other financial assets and liabilities together with their carrying amounts disclosed in the Statement of Financial Position. There were no transfers between the Level 1, 2 and 3 hierarchies during 2021 or 2020.

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2021:

				Fair value measurement		
Financial assets measured at FVTPL	Note	Carrying amount at 31 October 2021 £m	Fair value at 31 October 2021 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial investments	17(a)	5.6	5.6	1.2	1.7	2.7

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2020:

				Fair value measurement		
Financial assets measured at FVTPL	Note	Carrying amount at 31 October 2020 £m	Fair value at 31 October 2020 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial investments	17(a)	6.9	6.9	0.1	2.4	4.4

18. Fair value measurement continued

Fair values of assets and liabilities

The above tables disclose the financial instruments which are measured at fair value.

The Level 1 assets are valued using quoted prices in active markets. These are listed funds or equities and assets with daily quoted prices which are traded on recognised or 'over the counter' exchanges.

The Level 2 assets have directly observable market inputs other than Level 1 inputs. These generally constitute pooled liquidity funds, offshore mutual funds or funds not quoted on a daily basis.

The Level 3 assets are fair valued using inputs not based on observable market data and consist of direct partnership investments and carried interest holdings in private equity and property funds.

Carrying value is assumed to be a reasonable estimate of fair value for the Group's cash and cash equivalents.

Valuation techniques, assumptions and inputs used to measure fair value

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments:

Listed securities

The fair value of listed investments is based on quoted bid market prices at the reporting date without any deduction for transaction costs. The fair value of SICAVs is based on the daily market prices at the reporting date.

Unquoted investments

The fair value of the unquoted investments is estimated using International Private Equity and Venture Capital Valuation Guidelines or property valuation techniques and in accordance with the underlying limited partnership agreements.

The Directors believe that the estimated fair values resulting from the valuation technique applied to unquoted investments which are recorded in the Statement of Financial Position, and the related fair value gains recorded in the Income Statement, are reasonable and the most appropriate at the reporting date.

Where other pricing models are used, inputs are based on market-related data at the reporting date.

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Financial investments: property carried interest investments, direct private equity investments and LP member liabilities	Property carried interest investments and direct private equity investments: valued in accordance with property valuation techniques or International Private Equity and Venture Capital Valuation Guidelines. The property carried interest valuation is based on the expected carried interest cash flows which are discounted by a risk premium over time. The underlying fund LP distributions and valuations determines when the carried interest threshold is met and the level of expected future cash flows.	The main assumptions used in the valuation methodology are: (a) A discount rate of 8.9% on property future cash flows where the rate of return threshold has currently been achieved and the carry conditions have been met. (b) The underlying fund investment valuations are determined in accordance with International Private Equity and Venture Capital Valuation Guidelines or property valuation techniques.	The estimated fair value of the property carried interest investments, direct private equity investments and LP member liabilities would increase or decrease if the: • Underlying investments in the LP fund were realised at a significantly different amount to their valuation; • Timing of the carried interest distributions changed significantly; • Risk-adjusted discount rate was lower or higher; or • Valuation of the underlying property funds changed the valuation of the carried interest investments. The LP member liabilities move in a similar but opposite manner to the direct private equity investments.

18. Fair value measurement continued

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Financial investments measured at FVTPL	OEICs, SICAVs and pooled liquidity funds: net asset value of the fund divided by the number of units, with the frequency of calculation determined on a fund by fund basis in accordance with the relevant fund rules. SICAVs are priced on a forward basis under a single swinging price regime once daily. The net asset value of the fund is dictated by the latest mid-market prices of the underlying securities.	OEICs, SICAVs and pooled liquidity funds where some are not on quoted markets and some prices are calculated infrequently.	The significant unobservable inputs of OEICs, SICAVs and pooled liquidity funds should have little impact on the fair value measurement.

Level 3 assets measured at fair value on a recurring basis

Financial assets at FVTPL

Fair value movements	Financial investments £m
At 1 November 2019	3.2
Additions	0.2
Total gains or losses:	
In profit or loss	1.0
At 31 October 2020	4.4
Additions	0.1
Settlements	(2.2)
Total gains or losses:	
In profit or loss	0.4
At 31 October 2021	2.7

Total gains or expenses included in the Income Statement for the year are as follows:

2021	
Finance income	0.4

2020	
Finance income	1.0

The gains or losses included in profit or loss for the years presented were all in respect of assets or liabilities held at the reporting date.

Sensitivities for Level 3 assets at the reporting date

Carried interest investments and LP member liabilities

The use of different assumptions in the valuation of the property carried interest investments could lead to different measurements of fair value. Certain significant unobservable inputs may be interrelated and therefore the effect of changes in the unobservable inputs may be linked. In relation to the carried interest investments and direct private equity investments, changing one or more of the significant unobservable inputs to reasonably possible alternative assumptions, holding the other inputs constant, would have the following effects:

	Impact on profit	
31 October 2021	Increase £m	Decrease £m
Fair value (10% movement)	0.2	(0.2)
Discount rate (5% change)	0.1	(0.1)

The result of the above movements in carried interest investments, direct private equity investments and LP member liabilities represents the net effect on the profit or loss of the combined changes in fair value gains or losses and LP member liabilities, which change in opposite directions.

19. Investment protection guarantee

(a) Overview

The Group is exposed to insurance risk through an investment protection guarantee benefit provided in the UK to eligible investors in certain legacy investment trust savings products (Lifetime Guarantee). The Group agrees to compensate investors in these products for any shortfall between the guaranteed value of their investments and their market value in the event of the death of the investor. The value of the investment guarantee is reviewed at 5 April each year with the guarantee increased in the event that the investment value on that date is higher than at the previous measurement point. The investment protection components of the savings contracts are classified by the Group as insurance contracts under IFRS 4.

The Lifetime Guarantee investment plans closed to new investors in 2004, with the Group's current insurance risk exposure relating to the remaining investors who were eligible for the guarantee prior to this date. The insurance risk associated with the Lifetime Guarantee product is currently passed on in full to a third-party reinsurance company under a rolling annual reinsurance contract.

Following a detailed review of the expected future discounted cash flows associated with the Lifetime Guarantee product, the insurance contract liabilities balance was reassessed to reflect the net exposure to the Group at the reporting date. The reinsurance cash flows were not considered in the calculation of insurance contract liabilities, with the liability balance stated gross of reinsurance recovery.

The following is a summary of the Group's investment protection guarantee balances included in the Statement of Financial Position at 31 October 2021 and 31 October 2020:

	31 October 2021 £m	31 October 2020 £m
Insurance contract liabilities	(4.6)	(3.1)
Reinsurance assets	0.1	0.5
Net investment protection guarantee liabilities	(4.5)	(2.6)

The following table shows the movements in the insurance contract liabilities balance during the years ended 31 October 2021 and 31 October 2020:

Insurance contract liabilities	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
At 1 November		3.1	0.9
Movements due to changes in assumptions:			
Product fee structure changes*		2.7	-
Lapses and mortality		(0.1)	-
Investment composition		(0.8)	0.8
Discount rate		(0.3)	0.2
Investment return and volatility		-	1.1
Inflation		-	0.1
	4	1.5	2.2
At 31 October		4.6	3.1

* The Group's legacy investment trust savings products were aligned to the same fee structure as the current investment plan products during 2021, with this change resulting in an ongoing reduction in the annual management fee earned on the savings products with the Lifetime Guarantee feature, and a consequential increase in the insurance contract liability at 31 October 2021.

(b) Insurance risk

(i) Risk management overview

The investment protection guarantee provided by the Group exposes the Group to insurance risk due to the associated mortality element of the contracts, with any potential shortfall claim only occurring on the death of the investor.

The Group manages and currently mitigates its investment guarantee-related risk exposure by passing on its insurance risk, in full, through a rolling annual contract with a third-party reinsurance provider.

(ii) Key assumptions – insurance contract liabilities measurement

The Directors have applied significant judgement in measuring the insurance contract liabilities obligation and in determining the underlying key valuation assumptions. The assumptions applied are based on a combination of past experience and internal data, along with external market indices and benchmarks which reflect current observable prices and other published information. The assumptions are reviewed at each reporting date and are recalculated at that point on a prudent basis.

The key assumptions to which the estimation of the insurance contract liabilities is particularly sensitive are outlined below. These assumptions are modelled consistently across the entire investment guarantee portfolio due to the uniformity of the product offering and risk profile of the eligible investment accounts.

19. Investment protection guarantee continued

Average investment return

The average investment return assumptions are based on externally sourced long-term growth rates as adjusted to reflect a margin for risk, with the valuation model allowing for both capital growth and the reinvestment of investment income associated with the underlying assets.

Equity volatility

The volatility assumptions are derived from the average implied volatility of the FTSE 100 over the five years to the reporting date, as adjusted to reflect a margin for risk.

Investor withdrawals (lapses)

Withdrawals relate to voluntary, investor-initiated movements of assets out of products eligible for investment protection, with these withdrawn assets no longer being eligible for the investment guarantee. Withdrawal assumptions are based on an assessment of the Group's historical withdrawals experience.

Mortality

The mortality assumptions are based on a benchmarking review of UK insurers using standard, recognised insurance industry mortality tables, as differentiated by the gender of the underlying investor, with the assumptions validated against the Group's historical guarantee payout data. The mortality rates applied include a margin for risk and are deemed to be appropriate to the specific investor population and related investment protection product.

Discount rate

The expected net cash flows associated with the investment trust savings products are discounted according to Bank of England gilt forward rate curves as related to the expected remaining duration of the product future cash flows. The single discount rate equating to a weighted average of these gilt curves is disclosed in the table of key assumptions below.

Key assumptions

	31 October 2021	31 October 2020
Average investment return (per annum)	**4.80%**	4.79%
Equity volatility (per annum)	**18.00%**	18.00%
Lapses (per annum)	**3.00%**	3.00%
Mortality		
Males	**84% of AMC00**	84% of AMC00
Females	**84% of AFC00**	84% of AFC00
Discount rate (per annum)	**1.11%**	0.75%

(iii) Sensitivity analysis

The following sensitivity analysis is performed for reasonably possible movements in individual key assumptions applied in the valuation of the insurance contract liabilities at each reporting date, while holding all other assumptions constant. In practice, it is unlikely that any assumption would change in isolation. The impact of these changes on insurance contract liabilities is set out in the following table:

		(Decrease)/increase in insurance contract liabilities	
Key assumptions	**Change in key assumptions**	**31 October 2021 £m**	**31 October 2020 £m**
Average investment return (per annum)	+2%	**(0.7)**	(1.7)
Equity volatility (per annum)	+3%	**1.7**	1.6
Lapses (per annum)	+1.5%	**(1.0)**	(0.7)
Mortality rate*	+10%	**–**	0.2
Discount rate (per annum)	+1%	**(0.8)**	(0.5)
Average investment return (per annum)	–2%	**0.9**	1.6
Equity volatility (per annum)	–3%	**(1.6)**	(1.4)
Lapses (per annum)	–1.5%	**1.5**	1.1
Mortality rate*	–10%	**–**	(0.2)
Discount rate (per annum)	–1%	**1.0**	0.7

* Indicates the impact of a 10% increase or decrease in the probability of the death of an investor in each future year of the expected contract duration, as calculated individually for each Lifetime Guarantee contract.

19. Investment protection guarantee continued

(iv) Credit risk – reinsurance asset

The Group is exposed to concentration of credit risk through its contractual arrangement with a single third-party reinsurance provider. The Group operates a policy to manage its reinsurance counterparty exposure by only contracting with reinsurers with acceptable credit ratings, with the existing arrangement in place with a company with a credit rating of 'AA-'.

None of the Group's reinsurance assets at the reporting date are considered by the Directors to be impaired (2020: none), with the carrying amount of the reinsurance asset representing the Group's maximum exposure to credit risk.

(v) Liquidity risk

The following table shows the estimated timing of the undiscounted net cash flows used to determine the insurance contract liabilities at 31 October 2021 and 31 October 2020:

Net cash outflows – undiscounted	31 October 2021 £m	31 October 2020 £m
Within 1 year	-	-
Within 1-2 years	(0.1)	-
Within 2-5 years	(0.3)	(0.1)
Within 5-15 years	(1.8)	(1.1)
More than 15 years	(3.5)	(2.4)
	(5.7)	(3.6)

In the normal course of business, the Group recovers the associated reinsurance assets within a reasonable timeframe from settlement of any investment protection guarantee claims.

The level of actual claims has not been significantly different to previous estimates.

(vi) Currency risk

The insurance assets and liabilities are not exposed to any significant currency risk for the years ended 31 October 2020 and 31 October 2021.

(vii) Market risk

The Group is exposed to market risk through the potential for market value changes to increase the level of guarantee payout, thus negatively impacting the Group's profitability. The sensitivity impact of market price and interest rate fluctuations on the Group's insurance contract liabilities are set out in 19(b)(iii). This risk is currently eliminated through the overall reinsurance arrangement.

20. Contract assets

	Note	31 October 2021 £m	31 October 2020 £m
Current assets:			
Accrued income		39.2	33.5
Allowance for ECLs		(0.1)	(0.1)
	2.3	39.1	33.4

Contract assets relates to accrued income which has been recognised as revenue earned at the reporting date but not yet invoiced.

In addition to the above, amounts owed by entities in the wider BMO Financial Group at 31 October 2021 includes £1.1m (31 October 2020: £1.2m) in relation to accrued income for intra-group revenues. These are included within amounts owed by BMO Group entities within note 14.

ECLs on contract assets are summarised above. Further details of the estimated loss rate provision matrix applied on contract assets are disclosed in note 14.

21. Cash and cash equivalents and other financial assets

Cash and cash equivalents:	31 October 2021 £m	31 October 2020 £m
Cash at bank and in hand	51.8	46.6
Short-term deposits	192.8	183.9
Total cash and cash equivalents	**244.6**	**230.5**
Other financial assets:		
Deposits in excess of 90 days maturity	11.6	–

Cash and cash equivalents are held by the Group for the purpose of meeting short-term cash commitments rather than for investment or other purposes. All short-term deposits are readily convertible to a known amount of cash and are not subject to significant risk of changes in value.

Short-term deposits are generally made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group determined that the ECLs on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at 31 October 2021 is £244.6m (31 October 2020: £230.5m).

Deposits held in excess of 90 days maturity are not considered to meet the criteria of cash and cash equivalents and are classified as other financial assets.

Restrictions on the use of cash

There are no direct restrictions on the Group's use of the cash and cash equivalents, other than any associated impact on regulatory capital.

22. Trade and other payables

	31 October 2021 £m	31 October 2020 £m
Non-current:		
Accruals	–	2.2
Other payables	0.1	0.1
	0.1	2.3
Current:		
Trade payables*	3.6	2.4
Accruals	26.3	17.6
OEIC and unit trust payables	66.7	102.5
Other payables	2.8	16.4
Amounts owed to BMO Group entities	3.4	1.6
VAT payable	0.9	1.0
	103.7	141.5

* Trade payables are non-interest bearing and are settled in accordance with the individual contractual arrangements.

23. Employee benefit liabilities

	Note	31 October 2021 £m	31 October 2020 £m
Non-current:			
Share-based payment accruals	31	21.4	16.0
Bonus accruals		2.3	0.5
Employment related taxation accruals		0.4	0.2
Other employee benefit payables		1.6	1.8
		25.7	18.5
Current:			
Share-based payment accruals	31	23.1	12.5
Bonus accruals		33.2	26.9
Employment related taxation accruals		5.1	4.0
Other employee benefit payables		3.6	4.6
		65.0	48.0

24. Provisions

	Onerous premises contracts £m	NIC on share schemes £m	Restructuring £m	Long-term sickness £m	End of lease dilapidations £m	Long-term service award £m	Total £m
At 1 November 2019	0.8	7.9	12.6	1.3	0.5	0.3	23.4
Provided during the year	–	0.9	2.2	0.2	0.2	–	3.5
Released during the year	–	(0.4)	(3.8)	(0.1)	–	–	(4.3)
Utilised during the year	(0.8)	(2.2)	(2.6)	(0.2)	–	–	(5.8)
Foreign exchange movements	–	–	0.4	–	–	–	0.4
At 31 October 2020	–	6.2	8.8	1.2	0.7	0.3	17.2
Provided during the year	–	5.1	0.2	0.2	0.2	–	5.7
Released during the year	–	(0.2)	(3.7)	–	–	(0.1)	(4.0)
Utilised during the year	–	(1.8)	(2.4)	(0.2)	(0.4)	(0.1)	(4.9)
Foreign exchange movements	–	–	(0.5)	–	–	–	(0.5)
At 31 October 2021	–	9.3	2.4	1.2	0.5	0.1	13.5
At 31 October 2021							
Non-current liabilities	–	2.9	–	1.0	0.2	0.1	4.2
Current liabilities	–	6.4	2.4	0.2	0.3	–	9.3
At 31 October 2020							
Non-current liabilities	–	2.0	–	1.0	–	0.3	3.3
Current liabilities	–	4.2	8.8	0.2	0.7	–	13.9

Onerous premises contracts

The Group holds all properties under operating leases. This included a number of vacant or sublet properties which were either previously occupied or partially occupied by the Group. Provision was made for the residual lease commitments where significant, after taking into account existing and expected subtenant contractual arrangements. All the remaining onerous leases expired during the previous year.

NIC on share schemes

This provision represents the expected employer's NIC liabilities in respect of a number of share-based payment schemes operated by the Group. The provision is subject to movements in the BMO share price, movements in the Sterling/Canadian dollar exchange rate, the extent to which awards are forfeited and, where eligible, the timing of when employees choose to crystallise awards. The current element of the provision for NIC on share schemes relates to awards which are expected to vest within one year. At 31 October 2021, £2.8m (31 October 2020: £2.4m) of financial investments were held by the Group to partially fund the NIC liability in relation to the legacy employee share plans. This is disclosed in note 17(a).

Restructuring

During 2019 a restructuring provision of £12.6m was recognised, as part of a wider ongoing BMO Financial Group restructuring programme, reflecting the expected redundancy costs associated with the achievement of planned operational efficiencies. During 2021 £2.4m (2020: £2.6m) of this provision was utilised, with an additional £0.2m (2020: £2.2m) being provided and £3.7m (2020: £3.8m) released unutilised. The exact timing and quantum are subject to change, recognising that a significant element of the remaining amount is subject to the closure of the Portuguese operations following the termination of the client contracts.

Long-term sickness

The Group has long-term sickness insurance arrangements which cover the cost of absence from work of all current employees. However, the cost of employees who became long-term absentees prior to these arrangements being established is self-insured by the Group. The provision represents the expected present value of income protection payments due to these individuals.

This provision has been quantified on the assumption that all employees currently on long-term sick leave will not return to the employment of the Group before their retirement. The discount rate and salary growth assumptions used in each year are identical to those used for the purposes of determining UK defined benefit pension obligations.

End of lease dilapidations

The Group has obligations to reinstate certain premises back to their original condition when the lease expires. The exact quantum and timing of this remedial work is inherently difficult to estimate given its nature.

Long-term service award

This provision represents the obligation in respect of long-term service benefits to which some employees are entitled, including incremental holiday entitlement and long-term service awards. The rates of leavers and salary increases are assumptions which could fluctuate over time.

25. Contract liabilities

	Note	31 October 2021 £m	31 October 2020 £m
Deferred investment management fees		0.9	1.9
Deferred front-end fees on OEICs		0.5	0.5
	2.3	1.4	2.4
Split as follows:			
Non-current		0.3	0.3
Current		1.1	2.1
		1.4	2.4

The contract liabilities are summarised as follows:

	Notes	Deferred investment management fees £m	Deferred front-end fees £m	Total £m
At 1 November 2019		1.0	0.5	1.5
Deferred during the year		1.9	0.2	2.1
Recognised as revenue during the year	2.1	(1.0)	(0.2)	(1.2)
At 31 October 2020	2.3	1.9	0.5	2.4
Deferred during the year		0.9	0.2	1.1
Recognised as revenue during the year	2.1	(1.9)	(0.2)	(2.1)
At 31 October 2021	2.3	0.9	0.5	1.4

Deferred investment management fees relate to fees received in advance of the transfer of services to the customer. All deferred investment management fees at 31 October 2020 were received during 2021.

Deferred front-end fees comprise initial fees arising on investments into open-ended funds. These fees are initially recognised as contract liabilities and released to revenue over the estimated period for which the investment is expected to be held (2021: five years; 2020: five years).

26. Leases

Group as a lessee

The Group has lease contracts predominantly for office buildings, but also for various items of office and computer equipment, intangibles and motor vehicles used by the Group. Leases generally have lease terms between 2 to 12 years.

The Group's obligations under its lease contracts are secured by the lessor's title to the leased assets. There are some lease contracts which include extension and termination options and variable lease payments.

The Group also leases certain items of office and computer equipment with lease terms of 12 months or less and has some low value leases. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

ROU assets	Note	Property £m	Office and computer equipment £m	Motor vehicles £m	Intangibles £m	Total £m
At 1 November 2019		30.5	1.3	0.5	–	32.3
Additions		–	–	0.3	–	0.3
Depreciation expense for the year	6(b)	(4.1)	(0.3)	(0.3)	–	(4.7)
Impairment expense		(0.1)	–	–	–	(0.1)
Foreign exchange movements		0.1	–	–	–	0.1
Other movements		0.1	–	–	–	0.1
At 31 October 2020		26.5	1.0	0.5	–	28.0
Additions		2.4	0.5	0.2	0.5	3.6
Depreciation expense for the year	6(b)	(4.2)	(0.4)	(0.3)	(0.1)	(5.0)
Foreign exchange movements		(0.2)	–	–	–	(0.2)
Other movements		(0.6)	–	–	–	(0.6)
At 31 October 2021		23.9	1.1	0.4	0.4	25.8

26. Leases continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Lease liabilities	Note	2021 £m	2020 £m
At 1 November		30.1	34.9
Additions		3.5	0.3
Accretion of interest	9	0.7	0.8
Payments		(5.7)	(5.4)
Foreign exchange movements		(0.2)	0.2
Other movements		(0.5)	(0.7)
At 31 October		27.9	30.1

	31 October 2021 £m	31 October 2020 £m
Split as follows:		
Non-current	23.0	25.3
Current	4.9	4.8
	27.9	30.1

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. At 31 October 2021 £2.8m (31 October 2020 £4.2m) of the Group's lease liabilities are subject to inflation-linked rentals and a further £22.0m (31 October 2020: £24.6m) are subject to rent reviews. Rental reviews typically occur no earlier than every five years.

The future cash outflows relating to leases are disclosed in note 35(b).

The following are the amounts recognised in profit or loss:

	Notes	2021 £m	2020 £m
Depreciation expense of right-of-use assets	6(b)	5.0	4.7
Interest expense on lease liabilities	9	0.7	0.8
Expense relating to short-term leases (included in operating expenses)		0.1	2.2
Impairment expense	6(b)	–	0.1
Total amount recognised in profit or loss		5.8	7.8

The Group has lease contracts for office buildings that contains variable payments based on annual increases in rent based on CPI.

The following provides information on the Group's split of fixed and variable lease payments:

	Fixed payments £m	Variable payments £m	Total £m
2021			
Fixed rent	5.7	–	5.7
2020			
Fixed rent	5.4	–	5.4

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased office buildings and IT infrastructure and align with the Group's business needs. In accounting for these leases, management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 1.5(f)).

At 31 October 2021 and 31 October 2020 the Group has assumed that extension options will be exercised, and no termination options are expected to be exercised.

The Group received sublease rental income in the year ended 31 October 2020 of £1.2m. These subleases and associated headleases all expired in 2020.

27. Guarantees

The Group has provided the following guarantees during the year ended 31 October 2021:

- The Group includes a number of General Partner entities which administer and manage a number of limited partnership funds. Under Scottish law, these General Partners have an unlimited liability exposure to their respective limited partnership funds.
- BMO Asset Management Netherlands B.V. has provided a lease guarantee for £0.1m (31 October 2020: £0.1m) to the landlord of its premises at Jachthavenweg 109E, 1081 KM Amsterdam. Subsequent to the reporting date, an updated lease guarantee for the Company's premises was signed on 28 March 2022 for an amount of £0.1m, replacing the lease guarantee from 20 March 2012.

No liability has been provided at either 31 October 2021 or 31 October 2020 in respect of these guarantees as the Directors do not expect these to crystalise. In addition, no liability has been settled in respect of any of these guarantees during either year.

28. Share capital

	31 October 2021		31 October 2020	
	No. of shares	£m	No. of shares	£m
Authorised shares:				
Ordinary shares of 0.1p	1,000,000,000	1.0	1,000,000,000	1.0
Deferred share capital of 0.1p	100	–	100	–
Issued and fully paid:				
Equity interests				
Ordinary shares of 0.1p	879,834,265	0.9	879,834,265	0.9
Non-equity interests				
Deferred share capital of 0.1p	1	–	1	–

BMO Global Asset Management (Europe) Limited, a subsidiary of Bank of Montreal and the Company's immediate parent, holds the deferral share and all Ordinary shares.

The holders of Ordinary shares are: entitled to receive dividends as declared from time to time; entitled to capital distribution rights (including on a winding-up); and entitled to one vote per share at meetings of the Company. The Deferred share confers all the rights of an Ordinary share, except it has no entitlement to dividends or other distributions, no entitlement to capital distributions (including on a winding-up) other than the amount paid up on the share, and no right to attend or vote at any general meeting.

29. Reserves

The analysis of movements in reserves is disclosed within the Consolidated Statement of Changes in Equity on page 31.

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.

Capital redemption reserve

The capital redemption reserve is used to maintain the capital of the Company when shares are bought back or redeemed and subsequently cancelled without Court approval.

Merger reserve

The merger reserve is used to record share premium on shares issued by way of consideration in respect of acquisitions. The element of the merger reserve which relates to intangible assets is considered to be realised in line with the associated amortisation and impairment charges to the Income Statement.

A transfer is made from the merger reserve to retained earnings to recognise the extent to which the merger reserve has been realised, thereby offsetting the corresponding element of the intangible amortisation and any impairment charge.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations and non-Sterling denominated intangible assets.

Retained earnings

Retained earnings comprise:

- net profits and losses recognised through the Income Statement;
- dividend distributions to equity holders;
- actuarial gains and losses recognised on pension obligations;
- deferred tax on actuarial gains and losses;
- transactions relating to equity-settled share-based payments, and deferred tax movements on share-based payments reflected through equity;
- transactions with NCI in respect of their share of the partnerships;
- the purchase and sale of own shares;
- allotment of share capital for non-cash consideration;
- transfers from merger reserve; and
- transfers from acquisition reserve.

30. Pension benefits

During 2021 the Group operated defined benefit plans in the United Kingdom and The Netherlands, and also participated in one in Portugal. The Swiss entity, BMO Global Asset Management (Swiss) GmbH, has a plan which requires to be recognised as a defined benefit arrangement. The plans provide benefits calculated using salary data of the participants. All defined benefit plans, with the exception of the Swiss scheme, are now closed to new entrants for pensions, with all new employees being eligible to benefit from defined contribution arrangements, which provide greater certainty over the future cost to the Group.

A former Chairman of the Group, Mr RW Jenkins, has a pension entitlement which commenced in January 2011 and is adjusted in line with the Retail Price Index on 1 January at each year. The annual entitlement at 1 January 2021 was £159,000. The Group has not allocated any assets to date with respect to this liability.

The Group's defined benefit pension plans are based on final salary payments and benefits are adjusted in line with the plans' rules (e.g. in line with price inflation in the UK) once in payment during retirement. The level of benefits provided depends on the member's length of service and pensionable salary at retirement date or date of leaving if earlier. The defined benefit pension plans require contributions to be made to separately administered funds.

These defined benefit pension plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. Further details are set out under (g) below.

The pension surpluses and pension deficits are recognised in the Statement of Financial Position and are stated gross of the related deferred tax liability/asset.

The results of the latest full actuarial valuations were updated at 31 October 2021 by qualified independent actuaries.

The net pension surplus of the Group is summarised in aggregate and by obligation as follows:

Aggregate	Note	31 October 2021 £m	31 October 2020 £m
Fair value of plan assets	30(d)	436.9	436.5
Benefit obligations	30(d)	(377.5)	(376.6)
Total net pension surplus		59.4	59.9

As disclosed in the Statement of Financial Position	31 October 2021 £m	31 October 2020 £m
Pension surplus	71.0	72.2
Pension deficit	(11.6)	(12.3)
Total net pension surplus	59.4	59.9

By obligation	31 October 2021 £m	31 October 2020 £m
F&C Asset Management Pension Plan (FCAM Plan)	71.0	71.5
BMO Portugal pension plan	(0.3)	0.7
BMO Asset Management Netherlands pension plan	(6.1)	(6.5)
BMO GAM Switzerland pension plan	(0.8)	(1.5)
RW Jenkins pension obligation	(4.4)	(4.3)
Total net pension surplus	59.4	59.9

30. Pension benefits continued

Disclosure relating to the Group's defined benefit obligations

The information given in (a) to (d) below reflects the aggregate disclosures in respect of all Group defined benefit pension arrangements, except where otherwise indicated.

(a) Plan assets

Plan assets	31 October 2021 £m	31 October 2021 %	31 October 2020 £m	31 October 2020 %
Liability Driven Investment (LDI) pools	291.4	67	289.8	66
Private credit funds	75.6	18	85.9	20
Insurance contracts	31.5	7	32.0	7
Equity instruments	30.6	7	24.0	6
Cash and cash equivalents	5.9	1	2.8	1
Debt instruments	1.8	–	1.9	–
Property funds (including secured leases)	0.1	–	0.1	–
Total fair value of plan assets	**436.9**	**100**	**436.5**	**100**

Included in the table above are the following plan assets that have a quoted market price in an active market (i.e. level 1 assets):

Plan assets	31 October 2021 £m	31 October 2020 £m
Equity instruments	14.2	9.1
Debt instruments	1.8	1.9
Total fair value of plan assets with a quoted market price in an active market	**16.0**	**11.0**

The plan assets do not include Ordinary shares issued by the Company or by BMO.

(b) Major assumptions used by schemes' actuaries in respect of benefit obligations

(i) Mortality assumptions

The mortality assumptions used for the FCAM Plan and the unfunded UK obligation are:

	31 October 2021	31 October 2020
Mortality table for males retiring in the future	100% S3PMA L CMI 2018 1.50%	100% S3PMA L CMI 2018 1.50%
Mortality table for females retiring in the future	99% S3PFA L CMI 2018 1.50%	99% S3PFA L CMI 2018 1.50%
Mortality table for current male pensioners	96% S3PMA L CMI 2018 1.50%	96% S3PMA L CMI 2018 1.50%
Mortality table for current female pensioners	93% S3PFA L CMI 2018 1.50%	93% S3PFA L CMI 2018 1.50%

The mortality improvements use a smoothing factor (s-kappa) of 7.5 and an initial improvement adjustment parameter A=0.

The mortality assumptions for the non-UK schemes are:

	31 October 2021	31 October 2020
BMO Asset Management Netherlands	AG Prognosetafel 2020	AG Prognosetafel 2020
BMO Portugal	Males TV 88/90 Females TV 88/90 (rated down 3 years)	Males TV 88/90 Females TV 88/90 (rated down 3 years)
BMO GAM Switzerland	BVG 2020, GT	BVG 2015, GT

(ii) Impact of mortality assumptions

To demonstrate what these mortality assumptions mean in respect of the FCAM Plan, the expected ages at death of members retiring at age 60 are as follows:

	31 October 2021 Years	31 October 2020 Years
Expected age at death for a male retiring in the future at age 60, currently aged 40	90	90
Expected age at death for a female retiring in the future at age 60, currently aged 40	92	92
Expected age at death for a current male pensioner aged 60	89	89
Expected age at death for a current female pensioner aged 60	91	91

30. Pension benefits continued

(iii) Discount and growth rate assumptions

At 31 October 2020, the Group updated its approach to setting CPI inflation assumptions in light of the RPI reform proposals published by the UK Chancellor (subsequently confirmed in November 2020). The Group used an assumed difference between RPI and CPI of 1% in the period to 2030 and 0% for the period from 2030 onwards. This compared with to a deduction of 0.9% at each term for the 2019 year end. The estimated impact of the change was approximately a £0.6m increase in the defined benefit obligation in the FCAM Plan at 31 October 2020.

The range of assumptions used to determine benefit obligations are as follows:

	31 October 2021	31 October 2020
Discount rate	0.37% – 1.82%	0.17% – 1.68%
Rate of salary increase	1.50% – 2.50%	1.50% – 2.00%
Rate of pension increases (excluding fixed increases)	0.70% – 4.00%	0.70% – 3.84%
Rate of price inflation (CPI)*	1.00% – 2.78%	1.00% – 2.30%
Rate of inflation increase (RPI)† – UK only	3.43%	3.00%

The range of assumptions used to determine the net pension charge for the year, are as follows:

	Year ended 31 October 2021	Year ended 31 October 2020
Discount rate	0.17% – 1.73%	0.35% – 2.01%
Rate of salary increase	1.50% – 2.00%	1.50% – 2.50%
Rate of pension increases (excluding fixed increases)	0.70% – 3.00%	0.70% – 2.96%
Rate of price inflation (CPI)*	1.00% – 2.06%	1.50% – 2.06%
Rate of inflation increase (RPI)† – UK only	3.00%	2.96%

* Consumer Price Index.
† Retail Price Index.

(iv) Sensitivities

The sensitivity impact has been measured based on reasonably possible changes of each assumption at the reporting date, while holding all other assumptions constant. In practice, it is unlikely that any assumption would change in isolation.

An estimate of the sensitivities regarding the principal assumptions used to measure the schemes' liabilities are set out below:

Assumption	Change in assumption	Estimated impact on scheme liabilities
Life expectancy	Increase/decrease by 1 year	Increase/decrease by 4.1% (31 October 2020: 4.0%)
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 2.1% (31 October 2020: 2.2%)
Inflation	Increase/decrease by 0.1%	Increase/decrease by 1.8% (31 October 2020: 1.8%)
Pension increases	Increase/decrease by 0.1%	Increase/decrease by 1.5% (31 October 2020: 1.5%)
Salary increases	Increase/decrease by 0.1%	Increase/decrease by 0.0%* (31 October 20120 0.0%*)

* The salary increase sensitivity is shown as nil as the FCAM Plan has a limit on pensionable salary increases of 2.0% per annum. Given the current level of assumed future inflation, there is no effect from a 0.1% change in future salary increases. Plans in other jurisdictions are affected by changes in their respective salary increase assumptions but the consolidated effect rounds to nil.

The sensitivity analysis has been prepared using a similar method to the benefit obligation with one assumption varied in isolation. There have been no changes to the methods used to prepare the sensitivity analysis since the previous reporting year. The assumptions used have changed in line with those used to calculate the benefit obligation.

(c) Profile of schemes' membership

The profile of the current membership of defined benefit arrangements in the Group is as follows:

	31 October 2021		31 October 2020	
	% of total membership	Average age	% of total membership	Average age
Active members	7%	50	7%	50
Deferred members	67%	51	67%	51
Pensioners	26%	69	26%	69
	100%		100%	

30. Pension benefits *continued*

The profile of the liabilities of defined benefit arrangements throughout the Group is as follows:

	31 October 2021 £m	31 October 2020 £m
Active members	39.0	38.9
Deferred members	142.4	155.2
Pensioners	196.1	182.5
Benefit obligations	377.5	376.6

The weighted average duration of benefit obligations at 31 October 2021 is 20 years (31 October 2020: 23 years). This is based on the longevity assumptions for the relevant obligations.

The expected future benefit payments from the defined benefit arrangements are as follows:

Expected future benefit payments:	£m
Year ended 31 October 2022	7.3
Year ended 31 October 2023	7.8
Year ended 31 October 2024	8.3
Year ended 31 October 2025	8.9
Year ended 31 October 2026	9.4
Years ended 31 October 2027-2031	57.4

(d) Aggregate disclosures

Change in benefit obligations:	2021 £m	2020 £m
Benefit obligations at 1 November	376.6	361.3
Foreign exchange movements	(2.8)	2.1
Current service cost	1.2	1.3
Past service income*	-	(0.6)
Settlement expense†	1.2	-
Interest cost on pension obligations	6.1	6.9
Actuarial losses/(gains):		
Arising from changes in financial assumptions	10.5	21.1
Arising from changes in demographic assumptions	(0.2)	(0.8)
Arising from experience	(3.1)	(0.4)
	7.2	19.9
Members' contributions	0.1	0.1
Benefits paid#	(12.1)	(14.4)
Benefit obligations at 31 October	377.5	376.6

* The past service income in 2020 relates to a change in the indexation allowance in The Netherlands.

† The settlement expense related to the subsequent closure of the BMO Portugal pension plan.

\# Benefits paid includes individuals who have transferred out of the FCAM Plan.

Analysis of defined benefit obligations	31 October 2021 £m	31 October 2020 £m
Plans that are wholly or partly funded	373.1	372.3
Obligation that is wholly unfunded	4.4	4.3
Benefit obligations	377.5	376.6

Change in plan assets:	2021 £m	2020 £m
Fair value of plan assets at 1 November	436.5	422.9
Foreign exchange movements	(2.4)	1.7
Interest income on plan assets	7.2	8.2
Administrative expenses and taxes	(0.1)	(0.3)
Actuarial gains	6.1	16.5
Employer contributions	1.6	1.8
Members' contributions	0.1	0.1
Benefits paid*	(12.1)	(14.4)
Fair value of plan assets at 31 October	436.9	436.5

* Benefits paid includes individuals who have transferred out of the FCAM Plan.

30. Pension benefits continued

Components of defined benefit pension expense/(income):	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Operating expenses/(income):			
Current service cost		1.2	1.3
Past service income		-	(0.6)
Settlement expense		1.2	-
Administrative expenses and taxes		0.1	0.3
	7	2.5	1.0
Finance income:			
Net interest income on pension obligations	8	(1.1)	(1.3)
Total defined benefit pension expense/(income) recognised in the Income Statement		1.4	(0.3)

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Net actuarial losses immediately recognised in the Statement of Comprehensive Income	(1.1)	(3.4)
Cumulative actuarial gains recognised in the Statement of Comprehensive Income	24.5	25.6

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Actual return on plan assets	13.3	24.7

(e) Pension schemes' details

(i) F&C Asset Management Pension Plan (FCAM Plan or the Plan)

Date of last actuarial valuation	31 March 2019*
Scheme Actuary	Mercer Limited
Method of valuation	Projected Unit
Market value of assets at last valuation date	£369.0m
Level of funding	108%

* The 31 March 2019 actuarial valuation was completed in June 2020.

The FCAM Plan's assets, which are managed by BMO GAM and other external investment managers, are held under the control of the Trustees and are used to secure benefits for the members of the FCAM Plan and their dependants in accordance with the Trust Deed and Rules.

The Plan is subject to the UK Statutory Funding Objective regime, overseen by The Pensions Regulator, which is a form of minimum funding requirement for the purposes of IAS 19 Employee Benefits (revised).

Trustee Board of the FCAM Plan

The appointment of Trustees is determined by the FCAM Plan's trust documentation. The Trustee Board currently consists of four employer-appointed Trustees, four member-selected Trustees and an independent Trustee. The independent Trustee is a corporation and also currently the Chairman of the Trustee Board. Of the current four employer-appointed and four member-selected Trustees, three are employees of BMO GAM (E) Group and five are retired and receiving a pension from the FCAM Plan.

Relationship between BMO AM (H) Group and the Trustees of the FCAM Plan

The FCAM Plan's assets are held in a separate Trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustees of the FCAM Plan are required to act in the best interests of the FCAM Plan's beneficiaries.

30. Pension benefits *continued*

(ii) Other pension schemes

BMO Portugal, Gestão de Patrimónios, S.A. (BMO Portugal)

Certain employees in Portugal participated in the multi-employer scheme, Fundo de Pensões do Grupo Banco Comercial Português. The assets and liabilities of the scheme were separately identifiable. There were no Trustees, and BMO Portugal managed the assets relating to Fundo de Pensões do Grupo Banco Comercial Português. The pension plan had two parts: the 'Basic Plan' and the 'Complementary Plan'. The Complementary Plan provided an old age pension as well as death and disability benefits. From 1 January 2011, the employees were integrated into the Social Security system and part of the employees' occupational pension benefits is funded through the Social Security system from that date. With effect from 1 January 2012, BMO Portugal decided to terminate the old age pension benefit provided to members from the Complementary Plan, and paid the value of the accrued benefits to the members (or to individual policies for the members).

The BMO Portugal scheme was closed in December 2021 when all remaining liabilities were transferred at that date.

BMO Asset Management Netherlands B.V.

The plan in The Netherlands is financed via insurance contracts. A change in insurance contract was implemented in respect of service from 1 January 2020. This means that there are now two insurance contracts held by the plan: one with Centraal Beheer Achmea (CB Achmea) in respect of service up to 31 December 2019, and another with Nationale Nederlanden (NN) in respect of service from 1 January 2020.

There is a difference in the indexation applicable under the two contracts. Under the CB Achmea contract the indexation is conditional based on payments by BMO, while under the NN contract the indexation is based on an indexation depot. This change in indexation was treated as a plan amendment and resulted in a past service credit of £0.6m for the year ended 31 October 2020.

BMO Global Asset Management (Swiss) GmbH

The plan in Switzerland is financed via an insurance contract.

(f) Future funding requirements

FCAM Plan

With effect from 1 July 2020, the Group agreed to pay a minimum of 42.1% of pensionable salaries in respect of ongoing benefit accrual. No further deficit recovery contributions are required. The Group also agreed to meet the administrative expenses of the Plan up to an annual maximum of £0.6m, and to continue to meet the levies charged by the Pension Protection Fund and any life assurance premiums. The minimum estimated contribution expected to be paid into the Plan during the year ended 31 October 2022 is £0.6m (2021: £0.7m).

As the FCAM Plan is a closed scheme, under the projected unit method the current service cost will tend to increase as a percentage of pensionable salaries as the average age of members increases.

RW Jenkins obligation

The benefits in respect of Mr RW Jenkins are paid directly by the Group. The expected pension payment for the year ended 31 October 2022 is £161,000.

Non-UK schemes

The figures in the table below assume that future contributions continue to be paid into the Dutch and Swiss schemes at their current levels.

Contributions to defined benefit schemes

Amounts paid into the Group's four defined benefit schemes in the past two reporting periods, and expected future payments over the next five years, are as follows:

Contributions paid	£m
Year ended 31 October 2020	1.6
Year ended 31 October 2021	**1.4**

Expected future contributions	£m
Year ended 31 October 2022	1.7
Year ended 31 October 2023	1.3
Year ended 31 October 2024	1.3
Year ended 31 October 2025	1.3
Year ended 31 October 2026	1.4

30. Pension benefits continued

(g) Risk management

(i) FCAM Plan

Market (investment) risk

The Trustees set the general investment policy but delegate the responsibility for the selection of specific investments (other than investments in respect of members' voluntary contributions) to the investment managers. The Trustees regularly monitor the FCAM Plan's investments.

The Trustees seek advice from their investment advisor and believe they have sufficient skills and expertise to make investment decisions based on this advice. The Trustees have set performance and risk targets for the investment managers. The performance objectives are long-term, and the Trustees monitor the investment managers on a regular basis in order to ensure that the Plan is on track to meet its long-term objectives. If the assets of the Plan do not perform as expected, the Group may have to make additional contributions to make up the shortfall.

The results of an asset-liability review undertaken alongside the 31 March 2019 actuarial valuation of the Plan have been used to assist the Trustees and the Group in managing volatility in the underlying investment performance and the risk of a significant change in the FCAM Plan's surplus by providing information used to determine the FCAM Plan's investment strategy.

There were no changes to the investment strategy during the year. The holding in short dated corporate bonds is included in the private credit category in the earlier breakdown.

Interest rate and inflation risk

The liabilities of the Plan are calculated with respect to the yields available on government bonds. In addition, a large part of the benefits under the Plan are linked to price inflation. Hence, if interest rates fall, or inflation expectations rise without a corresponding increase in the value of the Plan assets, a shortfall will arise and the Company may have to make additional contributions in order to rectify this.

The Trustees have implemented an LDI strategy in order to hedge the interest and inflation risk. This strategy uses leverage such that the exposure to interest rates and inflation is higher than the face value of the LDI asset.

Longevity risk

If members live longer than anticipated, the value of the FCAM Plan's liabilities will increase. The current assumptions include an allowance for life expectancy to increase over time; however, it is possible that rates of improvement could be faster than assumed. The corresponding increase in liabilities could lead to an increase in the contributions required to fund the FCAM Plan.

During 2016, the Trustees, with the agreement of BMO AM (H), extended their liability hedging strategy by entering into a named-life longevity swap contract in respect of the pensioner members of the Plan at that point. No initial consideration was paid but the Plan will make a series of fixed payments over the expected lifetimes of the named members and in return will receive a series of floating payments over the actual lifetimes of those members. The effect of this longevity hedge is to fix the Plan's exposure to longevity for the pensioners covered and transfer their longevity risk to an insurance company regulated by the Prudential Regulation Authority. This eliminates the risk of additional contributions being required in the event of the relevant members living longer than expected. A premium for the risk transfer is paid incrementally over the life of the long-term insurance contract.

Currency risk

In order to increase the diversification of the portfolio, the FCAM Plan invests in overseas assets. However, the FCAM Plan's liabilities are denominated entirely in Sterling and, therefore, there is a risk that the appreciation of Sterling against other currencies will reduce the return from overseas assets.

Operational risk

The investment managers do not directly hold any of the FCAM Plan's securities; these are held by an external custodian. The assets are ring-fenced from the Group's creditors and are therefore transferable.

(ii) Non-UK schemes

The plan in The Netherlands is financed via insurance contracts. The value of the plan assets is the value of the reserves which the insurance companies hold to match guaranteed pension liabilities. These reserves are, in effect, fixed interest instruments, and so provide a reasonable match to pension liabilities.

The plan in Portugal is part of an industry-wide banking sector plan. Each participant company holds a share of the assets, which are invested using the same asset allocation as the overall plan assets. BMO Portugal is the asset manager for the overall scheme. At 31 October 2021, the assets of both parts of the BMO Portugal plan are invested in diversified portfolios that consisted primarily of debt, equity securities and real estate.

The plan in Switzerland is predominately defined contribution, however it does have some investment guarantees which mean that the plan is accounted for as a defined benefit plan under IAS 19.

30. Pension benefits continued

(h) Cost of defined contribution plans

	Note	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Group personal pension plans		5.1	5.0
Other defined contribution schemes		0.5	0.6
Defined contribution pension expense	7	5.6	5.6

The Group had £0.2m of pension contributions outstanding as at 31 October 2021 (31 October 2020: £0.7m).

31. Share-based payments

The Group operates and participates in share-based payment plans as part of its total employee compensation arrangements.

Summary

The total expense recognised during the year in respect of cash-settled share-based payment plans is as follows:

By Plan	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
BMO Omnibus Restricted Share Unit Plan	31(a)	31.6	6.9
BMO UK Employee Share Ownership Plan	31(b)	0.2	0.2
Total share-based payment expense recognised in the Income Statement	7	31.8	7.1

	Note	31 October 2021 £m	31 October 2020 £m
Total carrying amount of cash-settled liabilities	23	44.5	28.5

The details of each plan are disclosed below.

Details of key assumptions used and the fair value of BMO RSU awards have been disclosed only for awards granted during the year ended 31 October 2021. Details of awards granted in previous accounting periods are disclosed in the previous periods' Financial Statements.

The fair value of services received in return for awards granted is measured by reference to the fair value of share awards granted.

The cumulative expense for each award is adjusted during, and at the end of, the vesting period, after allowing for actual forfeitures.

The price of BMO shares at 31 October 2021 was CAD 134.37 (31 October 2020: CAD 79.33).

The weighted average BMO share price for the year ended 31 October 2021 was CAD 114.37 (2020: CAD 83.11).

The following table provides analysis of the awards granted during the year ended 31 October 2021:

BMO Omnibus Restricted Share Unit Plan (BMO RSU)

Award	BMO RSU	BMO RSU	BMO RSU
Award date	4 March 2021	4 January 2021	14 December 2020
Number of awards granted	872.08	2,865.21	237,919.72
Grant value per unit*	CAD 102.12	CAD 89.73	CAD 89.73
Exercise price	CAD 0.00	CAD 0.00	CAD 0.00
Vesting period	36 months	11 months	36 months
Full term of award	36 months	11 months	36 months
Expected dividend yield (%)	4.2%	4.7%	4.7%
Expected forfeiture rate (%)	0%	0%	0%
Fair value per award at measurement date	CAD 102.12	CAD 89.73	CAD 89.73
Valuation basis	Market price	Market price	Market price

* *The BMO RSU plan calculates grant award and vesting prices utilising the average BMO share price in the 20 days preceding the grant and vesting dates. The foreign exchange rate used to convert from CAD to local currency is set on the trading date prior to the vesting date.*

31. Share-based payments

(a) BMO Omnibus Restricted Share Unit Plan

The BMO RSU plan is a mid-term incentive plan designed to reward recipients for performance over the medium term. This was the main medium-term incentive plan for the Group under the ownership of BMO.

The BMO RSU awards are only subject to a time-vesting period, usually three years. The value of the awards will vary according to the BMO share price and the relevant foreign exchange rate. BMO RSUs also earn dividend equivalents that are credited to the employee's account as additional BMO RSUs. Once the awards vest, the value of the notional shares is paid to the employees in cash. The rules of the plan include *good and bad leaver clauses.*

The number of BMO RSU awards is as follows:

	2021 No. of units	2020 No. of units
Outstanding at 1 November	715,737.14	790,202.86
Granted during the year	241,657.01	216,333.80
Transferred in from another BMO Group company	197.00	3,419.40
Transferred to another BMO Group company	(5,278.11)	–
Vested during the year	(243,827.61)	(268,816.71)
Forfeited during the year	(14,049.33)	(25,402.21)
Outstanding at 31 October	694,436.10	715,737.14
Exercisable at 31 October*	218,533.52	189,308.53

* The awards exercisable at 31 October 2021 and 31 October 2020 relate to employees who are eligible to retire and good leavers.

The above numbers do not include additional BMO RSU units which are allocated in respect of accrued dividend entitlement.

At 31 October 2021 the following BMO RSU awards were outstanding:

Grant date	No. of awards outstanding	Earliest vesting date
17 December 2018	237,930.72	1 December 2021
21 June 2019	893.04	1 December 2021
4 January 2021	2,865.21	1 December 2021
7 June 2019	20,285.23	1 June 2022
21 June 2019	2,976.77	1 June 2022
16 December 2019	197,278.18	1 December 2022
5 March 2020	3,805.28	1 December 2022
14 December 2020	227,529.59	1 December 2023
4 March 2021	872.08	1 March 2024

All BMO RSU awards have no exercise price.

The awards outstanding at 31 October 2021 have a weighted average outstanding term of 1.0 years (31 October 2020: 1.0 years).

(b) BMO UK Employee Share Ownership Plan (ESOP)

The ESOP provides an opportunity for employees employed in the UK to buy shares in BMO out of pre-tax income (Partnership Shares). BMO contributes 1 share for every 2 shares bought by an employee (Matching Shares). The Matching Shares are treated as a share-based payment. Dividends are paid on a per share basis. Dividends are reinvested in additional BMO shares (Dividend Shares).

The Partnership, Matching and Dividend Shares are held in a BMO Financial Group EBT. Withdrawal of Partnership or Matching Shares within 5 years of allocation and Dividend Shares within 3 years of allocation will result in a liability to income tax. If Partnership Shares are taken out within 1 year of their allocation then associated Matching Shares will be forfeited.

The number of BMO ESOP Matching Shares is as follows:

	2021 No. of shares	2020 No. of shares
Outstanding at 1 November	6,782	3,923
Acquired during the year	2,412	3,473
Transferred to another BMO Group company	(61)	(43)
Transferred in from another BMO Group company	23	8
Matching shares settled in the year	(183)	(481)
Forfeited during the year	(294)	(98)
Outstanding at 31 October	8,679	6,782

Following the acquisition of the Group by Ameriprise, the ESOP shares vested without the requirement to meet further performance obligations. This resulted in the matching shares being settled in full to the employees.

32. Notes to the Statement of Cash Flows

(a) Analysis of movements in Statement of Cash Flows

	Notes	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	12	2.4	2.4
Amortisation of intangible assets	13	1.0	1.5
Depreciation of Right-of-Use assets	26	5.0	4.7
Decrease in investment in associate	10	0.3	–
Impairment of PPE	12	0.1	–
ECL impairment (income)/expense	14	(0.5)	0.1
ROU asset impairment expense	26	–	0.1
		8.3	8.8
Changes in working capital and provisions:			
Decrease/(increase) in trade and other receivables		56.9	(10.1)
(Increase)/decrease in contract assets	20	(5.7)	1.0
(Decrease)/increase in trade and other payables		(40.1)	1.6
(Decrease)/increase in contract liabilities	25	(1.0)	0.9
Increase/(decrease) in employee benefit liabilities	23	24.2	(11.4)
Increase/(decrease) in liabilities to members of LLPs and LPs		0.2	(0.6)
Decrease/(increase) in reinsurance assets	19(a)	0.4	(0.1)
Increase in insurance contract liabilities	19(a)	1.5	2.2
Pension charge to operating profit less defined benefit pension contributions paid	30(d)	0.9	(0.8)
Decrease in provisions	24	(3.7)	(6.2)
		33.6	(23.5)

(b) Changes in liabilities arising from financing activities

The movements from liabilities which are classified as cash flows from financing activities are shown below:

	31 October 2020 £m	Cash flows £m	New leases £m	Foreign exchange movements £m	Accretion of interest £m	Other movements £m	31 October 2021 £m
Lease liabilities	30.1	(5.7)	3.5	(0.2)	0.7	(0.5)	27.9

	1 November 2020 £m	Cash flows £m	New leases £m	Foreign exchange movements £m	Accretion of interest £m	Other movements £m	31 October 2020 £m
Lease liabilities	34.9	(5.4)	0.3	0.2	0.8	(0.7)	30.1

During the years ended 31 October 2021 and 31 October 2020 the Group had no active loans or borrowings, although facilities were available to it, as disclosed in note 33.

(c) Cash and cash equivalents

Note 21 provides details of cash and cash equivalent balances, a description of cash and cash equivalents, and any restrictions on the use of cash.

(d) Property, plant and equipment

During the year the Group acquired property, plant and equipment with an aggregate cost of £1.5m (2020: £2.3m) as disclosed in note 12. Cash payments of £1.3m (2020: £2.4m) were made to purchase property, plant and equipment during the year.

(e) Leases

The Group had total cash outflows of £5.7m for leases in the year ended 31 October 2021 (2020: £5.4m). The Group also had non-cash additions to ROU assets and lease liabilities of £3.5m in 2021 (2020: £0.3m). Details of leases are disclosed in note 26.

33. Interest-bearing loans and borrowings

Borrowing facilities

BMO credit facility

BMO AM (H) plc had a credit facility with Bank of Montreal for £173.0m which was available until 20 December 2021. Interest on any drawdowns were charged at LIBOR +2% per annum. Any undrawn facility was charged at 0.5% per annum.

No drawdowns were made on this facility during the years ended 31 October 2021 or 31 October 2020. The facility was terminated on 8 November 2021, when the Group was aquired by Ameriprise, as detailed in note 42(i).

HSBC overdraft facility

During the year ended 31 October 2018, BMO Asset Management Limited entered into a £5.0m overdraft facility to assist in meeting regulatory requirements if required. Interest on the overdraft facility is payable at the rate of 1% per annum over Base Rate on the amount overdrawn. This facility was not drawn upon in 2021 or 2020.

Additional information about the Group's exposure to interest rate risk is provided in note 35(c)(iii).

34. Financial risk management objectives and policies

Overview

The BMO AM (H) Group governance and risk management process has been developed within the framework set out by our UK and international regulators and tolerances set by the Board and the wider BMO Financial Group. The Board and senior management team are ultimately responsible for establishing and maintaining effective systems and controls to manage risk and to ensure compliance with regulatory obligations. The Group's risk and compliance teams play a key role in this regard, together with other independent oversight of control functions within the Group. The Group has exposure to a number of business risks. The principal risks and uncertainties facing the Group, together with actions taken to mitigate these risks, are outlined on pages 7 to 10 of the Strategic Report.

The Directors consider it appropriate to differentiate between those financial risks which directly impact the Group and those which indirectly impact the Group due to the risks borne by our clients and the consequential impact on the Group's AUM and associated revenues. The Group's direct or indirect exposure to financial instruments arises from the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk, which comprises:
  - Market price risk;
  - Foreign currency risk; and
  - Interest rate risk.

This note presents information on the Group's direct or indirect exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the management of the Group's capital. Note 35 provides numerical analysis of the Group's financial instrument exposure to such risks, including relevant sensitivity analysis as at the reporting date.

Indirect earnings risk through client assets

As an active fund manager, the Group is responsible for managing assets in accordance with the mandates specified by its clients. The assets managed by the Group are subject to varying degrees of the financial risks outlined above. While these risks could result in financial loss or gain through a change in asset value, these risks and rewards are fully borne by, or fall to the benefit of, the Group's clients.

However, as the majority of the Group's revenues are quantified as a percentage of AUM (generally on a quarterly, monthly or daily basis), the Group's income is impacted by movements in the value of 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 Group's interests are aligned to those of its clients.

A key risk to the Group's business is that of poor investment performance, which could lead to the subsequent loss of client mandates. A key role of the Group's Chief Investment Officer is to monitor the fund performance achieved by the Group's investment professionals. Where it is considered necessary, actions are taken to change the investment process or personnel with a view to attaining improved performance. The Group has the ability to earn performance fees from a number of clients based on absolute investment performance or where outperformance of the benchmark or set objective is achieved. These arrangements reinforce the alignment of the Group's interests with those of its clients.

34. Financial risk management objectives and policies continued

Direct earnings and capital risk exposure

The Group has direct exposure to the following risks in respect of financial instruments recognised on its Statement of Financial Position:

- **Credit risk** – the risk of financial loss to the Group if a client or counterparty to a financial instrument is unable to pay, in full, amounts when due, and arises principally from the Group's cash and cash equivalents, contract assets and trade receivables.
- **Liquidity risk** – the risk of the Group failing to maintain adequate levels of financial resources to enable it to meet its financial obligations as they fall due, without incurring significantly increased cost.
- **Market price risk** – the risk that the fair value or future cash flows of financial instruments will change due to movements in market prices, other than foreign exchange rates or interest rates.
- **Foreign currency risk** – the Group is exposed to foreign currency risk from the Sterling value of cash flows arising from transactions denominated in a foreign currency. Foreign currency risk arises from translating balances denominated in a currency other than Sterling and therefore the Sterling value of those balances could vary adversely.
- **Interest rate risk** – the Group is exposed to interest rate risk, primarily through fluctuations in the variable-rate interest, impacting interest received on cash deposits.

A fuller analysis follows of the financial risks associated with the Group's financial instruments, together with the objectives, policies and processes to manage the Group's exposure to those risks.

Financial investments

Recognising that the Group's revenue stream has significant financial exposure to fluctuations in assets managed on behalf of clients, a key principle of the Group treasury policy set by the Board is to restrict investment of the Group's assets to low-risk deposits or money-market instruments where the risk of capital loss is low, thereby seeking to protect the Group's capital. Prior approval is required for any investment or financial instrument which does not follow this general principle.

Financial investments classified as FVTPL are shown in note 17(a). These primarily comprise of carried interest investments (where the Group does not manage the fund) or investments held in connection with historical employee remuneration arrangements. The Group's carried interest arrangements include a mechanism whereby it is possible to earn a predetermined share of any outperformance of certain property funds. The 'NIC hedge' seeks to economically hedge the Group's exposure to movements in future NIC obligations in respect of certain legacy employee share plans.

Stock of units and shares

The Group operates and manages a number of OEICs whose funds, into which retail and institutional investors can invest, have a wide range of investment objectives. The Group now only holds a small stock of units and shares in a limited number of these OEIC funds in order to facilitate the creation and redemption of units by investors. Although these amounts can fluctuate throughout the year, the Group held an immaterial amount as a stock of units and shares at both 31 October 2021 and 31 October 2020.

Trade receivables and contract assets (accrued income)

Trade receivables and accrued income represent amounts recognised within net operating revenue in the Income Statement, but which have not been settled in cash. The nature of BMO AM (H)'s business is such that asset management fees accrue based on daily, month-end or quarter-end asset values which, once known, are invoiced to clients and are due to be settled in line with individual contractual terms. As a result, the aggregate value of trade receivables and accrued income can typically represent up to four months of revenue at any point in time.

Before the Group takes on new clients, it undertakes the required 'Know Your Client' procedures. As the Group manages assets on behalf of clients, and management fees are typically charged to, and paid from, the underlying funds managed by the Group, there is a relatively low risk of default on management fees. In accordance with IFRS 9, the Group assesses its expected credit loss on a prospective basis, as outlined in note 14. The Group does not hold any credit insurance. Due to the scale of some of BMO AM (H)'s larger clients, the Group is exposed to a concentration of credit risk from large clients or groups of connected clients. Very few clients have an external credit rating.

OEIC and unit trust receivables

These include trustee receivables and amounts due from investors in respect of the purchase of units and shares in open-ended funds. Typically, the Group recognises 'OEIC and unit trust payables' of a similar magnitude at any point in time. In operating and managing OEICs, the Group seeks to match the purchase and sale of investments to align to the receipt or payment of funds from or to investors. However, if these obligations are not matched, there is a requirement for the Group to fund any shortfall from its corporate cash resources. The risk relating to unsettled transactions is considered small due to the short settlement period involved. In the event that investors default on amounts due, then the Group is entitled to reimbursement of costs from the investor.

34. Financial risk management objectives and policies continued

Cash and cash equivalents

BMO AM (H) adopts a low risk approach to treasury management and seeks to ensure that its capital is preserved and financial risks are managed appropriately. The Group treasury operations are managed by the Finance function within parameters defined by the Board.

The Group's cash and cash equivalent assets are exposed to a number of financial risks in the normal course of its business. The treasury policy adopted is designed to manage risk and recognises that treasury management operations are specifically not treated as a profit centre. The key aspects of this policy and its implementation are detailed below:

- Funds on deposit will only be placed on a short-term basis (maximum term of 3 months) to help maximise regulatory capital and limit any liquidity risk.
- Deposits may only be placed with counterparties approved by the Counterparty Credit Committee, and the Board has set a £25.0m limit for the maximum exposure to any single external counterparty. The Committee's primary focus is to assess the credit position of counterparties prior to placing any assets with them and to monitor credit risk thereafter. The Board has agreed to exclude Bank of Montreal Ireland plc (BMO Ireland) from this limit. Details of the quantum of balances held with BMO Ireland at each reporting date are disclosed on page 94.
- Exposure to cash and cash equivalent balances held in foreign currency is managed to reduce the risk of adverse movements in exchange rates, where possible, by the repatriation of surplus foreign currency into Sterling. This is achieved in practice via the regular settlement of the Group's transfer pricing arrangements and through the payment of dividends from foreign subsidiaries, having regard to any restrictions in respect of their respective legal, regulatory and working capital requirements.
- Cash and deposit balances can be exposed to interest rate movements. The Group utilises the experience and skills of its professional dealing team to obtain the best interest rates, ensuring the maturity dates of deposits are aligned to the Group's working capital requirements.
- The Group has credit and overdraft facilities available to it to meet certain funding requirements it may encounter. Details are disclosed in note 33.

Any exception to the treasury policy requires prior approval.

Defined benefit pension surplus/(deficit)

The Group's net defined benefit pension surplus represents the value of plan assets in excess of the discounted value of future pension obligations, details of which are given in note 30.

The Group has exposure to movements in the market value of the plan assets, which are held across a number of asset classes. The FCAM Plan has de-risked its investment strategy by investing 73% of the Plan assets in an LDI fund. This alternative investment strategy should reduce risk by matching the asset movements more closely with the liabilities of the Plan. This can also help as a defensive strategy during downturns in the market. The value of defined benefit pension obligations is quantified and discounted using corporate bond rates. Movements in these rates can have a significant impact on the pension liabilities and hence the quantum of the Group's pension surplus or deficit. Further details of the asset and liability risk management framework in respect of the Group's primary defined benefit pension plan are disclosed on page 75.

Foreign currency exposure

Where management fees are denominated in a currency other than Sterling, the Group is exposed to currency risk. The Board recognises that the Group has significant exposure to Euro-denominated cash flows, although the scale of this exposure has diminished following further withdrawals of Strategic Partner assets. The Board has not chosen to enter into any medium or long-term forward exchange contracts.

As outlined in note 31(a), the BMO RSU plan was the main medium-term employee incentive plan utilised by the BMO AM (H) Group while under the ownership of BMO. While awards are settled in the local currency where employees are based, the underlying awards are denominated in Canadian dollars. At 31 October 2021, a share-based payment liability (including associated national insurance costs) of £37.5m was held in respect of such awards (31 October 2020: £31.9m). The Sterling liability is subject to movements in both the BMO share price and the Canadian dollar:Sterling exchange rate.

34. Financial risk management objectives and policies continued

Investment protection guarantee

The Group provides investment protection guarantees in the event of death of eligible investors in certain legacy investment trust savings products (Lifetime Guarantee). These guarantees are classified as insurance contracts under IFRS 4. At each reporting date, the Directors are required to assess the value of any insurance contract liabilities. Details of the value of insurance contracts liabilities, underlying assumptions, key sensitivities and risk mitigation are provided in note 19.

Management of capital

The entirety of the Company's capital funding is in the form of Ordinary share capital, which is held by BMO GAM Europe.

The overall objective of capital and liquidity risk management is to ensure that there is sufficient liquidity and regulatory capital over the short and medium-term to meet the needs of the business and all regulatory requirements. This includes an assessment of the liquidity to cover, among other things, capital expenditure, as well as ensuring cash resources are in place to fund the Group's day-to-day operational requirements. Further details of regulatory capital requirements are disclosed below.

Working capital is monitored on a daily basis to ensure that the settlement terms of all forthcoming liabilities can be met. This activity includes the timely collection of receivables and monitoring of cash on deposit, having regard to regulatory capital requirements, as outlined below. The Group's Finance function includes a treasury team which manages the cash flow requirements of the Group.

Regulatory capital requirements

Until the expiry of the UK's EU withdrawal implementation period on 31 December 2020 the BMO GAM Europe Group was required to comply with an EU-prescribed Capital Requirements Regulation (CRR), which is directly binding on firms, and a Capital Requirements Directive (CRD), which is transcribed into national law for investment firms by the relevant national regulatory authority, referred to together as CRD IV. This prescribes, for relevant firms, the calculation of requirements and capital requirement ratios. The EU Withdrawal Act converted the existing body of directly applicable EU law into domestic law and preserves UK laws relating to EU Directives. Therefore, the UK prudential regime for investment firms consists of the UK CRR and UK CRD IV, replacing the CRR and the CRD respectively.

UK firms not subject to the capital requirement ratios under the UK CRR are required to maintain a minimum level of capital in accordance with the UK version of the EU Directive in force prior to CRD IV, prescribed for investment firms by the Financial Conduct Authority (FCA).

On 1 January 2022 the UK CRR and UK CRD IV were replaced by the Investment Firm Prudential Regime (IFPR), a new prudential regime for UK investment firms authorised under the UK MiFID regime.

The UK Alternative Investment Fund Managers regime (the UK AIFM regime) and the EU Alternative Investment Fund Managers Directive (AIFMD), is prescribed for relevant UK investment firms by the FCA and the requirements of overseas firms are set by their respective national regulator. In compliance with the UK AIFM regime and the AIFMD, three of the BMO GAM Europe Group's regulated firms are authorised Alternative Investment Fund Managers (as at 31 October 2021), two in the UK and one in The Netherlands. These regulated firms are required to maintain a minimum level of capital in accordance with the UK AIFM regime and the AIFMD respectively.

At 31 October 2021, there were eight regulated companies in the BMO GAM Europe Group, of which six are registered in the United Kingdom and are subject to regulation by the FCA. Overseas regulated companies, registered in The Netherlands and Portugal, are subject to regulatory capital requirements set out by their respective local regulatory authority, as embedded within the legislation of those jurisdictions.

Regulatory prescribed rules set out the measurement of capital resources and capital requirements in order to determine the regulatory capital surplus or deficit. This calculation of a regulatory capital surplus or deficit is referred to as the Pillar 1 capital requirements.

The Group's Pillar 1 capital requirement under the UK CRR was the higher of:

- the sum of the 'credit risk capital requirement' and the 'market risk capital requirement'; and
- the 'fixed overhead requirement'.

Credit risk represents the risk of a party being unable to meet its obligations to a firm and is calculated using risk-weighted percentages applied to the various exposure amounts. Market risk for the BMO GAM Europe Group represents the risk of loss from fluctuations in exchange rates and is calculated as a percentage of the total of the long or short positions, denominated in foreign currencies, whichever is the greater. The fixed overhead requirement is calculated as a quarter of a firm's relevant fixed annual expenditure in the previous year's audited Financial Statements.

The BMO GAM Europe Group and its regulated firms are required to submit quarterly financial returns to the FCA, or the local regulatory authority for overseas companies, setting out the calculation of the regulatory capital surplus (or deficit).

34. Financial risk management objectives and policies continued

UK CRD IV required the BMO GAM Europe Group to conduct an Internal Capital Adequacy Assessment Process (ICAAP), referred to as Pillar 2 capital requirements. The objective of this process is to ensure that firms have adequate capital to enable them to manage risks not deemed to be adequately covered under the Pillar 1 minimum requirements. This is a forward-looking exercise which includes stress-testing key risks, considering how the firms would cope with a significant market downturn, for example, and an assessment of the BMO GAM Europe Group's ability to mitigate the risks. Pillar 2 requirements under the IFPR will also be forward-looking exercise which will shift the focus of prudential requirements and expectations away from the risks that firms face, to also consider and look to manage the potential harms that firms can pose to consumers and markets.

The BMO GAM Europe Group, under consolidated supervision rules, and its regulated entities reported surpluses of regulatory capital to the respective regulators throughout the years ended 31 October 2021 and 31 October 2020.

Subsequent to the acquisition of BMO Global Asset Management (Europe) Limited on 8 November 2021 by Columbia Threadneedle Investments UK International Limited, as part of the Ameriprise transaction, the newly constituted Columbia Threadneedle Investments UK International Group will be responsible for fulfilling prudential obligations under the IFPR.

35. The extent of risks arising from financial instruments

Note 34 presents details of the Group's direct or indirect exposure to financial risks arising from financial instruments and the Group's objectives, policies and processes for measuring and managing risk and the management of the Group's capital. This note provides numerical analyses of the Group's direct exposure to such financial risk, including relevant sensitivity analysis, at each reporting date.

(a) Credit risk

(i) Maximum exposure to credit risk

The carrying amount of financial assets represents the Group's maximum exposure to credit risk. The maximum exposure of each class of financial asset is shown in the total column in the following tables.

The contract assets (accrued income) balance at 31 October 2021 is consistent with (31 October 2020: consistent with) the average monthly balances during the year, with the exception of the calendar quarter-ends which tend to have higher levels of accrued income.

The quantum of OEIC and unit trust receivables fluctuates significantly during the year; the balance is dependent upon the timing and value of creations and liquidations of units or shares.

The credit risk of the financial assets, analysed by the external credit ratings of the counterparties, is set out below:

As at 31 October 2021	AA £m	A £m	Other rated £m	Not rated £m	Total £m
Financial assets at FVTPL:					
Financial investments	0.7	–	–	4.9	5.6
Debt instruments at amortised cost:					
Trade receivables	0.4	–	–	14.5	14.9
Contract assets	0.2	–	–	38.9	39.1
OEIC and unit trust receivables	–	–	–	67.1	67.1
Other receivables	0.5	1.0	–	2.4	3.9
Amounts owed by BMO Group entities	–	5.4	–	–	5.4
Other financial assets	–	11.6	–	–	11.6
Cash and cash equivalents	32.4	206.5	5.7	–	244.6
	34.2	224.5	5.7	127.8	392.2

As at 31 October 2020	AA £m	A £m	Other rated £m	Not rated £m	Total £m
Financial assets at FVTPL:					
Financial investments	0.8	–	0.1	6.0	6.9
Debt instruments at amortised cost:					
Trade receivables	0.4	0.4	0.3	17.7	18.8
Contract assets	0.2	–	0.3	32.9	33.4
OEIC and unit trust receivables	–	–	–	102.5	102.5
Other receivables	13.4	–	–	2.0	15.4
Amounts owed by BMO Group entities	–	10.0	–	–	10.0
Cash and cash equivalents	49.3	178.6	2.6	–	230.5
	64.1	189.0	3.3	161.1	417.5

35. The extent of risks arising from financial instruments continued

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

The analysis of financial assets which are receivable but have not been impaired is as follows:

As at 31 October 2021	Neither past due nor impaired £m	Less than 30 days overdue £m	Between 30 and 90 days overdue £m	Between 90 days and 1 year overdue £m	Beyond 1 year overdue £m	Total £m
Financial assets at FVTPL:						
Financial investments	5.6	–	–	–	–	5.6
Debt instruments at amortised cost:						
Trade receivables	9.6	4.4	0.8	0.1	–	14.9
Contract assets	39.1	–	–	–	–	39.1
OEIC and unit trust receivables	67.1	–	–	–	–	67.1
Other receivables	3.9	–	–	–	–	3.9
Amounts owed by BMO Group entities	5.4	–	–	–	–	5.4
Other financial assets	11.6	–	–	–	–	11.6
Cash and cash equivalents	244.6	–	–	–	–	244.6
	386.9	4.4	0.8	0.1	–	392.2

As at 31 October 2020	Neither past due nor impaired £m	Less than 30 days overdue £m	Between 30 and 90 days overdue £m	Between 90 days and 1 year overdue £m	Beyond 1 year overdue £m	Total £m
Financial assets at FVTPL:						
Financial investments	6.9	–	–	–	–	6.9
Debt instruments at amortised cost:						
Trade receivables	12.8	4.4	1.2	0.4	–	18.8
Contract assets	33.4	–	–	–	–	33.4
OEIC and unit trust receivables	102.5	–	–	–	–	102.5
Other receivables	15.3	0.1	–	–	–	15.4
Amounts owed by BMO Group entities	9.8	0.2	–	–	–	10.0
Cash and cash equivalents	230.5	–	–	–	–	230.5
	411.2	4.7	1.2	0.4	–	417.5

Details of the trade receivables balances which have been impaired at the reporting dates are shown in note 14. Details of ECL amounts on contract assets are disclosed in note 20.

(iii) Concentration risk

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

Concentrations of £1.0m or more	31 October 2021 £m	31 October 2020 £m
Amounts held with banks and similar financial institutions – 2021: 19 institutions (2020: 21)	255.2	229.9
Amounts due from OEICs and OEIC Trustees	20.2	54.1
Amounts due from other significant clients – 2021: 17 clients (2020: 13)	58.1	55.3
	333.5	339.3

Concentration risk comprises individual entities or clients with a receivable balance of £1.0m or more at the reporting date. This disclosure shows the potential impact of some of these entities or clients failing to satisfy payment of the receivable amounts. The table does not consider the likelihood of any of these entities or clients defaulting.

At 31 October 2021 the Group held £22.8m (31 October 2020: £9.7m) of cash deposits with BMO Ireland, a fellow member of the BMO Financial Group.

35. The extent of risks arising from financial instruments continued

(b) Liquidity risk

The settlement of certain of the Group's financial liabilities are dependent on the quantum and timing of realisations received from the associated carried interest and other investments in funds. As there is a direct relationship between these events, and a liability will only crystallise upon receipt of the underlying cash, the Group does not consider these liabilities to represent a real liquidity risk and therefore, these liabilities have been excluded from the tables below.

The maturity profile of the Group's financial liabilities has been determined by reference to the earliest contractual date on which the counterparty could demand payment and the stated amounts represent undiscounted cash flows.

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

As at 31 October 2021	Within 1 year, or repayable on demand £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m	Total £m
Trade and other payables:					
Trade payables	3.6	–	–	–	3.6
OEIC and unit trust payables	66.7	–	–	–	66.7
Amounts owed to BMO Group entities	3.4	–	–	–	3.4
Other payables	2.8	0.1	–	–	2.9
Accruals	26.3	–	–	–	26.3
Liabilities to members of LLPs and LPs	3.1	0.8	–	–	3.9
Lease liabilities*	5.4	5.0	12.7	5.6	28.7
	111.3	5.9	12.7	5.6	135.5

As at 31 October 2020	Within 1 year, or repayable on demand £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m	Total £m
Trade and other payables:					
Trade payables	2.4	–	–	–	2.4
OEIC and unit trust payables	102.5	–	–	–	102.5
Amounts owed to BMO Group entities	1.6	–	–	–	1.6
Other payables	16.4	0.1	–	–	16.5
Accruals	17.6	2.0	–	0.2	19.8
Liabilities to members of LLPs and LPs	3.1	–	–	0.6	3.7
Lease liabilities*	5.6	5.2	13.8	12.2	36.8
	149.2	7.3	13.8	13.0	183.3

* Undiscounted.

The quantum of OEIC and unit trust payables fluctuates significantly during the year; the balance is dependent upon the timing and values of creations and liquidations of units or shares.

The undiscounted maturity profile of the Group's investment protection guarantee product's estimated cashflows are disclosed in note 19(b)(v).

(c) Market risks

(i) Market price risk

The analysis of financial assets which are exposed to market price risk is as follows:

Financial assets at FVTPL	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Financial investments	4.9	6.1

Details of the assets held by the Group's defined benefit pension schemes, which are also exposed to market price risk, are given in note 30(a).

35. The extent of risks arising from financial instruments continued

(ii) Currency risk

The Group is exposed to currency risk at the reporting date in respect of:

- Financial assets and liabilities denominated in foreign currencies; and
- Net assets of foreign operations.

The total net monetary assets or liabilities and net investment in foreign operations, in Sterling, which are denominated in foreign currencies or for which the fair value of the asset or liability varies with movements in foreign currencies, are:

Net monetary (liability)/asset	CAD dollar £m	Euro £m	US dollar £m	Other £m	Total £m
As at 31 October 2021	(44.5)	63.4	2.1	0.9	21.9
As at 31 October 2020	(30.9)	52.3	–	1.5	22.9

The above table includes all assets and liabilities, excluding intangible assets.

(iii) Interest rate risk

The following tables set out the maturity profile of the Group's financial instruments that are exposed to interest rate risk:

As at 31 October 2021	Interest rate %	Within 1 year £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m	Total £m
Fixed rate:						
Lease liabilities	0.17 – 2.83%	(5.4)	(5.0)	(12.7)	(5.6)	(28.7)
Financial investments – NIC hedge	6.00 – 6.75%	0.1	–	–	–	0.1
Variable rate:						
Financial investments – NIC hedge	De-minimus	0.7	–	–	–	0.7
Trade and other receivables: Other receivables	De-minimus	–	0.5	–	–	0.5
Other financial assets	De-minimus	11.6	–	–	–	11.6
Cash and cash equivalents	De-minimus	244.6	–	–	–	244.6

As at 31 October 2020	Interest rate %	Within 1 year £m	Within 1-2 years £m	Within 2-5 years £m	More than 5 years £m	Total £m
Fixed rate:						
Lease liabilities	0.17-2.83%	(5.6)	(5.2)	(13.8)	(12.2)	(36.8)
Financial investments – NIC hedge	6.00-7.13%	0.1	–	–	–	0.1
Variable rate:						
Financial investments – NIC hedge	De-minimus	0.8	–	–	–	0.8
Trade and other receivables: Other receivables	De-minimus	–	0.5	–	–	0.5
Cash and cash equivalents	De-minimus	230.5	–	–	–	230.5

(iv) Sensitivity analysis

The Group has quantified the impact of specific changes in its significant market risk variables. This analysis measures the change in fair value of the Group's financial instruments.

The sensitivity analysis, which is for illustrative purposes only, is prepared based on financial instruments and non-Sterling denominated assets and liabilities at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual outturn due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. The methods and assumptions used are the same for both reporting periods.

The sensitivity analysis has been prepared based on the impact that a set percentage increase or decrease in the market conditions would have on the profit or loss and on total equity.

Changes in exchange rates assume an instantaneous increase or decrease of 10% in foreign currency to Sterling rates at the reporting date, with all other variables remaining constant. The exchange rate sensitivities include all receivable or payable balances denominated in a non-Sterling currency.

The estimated changes in fair values of investments assume a 10% increase or decrease in the fair values of investments at the reporting date, with all other variables remaining constant.

Changes in market interest rates assume an increase or decrease of 1% in the rate applied to average cash balances in the year.

35. The extent of risks arising from financial instruments continued

The financial impact of market risk sensitivities, after taxation, are summarised below:

As at 31 October 2021	Profit or loss sensitivity £m	Profit or loss sensitivity £m	Equity sensitivity £m	Equity sensitivity £m
Exchange rate movement#	+10%	–10%	+10%	–10%
Sterling/Euro exchange rates	1.0	(1.2)	5.0	(6.1)
Sterling/CAD exchange rates	(2.9)	3.6	(2.9)	3.6
Fair value movement – Investments	+10%	–10%	+10%	–10%
Sterling equity prices	0.4	(0.4)	0.4	(0.4)
Interest rate movement	+1%	–1%	+1%	–1%
Sterling market interest rates	1.8	(1.8)	1.8	(1.8)

As at 31 October 2020	Profit or loss sensitivity £m	Profit or loss sensitivity £m	Equity sensitivity £m	Equity sensitivity £m
Exchange rate movement#	+10%	–10%	+10%	–10%
Sterling/Euro exchange rates	0.3	(0.4)	4.4	(5.4)
Sterling/CAD exchange rates	(2.0)	2.4	(2.0)	2.4
Fair value movement – Investments	+10%	–10%	+10%	–10%
Sterling equity prices	0.5	(0.5)	0.5	(0.5)
Interest rate movement	+1%	–1%	+1%	–1%
Sterling market interest rates	1.7	(1.7)	1.7	(1.7)

In respect of significant non-Sterling denominated assets and liabilities; +10% represents a strengthening of the foreign currency and -10% represents a weakening of the foreign currency.

In addition to the above sensitivities, impairment of financial assets could be affected by changes in the relevant underlying risk.

36. Subsidiary and related undertakings

BMO Asset Management (Holdings) plc either controls or has an interest in the following entities, which are consolidated in the Financial Statements, at 31 October 2021:

	Percentage interest and voting rights*	Country of registration or incorporation	Registered address	Nature of business
(i) United Kingdom				
FP Asset Management Holdings Limited(1)	100	England	(a)	Holding company
BMO Asset Management (Services) Limited(1)	100	Scotland	(b)	Employee service company
F&C Investment Manager plc(1)	100	England	(a)	Investment management
F&C Equity Partners Holdings Limited(1)	100	England	(a)	Holding company
F&C Equity Partners plc(10)	100	England	(a)	Investment management
BMO AM Treasury Limited(1)	100	England	(a)	Treasury management company
BMO AM Group (Holdings) Limited(1)	100	England	(a)	Holding company
F&C Group ESOP Trustee Limited(1)	100	Scotland	(b)	ESOP Trustee
BMO Investment Business Limited(1)	100	Scotland	(b)	Investment management; Alternative Investment Fund Manager (AIFM)
F&C Finance plc(1)	100	England	(a)	Debt financing company
F&C Aurora (GP) Limited(1)	100	Scotland	(b)	General Partner
The Aurora Fund (Founder Partner) LP(1)	50†	Scotland	(b)	Founder Partner
LPE II (Founder Partner) LP(21)	Nil†	Scotland	(b)	Founder Partner
F&C European Capital Partners (GP) Limited(1)	100	Scotland	(b)	General Partner
F&C European Capital Partners (Founder Partner) LP(1)	50†	Scotland	(b)	Founder Partner
F&C European Capital Partners II (GP) Limited(1)	100	Scotland	(b)	General Partner
F&C European Capital Partners II (Founder Partner) LP(1)	49†	Scotland	(b)	Founder Partner
F&C European Capital Partners II (GP) LP(20)	100†	Scotland	(b)	General Partner
F&C Climate Opportunity Partners (GP) Limited(1)	100	Scotland	(b)	General Partner
F&C Climate Opportunity Partners (Founder Partner) LP(1)	50†	Scotland	(b)	Founder Partner
F&C Climate Opportunity Partners (GP) LP(19)	100†	Scotland	(b)	General Partner

36. Subsidiary and related undertakings continued

	Percentage interest and voting rights*	Country of registration or incorporation	Registered address	Nature of business
BMO Real Estate Partners LLP(1)	100†	England	(c)	Property asset management
BMO Asset Managers Limited(2)	100	England	(a)	Investment management
WAM Holdings Ltd(3)	100	England	(a)	Holding company
BMO Fund Management Limited(4)	100	England	(a)	OEIC distribution and administration; AIFM
BMO Managers Limited(4)	100	England	(a)	Investment management
F&C Alternative Investments (Holdings) Limited(5)	100	England	(a)	Holding company
BMO AM Group (Management) Limited(5)	100	England	(a)	Holding company
BMO AM Holdings Limited(6)	100	England	(a)	Holding company
F&C (CI) Limited(7)	100	England	(a)	Investment company
BMO AM Investment Services Limited(7)	100	England	(a)	Support services company
BMO Asset Management Limited(7)	100	England	(a)	Investment management
F&C Unit Management Limited(8)	100	England	(a)	Investment management
FCEM Holdings (UK) Limited(8)	100	England	(a)	Holding company
F&C Emerging Markets Limited(9)	100	England	(a)	Investment management
F&C Private Equity Nominee Limited(11)	100	England	(a)	Investment company
BMO REP Asset Management plc(12)	100	England	(c)	Property asset management
REIT Asset Management Limited(12)	100	England	(c)	Property asset management
BMO REP (Corporate Services) Limited(18)	100	England	(c)	Dormant
F&C REIT Corporate Finance Limited(18)	100	England	(c)	Property asset management
BMO REP Property Management Limited(13)	100	England	(c)	Property asset management
BMO AM Capital (UK) Limited(16)	100	England	(a)	Support services company
Thames River Capital LLP(17)#	*100†*	*England*	*(a)*	*Investment management*
BMO AM Multi-Manager LLP(17)#	100†	England	(a)	Investment management
Ivory & Sime Limited(1)	100	Scotland	(b)	Dormant
BMO Unit Trust Managers Limited(1)	100	England	(a)	Investment management
The Ivory & Sime Employee Benefit Trust(1)§	N/A	Scotland	(b)	Employee benefit trust
BMO PE Co-Investment GP LLP(1)	100†	Scotland	(b)	General Partner
BMO PE Co-Investment FP LP(1)	50†	Scotland	(b)	Founder Partner
BMO FCIT PE FP LP(23)	61†	Scotland	(b)	Founder Partner
BMO Astraeus III GP LLP(1)	100†	England	(a)	General Partner
Astraeus III FP LP(24)	100†	Scotland	(b)	General Partner
(ii) Non United Kingdom				
The F&C Management Limited Employee Benefit Trust(1)	N/A	Jersey	(d)	Employee benefit trust
BMO AM Capital (Group) Limited(1)	100	Cayman Islands	(e)	Holding company
BMO Asset Management Netherlands B.V.(5)	100	The Netherlands	(f)	Investment management
F&C Ireland Limited(5)	100	Republic of Ireland	(g)	Investment management
BMO Portugal, Gestão de Patrimónios, S.A.(5)+	100	Portugal	(h)	Investment management
BMO Asset Management Luxembourg S.A.(5)	100	Luxembourg	(i)	*LDI pool distribution and administration*
BMO Real Estate Partners S.à.r.l.(12)	100	Luxembourg	(j)	Property asset management
BMO Real Estate Partners GmbH & Co KG(14)	100†	Germany	(k)	Property asset management
BMO AM Capital (Holdings) Limited(15)	100	Cayman Islands	(e)	Holding company
Thames River Capital Family Benefit Trust(17)§	N/A	Guernsey	(l)	Employee benefit trust
Ivory & Sime (Japan) KK(1)‡	100	Japan	(m)	Asset management and distribution
BMO Real Estate Partners Verwaltungsgesellschaft mbH(22)	100	Germany	(k)	General Partner
FOSCA II Manager S.à.r.l.(13)‡	33	Luxembourg	(n)	General Partner
BMO Global Asset Management (Swiss) GmbH(1)	100	Switzerland	(o)	Asset management and distribution
BMO UK Residential Real Estate FCP-RAIF(12)‡	33	Luxembourg	(p)	Property RAIF

* Voting rights are in respect of Ordinary share capital holdings except where indicated.

† Partnership interest in voting rights.

\+ This company went into liquidation in April 2022, as part of the planned closure of the business.

\# These entities have non-coterminous 31 March reporting dates to comply with local reporting requirements or partnership agreements.

‡ These entities have non-coterminous 31 December reporting dates to comply with local reporting requirements or partnership agreements.

§ These entities have non-coterminous 31 December reporting dates to comply with underlying EBT agreements.

36. Subsidiary and related undertakings continued

(1) Owned or sponsored by BMO Asset Management (Holdings) plc
(2) Owned by FP Asset Management Holdings Limited
(3) Owned by BMO AM Treasury Limited
(4) Owned by WAM Holdings Ltd
(5) Owned by BMO AM Group (Holdings) Limited
(6) Owned by BMO AM Group (Management) Limited
(7) Owned by BMO AM Holdings Limited
(8) Owned by BMO Asset Management Limited
(9) Owned by FCEM Holdings (UK) Limited
(10) Owned by F&C Equity Partners Holdings Limited
(11) Owned by F&C (CI) Limited
(12) Owned by BMO Real Estate Partners LLP
(13) Owned by BMO REP Asset Management plc
(14) Owned by BMO Real Estate Partners S.à.r.l.
(15) Owned by BMO AM Capital (Group) Limited
(16) Owned by BMO AM Capital (Holdings) Limited
(17) BMO AM Capital (UK) Limited is the Corporate Member or sponsoring company
(18) Owned by REIT Asset Management Limited
(19) F&C Climate Opportunity Partners (GP) Limited is the General Partner
(20) F&C European Capital Partners II (GP) Limited is the General Partner
(21) F&C Aurora (GP) Limited is the General Partner
(22) General Partner to BMO Real Estate Partners GmbH & Co KG
(23) BMO PE Co-Investment GP LLP is the General Partner
(24) BMO Astraeus III GP LLP is the General Partner

Registered addresses and principal place of business

(a) Exchange House, Primrose Street, London, EC2A 2NY

(b) 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG

(c) 7 Seymour Street, London, W1H 7JW

(d) JTC Group, PO Box 1075, JTC House, 28 Esplanade, St Helier, Jersey, Channel Islands, JE4 2QP

(e) Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands

(f) Jachthavenweg 109E, 1081 KM Amsterdam, Netherlands

(g) 70 Sir John Rogerson's Quay, Dublin 2, Ireland

(h) Rua General Firmino Miguel, 3-9.ºB, 1600-100 Lisboa, Portugal

(i) 49, Avenue J.F. Kennedy, L-1855, Luxembourg

(j) 6, Rue Gabriel Lippmann, L-5365, Munsbach, Luxembourg

(k) Oberanger 34-36, D-80331 München, Germany

(l) Zedra, Third Floor, Cambridge House, Le Truchot, St. Peter Port, Guernsey, GY1 3UW

(m) Shinagawa TS Building, 4th Floor, 13-40, Konan 2-Chome, Minato-Ku, Tokyo 108-0075, Japan

(n) 1, Rue Hildegard von Bingen, L-1282, Luxembourg

(o) Claridenstrasse 40, 8002 Zürich, Switzerland

(p) 5, Heienhaff, L-1736 Senningerberg, Luxembourg

36. Subsidiary and related undertakings continued

The following funds are considered to be legal subsidiaries of the Group's General Partners, but are not consolidated within these Financial Statements as the Group has only limited variable returns from its investment management activities.

	Registered address	Country of registration
The Aurora Fund LP	(a)	Scotland
LPE II LP	(a)	Scotland
F&C Climate Opportunity Partners LP	(a)	Scotland
The Astraeus Fund III LP	(b)	England
F&C European Capital Partners LP	(b)	England
F&C European Capital Partners A LP	(b)	England
F&C European Capital Partners B LP	(b)	England
F&C European Capital Partners II LP	(a)	Scotland
Castle Mount LP	(a)	Scotland
BMO FCIT PE FP LP	(a)	Scotland

The registered addresses for the above funds are:

(a) 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG.

(b) Exchange House, Primrose Street, London, EC2A 2NY.

37. Disclosure of interests in other entities

The BMO AM (H) Group consolidates all entities where it has control through voting rights. It also consolidates certain unvested assets within EBTs, where the Group is deemed to have exposure to variable returns and has power over the investee.

(a) Significant judgements and assumptions

The Group has made assessments as to whether it is an agent or principal in relation to the funds it manages, and the level of control it has over the related entities. This involves assessing the power it has over structured entities, the level of variable returns (including management fees, any performance fees and direct interests held through investments) received from these funds and the linkage between power and variable returns.

The Group has exercised judgement over what it is required to consolidate from the funds it manages. Specifically, it has not consolidated entities where control may be established through defined benefit pension scheme interests.

The Group has consolidated certain assets held within EBTs which the Group sponsors, where it is considered to have sufficient power over the investee and exposure to the variable returns. The Group also consolidates certain carried interest vehicles by virtue of control held through involvement as General Partner, its direct holdings and employee interests in these entities.

The Group has determined that it does not control the funds it manages by reviewing fund structures and voting rights, including the rights to remove the Group as fund manager. Accordingly, the Group has categorised these funds as unconsolidated structured entities. The Group has also assessed that segregated mandates managed on behalf of clients do not qualify as structured entities, with these mandates excluded from the disclosures outlined below.

(b) Nature of risks associated with an entity's interests in consolidated subsidiaries

BMO AM (H) plc has a number of subsidiary and related entities, which are detailed in note 36. The Group monitors its obligations in respect of these entities from a Group-wide perspective, although each entity is considered from a stand-alone legal perspective.

The main risks associated with BMO AM (H) plc's interests in its subsidiaries are:

- the requirement to maintain adequate regulatory capital within the eight regulated entities (as at 31 October 2021) within the BMO AM (H) Group could lead to a requirement to inject further capital into these entities. The regulatory capital of each entity is closely monitored and £5.0m of additional capital was injected into one subsidiary during the year ended 31 October 2020; and
- the risk that dividend blockages may restrict the distribution of profits within the BMO AM (H) Group. There are currently two entities in the Group with significant restrictions on their ability to make dividend distributions (BMO Asset Management Limited and BMO AM Treasury Limited).

Details of guarantees provided by BMO Asset Management (Holdings) plc to its subsidiaries are disclosed in note 19 to the Company Financial Statements on page 115.

37. Disclosure of interests in other entities continued

(c) Interests in unconsolidated structured entities

Nature, purpose and activities of structured entities

The BMO AM (H) Group has facilitated the set-up of certain investment funds which are considered to be structured entities and currently provides investment management and other related services to these funds. The structured entities provide a mechanism for clients to invest into various asset management vehicles across a range of asset classes. The Group is generally involved, to varying degrees, in the operation and distribution of these structured entities. While the BMO AM (H) Group obtains a variable return from these structured entities (in the form of management or performance fees), the level of return and the limited extent of direct interest held are not considered to be sufficient to meet the criteria of control and therefore such investment funds are not consolidated.

The BMO AM (H) Group considers the following funds to be unconsolidated structured entities: Open-Ended Investment Companies (OEICs), Unit Trusts, Sociétés d'Investissement à Capital Variable (SICAVs), Limited Partnership (LP) funds, Pooled Undertaking for Collective Investment in Transferable Securities (UCITs) and certain other pooled or mutual funds.

The BMO AM (H) Group generally provides investment management and administrative functions to these structured entities as a means of generating management fee income. The BMO AM (H) Group's interest in these funds is conducted through a contractual involvement, although it can hold a direct interest in these funds. The BMO AM (H) Group routinely recognises trade receivables and/or contract assets balances with these funds in respect of management and performance fees.

As the risks and rewards of fund performance resides mostly with investees, the Group's direct exposure is limited to the impact of performance on the management fees the Group obtains, thereby aligning the Group's interests to that of its clients.

Funding of unconsolidated structured entities

The structured entities generally raise funds from third-party clients through one-off or ongoing fundraising. BMO GAM promotes the external fundraising in these funds through marketing activity but does not generally invest directly into these funds. The structured entities can either be open-ended or closed-ended funds. Open-ended funds are variable in size depending on levels of creations and cancellations, whereas closed-ended funds have one-off fundraising. These vehicles are fundamentally financed through the issue of shares or units to investors, although some funds have the ability to obtain external loan financing, known as gearing. No exposure to external loan financing existed at 31 October 2021 or 31 October 2020.

Nature of risks associated with unconsolidated structured entities

The Group does not consider itself to be exposed to significant risks from its operation or management of unconsolidated structured entities, although it does face some risks. The main risk is a loss of management fees, if either clients withdraw their funds from the structured entities, or fund values are negatively impacted by financial markets, both of which would reduce the net asset value of these funds. Achieving good investment performance and providing excellent client service are major elements in the management of this risk. The majority of management fees are quantified by reference to AUM.

The Group generally has limited direct exposure to the value of the assets it manages within these investment funds. However, the stock of units and shares is an exception to this, in that the BMO AM (H) Group holds units which are generally traded within a short time frame, with a view to facilitating the liquidity process of the creation or liquidation of units in certain funds. The Group also has a direct interest in certain SICAVs through its seed capital investments. The Group limits the aggregate value of seed capital investments held. The Group receives the majority of its management and performance fees directly from the unconsolidated structured entities it manages and will therefore have direct credit exposure in respect of such fees until the amounts are settled. Such exposure is considered to be low risk.

The BMO AM (H) Group also has the following risk exposures associated with unconsolidated structured entities:

- The Group offers limited investment protection to investors in certain funds, for which the Group has offset any exposure by means of its reinsurance arrangement. Further details are disclosed in note 19.
- The Group may have its fees restricted by 'Total Expense Ratio' clauses in relation to certain funds, which cap specific costs borne by these funds.

While not unique to the Group's interest in unconsolidated structured entities, as a fund manager the Group is also exposed to the financial risk of operational errors, which the Group would need to rectify, together with any associated reputational risk. The Group carries professional indemnity insurance thereby seeking to limit the maximum financial exposure arising from any such matters.

Pages 7 to 10 of the Strategic Report outline the key risks faced by the Group, together with the factors mitigating the potential impact of these risks.

37. Disclosure of interests in other entities continued

Size of structured entities

The total gross AUM in respect of unconsolidated structured entities at the reporting dates are as follows:

Structured entity type	31 October 2021 £bn	31 October 2020 £bn
Non-UK open-ended funds	39.0	35.1
UK open-ended funds	8.8	7.5
Closed-ended funds	0.7	0.6
	48.5	43.2

The following tables summarise the carrying values recognised in the Statement of Financial Position of the BMO AM (H) Group in relation to its interests in unconsolidated structured entities:

As at 31 October 2021

				Total	
Statement of Financial Position asset/(liability) line item	Non-UK open-ended funds £m	UK open-ended funds £m	Closed-ended funds £m	Assets £m	Liabilities £m
Financial investments (FVTPL)	0.1	–	–	0.1	–
Contract assets	7.2	4.5	1.4	13.1	–
Trade and other receivables	1.8	0.1	0.5	2.4	–
Trade and other payables	(1.6)	(0.6)	–	–	(2.2)
	7.5	4.0	1.9	15.6	(2.2)

As at 31 October 2020

				Total	
Statement of Financial Position asset/(liability) line item	Non-UK open-ended funds £m	UK open-ended funds £m	Closed-ended funds £m	Assets £m	Liabilities £m
Financial investments (FVTPL)	0.1	–	–	0.1	–
Contract assets	5.5	4.2	1.2	10.9	–
Trade and other receivables	1.2	1.1	0.1	2.4	–
Trade and other payables	(15.3)	(0.8)	–	–	(16.1)
	(8.5)	4.5	1.3	13.4	(16.1)

At 31 October 2021 the BMO AM (H) Group also has indirect exposure from its UK defined benefit pension plan holdings of £360.9m (31 October 2020: £357.2m) in unconsolidated structured entities managed by the Group.

In addition to the balances due to/from structured entities, noted above, the Group also has receivables and payables balances connected with the creation or liquidation of units in funds, which are settled within a short time frame, as disclosed in notes 14 and 22. At 31 October 2021 these receivables balances totalled £67.1m (31 October 2020: £102.5m). These balances can fluctuate significantly with the creation or liquidation of units. The risk of non-payment is assessed as minimal as these are generally settled within a few days.

Maximum exposure to loss

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

Non-contractual support provided to structured entities

The Group has no commitments or guarantees in respect of these funds except through the General Partners as outlined in note 27, nor does it provide commitments for any fundraising activities in respect of the funds or routinely supply non-contractual financial support to structured entities. The Group does, however, provide marketing and operational support and certain administrative services to a number of the structured entities it manages. The remuneration for these services is generally included within the management fee it receives.

Occasionally, the Group can opt to fund unsettled trades in respect of the creation of units for commercial reasons, although it has no contractual commitment to do so.

37. Disclosure of interests in other entities continued

Losses incurred

No material losses have been recognised by the Group in connection with its interests in unconsolidated structured entities in either of the reporting periods. The Group has reimbursed any operational errors arising during the course of the year which are connected with unconsolidated structured entities. These costs are included within operating expenses.

Income from interests in unconsolidated structured entities

The following table presents the BMO AM (H) Group's net operating revenue received from its interests in unconsolidated structured entities:

Management and performance fees

Structured entity type	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
UK open-ended funds	41.7	46.3
Non-UK open-ended funds	36.3	28.7
Closed-ended funds	4.1	3.6
	82.1	78.6

(d) Interests in sponsored entities

Certain entities are designed so that voting or similar rights are the dominant factor in deciding who controls the entity. A number of such entities also have an independent board of directors.

The BMO AM (H) Group considers itself the sponsor of an entity when it is involved in determining the design and purpose of the entity, the Group markets products associated with the entity, or when the funds use the branding of the Group. The Group is also directly responsible for the investment management, and involved in the operation and administration of the sponsored entity; however, ultimately control of the entity rests with the respective fund Board and its shareholders or investors.

The BMO AM (H) Group considers the following funds to be sponsored entities: *certain Investment Trust clients and certain property funds.*

Management and performance fees

Sponsored entity type	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Closed-ended funds	62.0	48.5

38. Related party transactions

In the ordinary course of business, the Group carried out transactions with related parties, as defined by IAS 24 Related Party Disclosures.

The subsidiary and related undertakings of the Company are shown in note 36.

During the year, the Group entered into the following transactions with related parties:

(a) Compensation of key management personnel of the Group

In aggregate these are set out below:

	Total compensation for the year ended 31 October 2021 £m	Outstanding at 31 October 2021 £m	Total compensation for the year ended 31 October 2020 £m	Outstanding at 31 October 2020 £m
Short-term employee and member benefits	14.2	7.7	13.1	6.4
Post-employment benefits	0.3	–	0.3	–
Share-based payments	3.8	–	4.8	–
Termination benefits	–	–	0.5	–
Total compensation	18.3	7.7	18.7	6.4

38. Related party transactions continued

Key management personnel comprise:

- Directors of all principal companies in the Group;
- Members of the EMEA Executive Committee; and
- Members of BMO REP's Executive Committee.

Where key management personnel participate in defined benefit pension schemes which have been accounted for as such under IAS 19, the amount included as compensation reflects the current service and/or past service cost for the relevant year. Where key management personnel are members of multi-employer defined benefit arrangements or defined contribution schemes, the benefits shown reflect the contributions payable for each year.

The share-based payments disclosed in the table above reflect the value of any share-based payments vesting during the year.

(b) Transactions and balances with Group related parties

Transactions with related parties during the years ended 31 October 2021 and 31 October 2020 and outstanding balances with these parties as at 31 October 2021 and 31 October 2020 are disclosed below, by each group of related parties.

(i) Related party transactions with BMO Financial Group companies

At 31 October 2021, BMO was the ultimate parent undertaking and all transactions between the BMO AM (H) Group and the wider BMO Financial Group are considered to be related party transactions.

The BMO AM (H) Group and the wider BMO Financial Group recharge each other for investment management and distribution services as well as administration and other services. The BMO AM (H) Group also receives interest on bank deposits with entities in the wider BMO Group. Details of these transactions and outstanding balances are disclosed below:

	Total invoiced and accrued during the year ended 31 October 2021 £m	Outstanding at 31 October 2021 £m	Total invoiced and accrued during the year ended 31 October 2020 £m	Outstanding at 31 October 2020 £m
Investment management and distribution services provided to BMO	12.8	4.1	10.9	1.1
Investment management and distribution services received from BMO	(6.9)	(1.4)	(5.9)	(1.4)
Administration and other services provided to BMO	10.3	1.2	10.8	8.8
Administration and other services received from BMO	(2.9)	(1.8)	(3.5)	(0.1)
Bank interest and charges payable to BMO	(0.9)	(0.1)	(1.0)	(0.1)

The BMO AM (H) Group also held bank deposits with the BMO Financial Group as follows:

	31 October 2021 £m	31 October 2020 £m
Bank deposit balances with BMO Ireland	22.8	9.7

(ii) Transactions with entities which are not wholly owned

BMO Asset Management (Holdings) plc has made carried interest investments in each of F&C REIT Carry LP, F&C REIT Carry 3 LP, F&C REIT Carry 4 LP, F&C REIT Carry 5 LP, F&C REIT Carry 6 LP, F&C REIT Carry 8 LP and BMO REP Carry 9 LP. These LPs and the underlying funds are managed by the family business of a former minority partner of BMO Real Estate Partners LLP. These investments entitle the Company to a share of any future carried interest arising from the management of Club Deals LPs. No carried interest thresholds have been achieved to date, therefore no distributions were received from these LPs in 2021 (2020: nil).

38. Related party transactions continued

(iii) Post-employment benefit plans

The Group operates and participates in several post-employment benefit plans as detailed in note 30.

The amounts contributed by the Group to the defined benefit plans and the amounts outstanding at 31 October 2021 and 31 October 2020 were as follows:

	Employer contributions in the year ended 31 October 2021 £m	Outstanding at 31 October 2021 £m	Employer contributions in the year ended 31 October 2020 £m	Outstanding at 31 October 2020 £m
F&C Asset Management Pension Plan	0.6	–	0.9	–
BMO Asset Management Netherlands pension plan	0.7	–	0.6	–
BMO GAM Switzerland pension plan	0.1	–	0.1	–
	1.4	–	1.6	–

In addition to the above, the BMO AM (H) Group has an unfunded obligation to provide a former Chairman, Mr RW Jenkins, with a pension as detailed in note 30.

BMO GAM manages certain of the assets of the FCAM Plan. The assets of the FCAM Plan managed by BMO GAM totalled £379.6m at 31 October 2021 (31 October 2020: £366.8m).

The Group receives fees from the funds which the FCAM Plan invests into. Certain fees are rebated to the Plan. The Group paid the following investment management rebates to this Plan:

	Rebates payable in the year ended 31 October 2021 £m	Outstanding at 31 October 2021 £m	Rebates payable in the year ended 31 October 2020 £m	Outstanding at 31 October 2020 £m
F&C Asset Management Pension Plan	(0.1)	–	(0.1)	–

The Group made payments of £0.7m in respect of administration fees of the FCAM Plan during the year ended 31 October 2021 (2020: £0.6m).

(iv) Transactions with associate

The Group has an investment in an associate entity, BMO UK Residential Real Estate FCP-RAIF. Details are included in note 10.

The Group pre-funded set-up expenses of the BMO UK Residential Real Estate FCP-RAIF. Expenses of £0.4m recoverable from the fund at 31 October 2020 (recorded within other receivables) were received during 2021. No amounts were recoverable at 31 October 2021.

39. Commitments

Capital commitments

At 31 October 2021, the Group had an undrawn capital commitment of £11.1m (31 October 2020: £15.0m) to invest into BMO UK Residential Real Estate FCP-RAIF.

There was £0.2m capital expenditure contracted for, but not provided for, in the Financial Statements at 31 October 2021 (31 October 2020: nil).

Other commitments

Prior to the acquisition of the BMO GAM E Group by Ameriprise, the Group, along with other BMO GAM entities, received third-party administration services under a contract with minimum fee arrangements, although the actual amounts payable under the contract varied according to the level of services received. The minimum amounts collectively payable by all entities under the terms of this contract were as follows:

	31 October 2021 £m	31 October 2020 £m
Within one year	9.8	10.3
Later than one year and not later than five years	27.0	36.7
Later than five years	–	–
	36.8	47.0

39. Commitments continued

With effect from 8 November 2021, the Group has entered into revised contractual arrangements for these services. While a number of BMO GAM entities which transferred to Ameriprise continue to benefit from these services, and will be recharged by the Group for their respective share of the costs for such services, they are not a party to the revised contractual arrangements.

The revised minimum amounts payable under the new contract are:

	8 November 2021 £m
Within one year	5.5
Later than one year and not later than five years	14.6
Later than five years	–
	20.1

It is currently anticipated that the future amounts payable by the Group will continue to be greater than these minimum fees. Therefore, no additional cost is expected to be borne by the Group as a result of the revised minimum fee arrangements.

40. Contingent assets and liabilities

Ongoing business operations

In the normal course of its business, the Group may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Group.

41. Ultimate parent undertaking and controlling party

The Group's immediate parent undertaking is BMO Global Asset Management (Europe) Limited, which is incorporated in England.

At 31 October 2021, the Group's ultimate parent undertaking and controlling party is Bank of Montreal, a company incorporated in Canada. The consolidated accounts of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1. The Group's ultimate parent undertaking and controlling party changed on 8 November 2021, as disclosed in note 42(i).

42. Events after the reporting period

(i) Acquisition of the Group by Ameriprise Financial, Inc.

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 transaction completed on 8 November 2021.

The Company is part of the BMO GAM E Group, which formed a significant element of BMO's asset management business in EMEA. Therefore, as part of the broader transaction agreed with BMO, Ameriprise, via its subsidiary Columbia Threadneedle Investments UK International Limited, has acquired the entire share capital of BMO Global Asset Management (Europe) Limited, and as such, the Group has transferred to become part of the Columbia Threadneedle Investments asset management business within Ameriprise.

As highlighted in the Strategic Report on page 13, the Group incurred a number of incremental costs arising in the lead up to the completion of the Ameriprise acquisition. It is inevitable that following the completion of the transaction the cost base of the Group is likely to be impacted to some extent, positively or negatively, for the year to 31 October 2022 and beyond, and the revenues of the Group could also potentially be impacted by any restructuring activity. However, at this time it is not possible to quantify the extent of any financial impact. Ameriprise is now the Group's ultimate parent. Copies of the consolidated financial statements of Ameriprise Financial, Inc can be obtained from the Corporate Secretary's Office, Ameriprise Financial, Inc., 1098 Ameriprise Financial Center, Minneapolis, Minnesota, 55474, United States of America.

42. Events after the reporting period continued

(ii) Share-based payment awards

A new share-based payment award was introduced following the acquisition of the Group by Ameriprise. The Ameriprise RSU award is an equity-settled award.

The following awards were granted after the reporting date:

Award	Grant date	Vesting date	Vesting period	No. of units awarded	Grant value per unit
Ameriprise RSU award	1 December 2021	1 December 2024	36 months	14,731	USD 284.94
Ameriprise RSU award	28 January 2022	1 February 2023	12 months	17,373	USD 298.09
Ameriprise RSU award	28 January 2022	1 February 2024	24 months	17,373	USD 298.09
Ameriprise RSU award	28 January 2022	1 February 2025	36 months	17,574	USD 298.09
Ameriprise RSU award	28 January 2022	1 February 2025	36 months	9,766	USD 298.09

(iii) BMO Portugal, Gestão de Patrimónios, S.A. (BMO Portugal)

As a result of the notice of termination of both its insurance clients and pension client mandates in 2021 and its subsequent transition of the assets to the in-house management of the respective clients on 1 July 2021, BMO Portugal wound up its pension plan in December 2021 and the company was subsequently placed into liquidation in April 2022.

(iv) Russia/Ukraine conflict

During late February 2022, the eastern part of Europe entered into a phase of instability following the military action taken by Russia against Ukraine (the "Situation"). The worsening military situation in Ukraine has led to a humanitarian crisis and deterioration of the Ukrainian economy. As a result, many leading global countries have unveiled a series of sanctions against Russia in an attempt to bring economic pressure on Russia. In addition to the direct impact on the concerned economies and parties in Ukraine and Russia, the impact on other economies is inevitable. More specifically, this is expected to impact economic growth across the United Kingdom, Europe and the United States.

The Board of Directors are monitoring the effects of the Situation on the Group and other stakeholders and have assessed that the Situation does not impact the Financial Statements as at 31 October 2021 and the ability of the Group to continue as going concern.

Company Financial Statements

for the year ended 31 October 2021

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The Consolidated Financial Statements of BMO Asset Management (Holdings) plc, included on pages 28 to 97, have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Company Statement of Financial Position

as at 31 October 2021

(Company Number: SC73508)

	Notes	31 October 2021 £m	31 October 2020 £m
Assets			
Non-current assets			
Investments in subsidiaries	4	830.9	828.4
Loans receivable	5	105.1	99.0
Deferred tax assets	6(a)	1.5	1.3
Trade and other receivables	7	0.8	0.5
Total non-current assets		938.3	929.2
Current assets			
Trade and other receivables	7	1.1	1.7
Financial investments	8	2.8	2.4
Cash and cash equivalents	9	0.3	0.3
Total current assets		4.2	4.4
Total assets		942.5	933.6
Liabilities			
Non-current liabilities			
Provisions	10	0.2	0.1
Deferred tax liabilities	6(a)	0.9	0.2
Total non-current liabilities		1.1	0.3
Current liabilities			
Provisions	10	0.3	0.7
Trade and other payables	11	2.0	1.9
Interest-bearing loans and borrowings	12	1.4	1.6
Total current liabilities		3.7	4.2
Total liabilities		4.8	4.5
Equity			
Share capital	14	0.9	0.9
Share premium account	15	406.6	406.6
Capital redemption reserve	15	0.8	0.8
Merger reserve	15	452.3	452.3
Capital contribution reserve	15	66.7	66.7
Retained earnings	15	10.4	1.8
Total equity		937.7	929.1
Total liabilities and equity		942.5	933.6

The Company Financial Statements were approved by the Board of Directors and authorised for issue on 26 April 2022. They were signed on its behalf by:

Kieran Poynter

Kieran Poynter
Chairman

The accompanying notes to the Company Financial Statements form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the year ended 31 October 2021

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
At 1 November 2019	0.9	406.6	0.8	452.3	66.7	4.0	931.3
Loss for the year and total comprehensive expense	–	–	–	–	–	(2.2)	(2.2)
At 31 October 2020	**0.9**	**406.6**	**0.8**	**452.3**	**66.7**	**1.8**	**929.1**
Profit for the year and total comprehensive income	–	–	–	–	–	8.6	8.6
At 31 October 2021	**0.9**	**406.6**	**0.8**	**452.3**	**66.7**	**10.4**	**937.7**

The profit after tax of the Company for the year ended 31 October 2021 was £8.6m (2020: loss after tax of £2.2m). No items have been recognised in other comprehensive income or expense in either 2021 or 2020.

The accompanying notes to the Company Financial Statements form an integral part of these Financial Statements.

Entity Information

BMO Asset Management (Holdings) plc is a public limited company limited by shares in terms of the Companies Act 2006, and is registered in Scotland (registered number SC73508) and domiciled in the United Kingdom. The Company's registered office is 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG and its principal place of business is Exchange House, Primrose Street, London, EC2A 2NY.

Company Accounting Policies

Basis of preparation and statement of compliance with FRS 101

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

The Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards, making amendments where necessary to comply with the requirements of the United Kingdom (UK) Companies Act 2006.

The Company's Financial Statements are presented in millions of pounds Sterling (£m), rounded to one decimal place, except where otherwise indicated.

In accordance with section 408 of the Companies Act 2006, a separate Income Statement for the Company is not presented.

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

(a) Information regarding the entity's objectives, policies and processes for managing capital;

(b) A Statement of Cash Flows and related notes;

(c) Financial instruments disclosures, with the exception of financial instruments measured at fair value;

(d) The effects of new but not yet effective IFRSs;

(e) Disclosures of key management personnel compensation;

(f) Disclosures of comparative information for property, plant and equipment; and

(g) Disclosures in respect of related party transactions with wholly-owned subsidiaries.

Measurement convention

The Financial Statements are prepared under the historical cost convention, with the exception of 'financial investments' and 'investments in subsidiaries: capital investments in carried interest vehicles', which are measured at fair value through profit or loss (FVTPL).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 17. The financial position of the Group and its cash resources are also described in the Strategic Report. In addition, the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit, liquidity and market risks are disclosed in note 34 to the Group Financial Statements.

The Company has net assets that support the Directors' assessment that it has adequate resources to continue in business for at least 12 months from the date of approval of these Financial Statements. As part of the Directors' assessment of going concern they have considered, as best they can, the on-going impacts of COVID-19 on the Company and Group and the potential impact of the integration of the Group into the broader CTI business. The Group, as part of the broader BMO GAM EMEA business, is expected to become more integrated with the CTI business, although both businesses currently continue to be operated under separate governance arrangements. While there can be no absolute certainty, having considered the current results of the Company and the Group, the potential ongoing impact of COVID-19 (including plausible downside scenarios impacting revenues, expenses and financial resilience), the potential integration activity on the Group's results and operations, and the current liquidity, net assets and regulatory capital surpluses of Group entities, the Directors are satisfied that it remains a reasonable assumption that the Company has sufficient resources to meet its working capital requirements for at least 12 months from the date of approval of these Financial Statements. Accordingly, these Financial Statements have been prepared on a going concern basis.

New and amended standards and interpretations

Several new accounting standards, amendments and interpretations apply for the first time in the year ended 31 October 2021, 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:

- The calculation of the allowance for ECLs on the Company's loans receivable balance, as disclosed in note 5, 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.
- Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the expected timing and quantum of future taxable profits, as estimated at each reporting date. Details of recognised and unrecognised deferred tax assets are disclosed in note 6.
- Management estimation is required when determining the assumptions used to measure the fair value of carried interest investments in subsidiaries. Details, together with sensitivity analysis, are disclosed in note 16.

Summary of significant accounting policies

(a) **Foreign currencies**

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

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at the reporting date, and any exchange differences arising are taken to the Income Statement.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities stated at fair value in a foreign currency are translated at the exchange rate ruling at the date the fair value was determined. When fair value movements in assets and liabilities are reflected in the Income Statement, the corresponding exchange movements are also recognised in the Income Statement. Similarly, when fair value movements in assets and liabilities are reflected directly in equity, the corresponding exchange movements are also recognised directly in equity.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the date the fair value was determined.

(b) **Revenue recognition**

A contract with a customer is a formal agreement, specifying the services (known as performance obligations) to be performed. Revenue comprises fees for shared services and administration services provided to subsidiaries. Fees are recognised in the Income Statement over the period for which these services are provided.

(c) **Dividend recognition**

Dividends receivable and payable are recognised only when they have been declared and approved or at the date of payment for interim dividends. Dividends paid are deducted from reserves in the year of payment.

(d) **Current versus non-current classification**

The Company presents assets and liabilities in the Statement of Financial Position based on current or non-current classifications. An asset is current if it is expected to be realised within twelve months after the reporting date or held for the purpose of trading. A liability is current if it is due to be settled within twelve months after the reporting date or held for the purpose of trading. All other assets or liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current.

(e) **Investments in subsidiaries**

The components of investments in subsidiaries are held at either fair value or cost less any applicable provision for impairment. The elements are accounted for as follows:

- Direct investments in subsidiaries and capital contributions are held at cost less any applicable provision for impairment.
- A capital contribution arising from equity-settled share-based payments is recognised in accordance with IFRS 2 Share-based Payment, where no cash contributions are made by the subsidiaries. This amount is credited to a capital contribution reserve in equity. The Company recharged subsidiaries for certain awards where it satisfied these equity-settled awards with its own shares.
- The investments in subsidiaries relating to carried interest investments are recognised at FVTPL. The Company makes capital contributions into the carried interest Limited Partnerships (LPs), which are consolidated by the Group, and is entitled to carried interest from these contributions.

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

(f) **Financial instruments**

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 subsequently measured at amortised cost, fair value through OCI and FVTPL.

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. With the exception of trade receivables, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. As permitted by IFRS 9, the Company has applied the presumption that a trade receivable does not have a significant financing component if the expected term is less than one year.

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.

The Company has determined that its financial assets, with the exception of financial investments, relate to collecting cash flows.

Subsequent measurement

The Company's financial assets are classified into the categories described below based on its business model for these assets:

(i) *Financial assets at amortised cost (debt instruments)*

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. The Company's financial assets at amortised cost consist of loans owed by group subsidiaries, amounts owed by group subsidiaries, group relief receivable, other receivables, and cash and cash equivalents.

(ii) *Financial instruments at fair value through profit or loss*

Financial assets at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised either as finance income or finance expenses in the Income Statement in the period in which they arise. These assets comprise NIC Hedge investments and further details of the fair value measurement are disclosed in accounting policy (h).

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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 (EIR).

For loans receivable, the Company uses a discounted cash flow model to determine the lifetime ECL. This model assesses the maximum credit exposure, taking into account inputs concerning probabilities of default.

The corresponding movements in the ECL allowances are recognised in profit and loss.

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

ii) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of accruals, amounts owed to group subsidiaries, other payables and a loan owed to a group subsidiary.

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.

iv) ***Financial guarantees***
The Company assesses, at each reporting date, whether it is required to recognise a liability in respect of any guarantee it has issued. A liability is only recognised if it is probable that an outflow of economic benefits will be required to settle the obligation.

(g) Carried interest entitlement
The Company has a number of investments, which provide it with carried interest entitlements, which are typically linked to the investment performance of the underlying funds exceeding long-term hurdle rates. In a number of instances a share of such 'carry' falls to the benefit of the individual members. The Company recognises the fair value of its share of carried interest investments in the respective Founder Partners.

These carried interest investments are classified as FVTPL within investments in subsidiaries.

(h) Fair value measurement
The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, as described in note 16, and based on the lowest level input that is significant to the fair value measurement as a whole.

Carried interest investments are valued in accordance with the underlying property or private equity fund valuations and the underlying partnership agreements.

The fair value of instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices (mid price for Open-Ended Investment Companies (OEICs)) at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation methodologies, as described below.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and deposits held on call with banks.

(j) Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss, accounted for using the reporting date liability method.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, except in respect of taxable or deductible temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any legal restrictions on the utilisation of available taxable profits is also considered, based on tax rates and tax laws that have been substantively enacted or 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.

Deferred tax assets and liabilities are only offset if the Company has a legally enforceable right to offset.

(k) Accounting for Employee Benefit Trusts (EBTs)

The Company sponsors an EBT which owns or holds investments to enable it to satisfy future settlements of employee benefits. The assets of the EBT, which relate to unsettled awards, are consolidated into the Company's results. Investments held by the EBT are recognised as assets at fair value in the Statement of Financial Position.

(l) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

Where the Company expects some or all of a provision to be recovered from external parties, the recovery is recognised as a separate asset but only when the reimbursement is virtually certain.

Where the Company has obligations under property leases, and where the space has ceased to be used for the purposes of the business, full provision is made for future net outstanding liabilities under such leases after taking into account the effect of any expected subletting arrangements.

(m) Share capital

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the Statement of Financial Position, measured initially at fair value, net of transaction costs and thereafter at amortised cost until extinguished, on conversion or redemption.

The remainder of the issue proceeds is allocated to the equity component and included in shareholder's equity, net of transaction costs.

Notes to the Company Financial Statements

1. Auditor's remuneration

Amounts received by the Company's auditor in respect of services to the Company have not been disclosed as the Group-wide information is disclosed in note 6(c) to the Consolidated Financial Statements on page 50.

2. Directors' remuneration

Details of Directors' remuneration for services provided to the Group (which includes the Company) are as follows:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Aggregate emoluments and amounts received under long-term incentive schemes	2.1	2.7
Aggregate contributions paid to defined contribution pension schemes	–	–
Payments to former Directors*	1.7	2.9

* Payment relates to vesting of share-based payment award.

	Year ended 31 October 2021 No.	Year ended 31 October 2020 No.
Members of defined contribution pension schemes	1	1
Directors whose qualifying services to the Company were rewarded under long-term incentive schemes	1	1

The amounts in respect of the highest paid Director are as follows:

	Year ended 31 October 2021 £m	Year ended 31 October 2020 £m
Aggregate emoluments and amounts received under long-term incentive schemes	1.8	1.9
Contributions paid to defined contribution pension schemes	–	–

The highest paid Director received share awards in respect of qualifying services to the Company under a long-term incentive scheme during the year.

The Company has no employees (including Directors) under a contract of employment, with all Group employees employed by other subsidiary companies.

3. Dividends

No dividends were declared, paid or proposed during the year ended 31 October 2021 (2020: nil).

4. Investments in subsidiaries

	Note	£m
Cost:		
At 1 November 2019		1,287.0
Additions(i)		5.0
Carried interest distributions to the Company	16	(0.1)
Fair value losses	16	(0.1)
At 31 October 2020		1,291.8
Carried interest distributions to the Company	16	(0.2)
Fair value gains	16	2.7
At 31 October 2021		**1,294.3**
Cumulative impairment:		
At 31 October 2019, 31 October 2020 and 31 October 2021		**(463.4)**
Net book values:		
At 31 October 2020		828.4
At 31 October 2021		**830.9**

(i) Capital injection of £5.0m into BMO Investment Business Limited in October 2020.

4. Investments in subsidiaries continued

Investments in subsidiaries comprises the following elements:

	Note	31 October 2021 £m	31 October 2020 £m
Carried at cost less impairment:			
Direct investments in subsidiaries		754.8	754.8
Equity-settled share-based payment awards made by subsidiaries		71.1	71.1
Capital contributions		1.4	1.4
Carried at fair value:			
Capital investments in carried interest vehicles	16	3.6	1.1
		830.9	828.4

The Directors assess the Company's investment 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. The most significant estimates, assumptions and judgements applied to the value in use calculation relate to the future levels of net cash flows and the discount rate and perpetuity growth rate applied to those cash flows.

This review determined that the carrying value of the investments in subsidiaries was not impaired at 31 October 2021 and no impairment loss was recognised during the year (2020: £nil).

5. Loans receivable

	31 October 2021 £m	31 October 2020 £m
Non-current:		
Loans owed by Group subsidiaries	114.3	115.5
Allowance for ECLs/impairment provision	(9.2)	(16.5)
	105.1	99.0

As at 31 October 2021, loans owed by Group subsidiaries include a loan of £104.8m (31 October 2020: £106.0m) to BMO AM Treasury Limited which bears interest at three-month LIBOR minus 0.25%, and a loan of £9.5m (31 October 2020: £9.5m) to F&C Alternative Investments (Holdings) Limited which is not subject to interest. Both loans are unsecured and repayable on demand. However, the Company does not expect to receive repayment of these loans within the next year.

The loans owed by Group subsidiaries have no external credit rating and the carrying amounts, as disclosed above, represent the Company's maximum exposure to credit risk.

The non interest-bearing loan to F&C Alternative Investments (Holdings) Limited has been reviewed for expected recoverability at the reporting date and has an impairment provision of £8.7m (31 October 2020: £8.9m).

With effect from 1 November 2021, the Company's loan owed by BMO AM Treasury Limited is subject to interest of the average SONIA rate less 40%. This is the rate used when assessing the allowance for expected credit losses.

An impairment analysis is performed on the interest-bearing loan receivable balance at each reporting date to measure ECLs. The calculation reflects the time value of money associated with recovery of the loan receivable. The discount rate applied at 31 October 2021 was 0.03% p.a. (31 October 2020: 0.57% p.a.). £7.2m of the ECL impairment allowance recognised at 31 October 2020 was reversed during 2021 resulting in an impairment allowance of £9.2m at 31 October 2021.

6. Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	31 October 2021			31 October 2020		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Unused tax losses	0.7	–	0.7	0.6	–	0.6
Property, plant and equipment	0.7	–	0.7	0.6	–	0.6
Other provisions	0.1	–	0.1	0.1	–	0.1
Fair value of carried interest investment	–	(0.9)	(0.9)	–	(0.2)	(0.2)
Deferred tax assets/(liabilities)	1.5	(0.9)	0.6	1.3	(0.2)	1.1

6. Deferred tax assets and liabilities continued

Based on the profit forecasts of the Company and other UK entities in the same tax grouping, the Directors believe it is appropriate to recognise deferred tax assets as it is considered probable that there will be suitable future taxable profits in the Company and the UK tax Group in the next five years from which the underlying temporary differences can be deducted. Under current UK Corporation Tax legislation, all of the temporary differences disclosed above can be carried forward indefinitely to be utilised against appropriate future profits in the Company or other UK entities in the same tax grouping.

(b) Movement in temporary differences during the year

	1 November 2020 £m	Tax income/ (expense) recognised in profit or loss £m	31 October 2021 £m
Unused tax losses	0.6	0.1	0.7
Property, plant and equipment	0.6	0.1	0.7
Other provisions	0.1	-	0.1
Fair value of carried interest investments	(0.2)	(0.7)	(0.9)
	1.1	(0.5)	0.6

	1 November 2019 £m	Tax (expense)/ income recognised in profit or loss £m	31 October 2020 £m
Unused tax losses	1.0	(0.4)	0.6
Property, plant and equipment	0.6	-	0.6
Other provisions	-	0.1	0.1
Fair value of carried interest investments	(0.2)	-	(0.2)
	1.4	(0.3)	1.1

(c) Unrecognised deferred tax assets

At 31 October 2021 the Company has unrecognised tax losses of £13.3m (31 October 2020: £14.9m losses). Deferred tax assets have not been recognised in respect of these losses as there is uncertainty around whether there will be sufficient taxable profits that will arise in the Company against which the losses can be offset and when such profits would arise.

7. Trade and other receivables

	31 October 2021 £m	31 October 2020 £m
Non-current:		
Other receivables	0.5	0.5
Group relief receivable	0.3	-
	0.8	0.5
Current:		
Amounts owed by group subsidiaries	0.8	1.3
Group relief receivable	0.2	0.3
VAT receivable	0.1	0.1
	1.1	1.7

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

The Company determined that the ECL on trade receivables and other receivables were immaterial at both reporting dates.

8. Financial investments

The following assets are classified as FVTPL:

NIC Hedge	Note	2021 £m	2020 £m
At 1 November		2.4	2.7
Disposals		(0.1)	–
Fair value gains/(losses)		0.5	(0.3)
At 31 October	16	2.8	2.4

Further details of the NIC hedge investment are disclosed in note 17(a) to the Consolidated Financial Statements, on page 57.

There are no restrictions on the Company's title to the above assets and none are pledged as security. However, the investments have been ring-fenced within an Employee Benefit Trust to settle employee benefit liabilities of the Group.

9. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 October 2021 £m	31 October 2020 £m
Cash at bank and in hand	0.3	0.3

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

The Company determined that the ECLs on cash and cash equivalents were immaterial at both reporting dates. The fair value of cash and cash equivalents at the reporting dates is as shown above.

10. Provisions

	Onerous premises contracts £m	Pension Plan guarantee £m	End of lease dilapidations £m	Total £m
At 1 November 2019	0.8	0.1	0.5	1.4
Provided during the year	–	–	0.2	0.2
Utilised during the year	(0.8)	–	–	(0.8)
At 31 October 2020	–	0.1	0.7	0.8
Provided during the year	–	0.1	–	0.1
Utilised during the year	–	–	(0.4)	(0.4)
At 31 October 2021	**–**	**0.2**	**0.3**	**0.5**
At 31 October 2021:				
Non-current liabilities	**–**	**0.2**	**–**	**0.2**
Current liabilities	**–**	**–**	**0.3**	**0.3**
At 31 October 2020:				
Non-current liabilities	–	0.1	–	0.1
Current liabilities	–	–	0.7	0.7

Onerous premises contracts

The Company held all properties under operating leases. This included a number of sublet properties which were previously occupied by the Company. Provision was made for the residual lease commitments, where significant, after taking into account existing and expected subtenant contractual arrangements. All leases and subleases were for minimum guaranteed rentals. The remaining lease terms expired during the year ended 31 October 2020.

Pension Plan guarantee

The Company has agreed to provide the F&C Asset Management Pension Plan (FCAM Plan) Trustees with a guarantee that, should BMO Asset Management (Services) Limited, a subsidiary undertaking, become insolvent, the Company will make available an amount up to the lower of:

- the cost of securing members' benefits with an insurance company in excess of the valuation of the assets of the FCAM Plan (the 'solvency deficit'); and
- £70.0m.

The provision represents the actuarial estimate of the fair value of the guarantee at 31 October 2021 and 31 October 2020, taking into consideration the likelihood of insolvency of BMO Asset Management (Services) Limited.

10. Provisions continued

End of lease dilapidations

The Company has obligations to reinstate certain premises back to their original condition when the lease expires. While the leases expired in 2020, the exact quantum and timing of this remedial work is inherently difficult to estimate given its nature, and these dilapidations remain subject to final agreement.

11. Trade and other payables

	31 October 2021 £m	31 October 2020 £m
Current:		
Accruals	1.7	1.3
Other payables	0.3	0.3
Amounts owed to group subsidiaries	–	0.3
	2.0	1.9

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

12. Interest-bearing loans and borrowings

	31 October 2021 £m	31 October 2020 £m
Current:		
Loan owed to group subsidiary	1.4	1.6

The loan is owed to BMO Global Asset Management (Swiss) GmbH, a Group subsidiary. The loan is unsecured, repayable on demand and is subject to interest at the higher of the 3-month CHF LIBOR or 0.25%.

Borrowing facilities

Credit facility

The Company had a credit facility with Bank of Montreal for £173.0m, which was available until 20 December 2021. Interest on any drawdowns were charged at LIBOR +2% per annum. Any undrawn facility is charged at 0.5% per annum.

No drawdowns were made on this facility during the years ended 31 October 2021 or 31 October 2020. The facility was terminated on 8 November 2021 following the Group's acquisition, as detailed in note 22(i).

13. Pension commitments

BMO Asset Management (Services) Limited is the sole participating company in the FCAM Plan, but the Company remains the principal employer. The Company has provided a guarantee in respect of this Plan, further details of which are described in note 10.

14. Share capital

	31 October 2021		31 October 2020	
	No. of shares	£m	No. of shares	£m
Authorised shares:				
Ordinary shares of 0.1p	1,000,000,000	1.0	1,000,000,000	1.0
Deferred share capital of 0.1p	100	–	100	–
Issued and fully paid:				
Equity interests				
Ordinary shares of 0.1p	879,834,265	0.9	879,834,265	0.9
Non-equity interests				
Deferred share capital of 0.1p	1	–	1	–

BMO Global Asset Management (Europe) Limited, a subsidiary of Bank of Montreal and the Company's immediate parent, holds the Deferred share and all Ordinary shares.

The holders of Ordinary shares are: entitled to receive dividends as declared from time to time; entitled to capital distribution rights (including on a winding-up); and entitled to one vote per share at meetings of the Company. The Deferred share confers all the rights of an Ordinary share, except it has no entitlement to dividends or other distributions, no entitlement to capital distributions (including on a winding-up) other than the amount paid on the share, and no right to attend or vote at any general meeting.

15. Reserves

The analysis of movements in reserves is disclosed within the Company Statement of Changes in Equity on page 100.

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.

Capital redemption reserve

The capital redemption reserve is used to maintain the capital of the Company when shares are bought back or redeemed and subsequently cancelled without Court approval.

Merger reserve

The merger reserve is used to record share premium on shares issued by way of consideration in respect of acquisitions.

Transfers between the merger reserve and retained earnings are permitted in respect of impairment of investments in subsidiaries where the original acquisition consideration was by issue of shares.

Capital contribution reserve

The capital contribution reserve was used to record equity-settled share-based payment awards issued by the Company's subsidiaries, less certain amounts recharged to the subsidiaries, where the Company previously settled awards in its own equity.

Retained earnings

Retained earnings comprise:

- net profits and losses recognised through the Income Statement;
- transactions relating to settlement of share-based payment awards by subsidiaries;
- dividend distributions to equity holders;
- actuarial gains and losses recognised on pension obligations;
- deferred tax on actuarial gains and losses;
- the purchase and sale of own shares;
- the allotment of share capital for non-cash consideration; and
- transfers from the merger reserve.

16. Fair value measurement

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by category of valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers between categories generally occur when the status of available prices changes.

16. Fair value measurement continued

Fair value measurement

In the Directors' opinion there are no discernible differences between the amortised cost carrying amounts and the fair values of the loans receivable, trade and other receivables, cash and cash equivalents and trade and other payables balances disclosed, due to the short-term maturities of these financial instruments.

The following tables provide the fair value measurement hierarchy of the Company's other financial assets, together with their carrying amounts shown in the Statement of Financial Position. There were no transfers between the Level 1, 2 and 3 hierarchies during 2021 or 2020.

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2021:

			Fair value measurement		
Assets measured at fair value	Carrying amount at 31 October 2021 £m	Fair value at 31 October 2021 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at FVTPL:					
Financial investments (note 8)	2.8	2.8	1.2	1.6	–
Investments in subsidiaries					
– capital investments in carried interest vehicles (note 4)	3.6	3.6	–	–	3.6
	6.4	6.4	1.2	1.6	3.6

Quantitative disclosures of fair value measurement hierarchy as at 31 October 2020:

			Fair value measurement		
Assets measured at fair value	Carrying amount at 31 October 2020 £m	Fair value at 31 October 2020 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at FVTPL:					
Financial investments (note 8)	2.4	2.4	0.1	2.3	–
Investments in subsidiaries					
– capital investments in carried interest vehicles (note 4)	1.1	1.1	–	–	1.1
	3.5	3.5	0.1	2.3	1.1

Fair values of assets and liabilities

The above tables disclose the financial instruments which are measured at fair value.

The Level 1 assets are valued using quoted prices in active markets. These are listed funds or equities and assets with daily quoted prices which are traded on recognised exchanges.

The Level 2 assets have directly observable market inputs other than Level 1 inputs. These generally constitute pooled liquidity funds, offshore mutual funds or funds not quoted on a daily basis.

The Level 3 assets are fair valued using inputs not based on observable market data and consist of direct holdings and carried interest holdings in private equity and property funds.

Valuation techniques, assumptions and inputs used to measure fair value

The following summarises the major methods and assumptions used in estimating the fair values of Level 1 financial instruments:

Financial investments

The fair value of the level 1 financial investments is based on quoted bid market prices at the reporting date without any deduction for transaction costs.

16. Fair value measurement continued

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs and fair value measurementS	Inter-relationship between significant unobservable inputs and fair value
Financial investments measured at FVTPL	OEICs, SICAVs and pooled liquidity funds: net asset value of the fund divided by the number of units, with the frequency of calculation determined on a fund by fund basis in accordance with the relevant fund rules. SICAVs are priced on a forward basis under a single swinging price regime once daily. The net asset value of the fund is dictated by the latest mid-market prices of the underlying securities.	OEICs, SICAVs and pooled liquidity funds where some are not on quoted markets and some prices are calculated infrequently.	OEICs, SICAVs and pooled liquidity funds should have little impact on the fair value measurement.
Investments in subsidiaries – capital investments in carried interest vehicles	Private equity carried interest investments: valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. The carried interest valuation is based on the expected carried interest cash flows which are discounted by a risk premium over time. The expected cash flows are probability-weighted based on various growth scenarios. The underlying funds distributions and valuations determines when the carried interest threshold is met and the level of expected future cash flows. The underlying funds valuations are based on both quoted prices for listed investments and unobservable inputs for unlisted investments.	The main assumptions used in the valuation methodology are: (a) Discount rates: • 15% on private equity future cash flows where the rate of return threshold has been achieved and the carry conditions have been met. • 40% on private equity future cash flows where the rate of return threshold has not been achieved as the distributions to satisfy the carry conditions have not been made. (b) The underlying fund investment valuations are determined in accordance with International Private Equity and Venture Capital Valuation Guidelines. (c) The timing of future carried interest distributions. (d) The probability weightings applied to each growth scenario.	The estimated fair value of the carried interest investments and liabilities would increase or decrease if the: • Valuation of the underlying investments in the funds changed the valuation of the carried interest investment; • Underlying investments in the funds were realised at a significantly different amount to their valuation, therefore impacting the level of distributions; • Timing of the carried interest distributions changed significantly; or • Risk-adjusted discount rate was lower or higher.

16. Fair value measurement continued

Level 3 assets measured at FVTPL on a recurring basis:

Fair value movements in the year	Note	Investments in subsidiaries – capital investments in carried interest vehicles £m
At 1 November 2019		1.3
Total losses recognised in profit or loss	4	(0.1)
Carried interest distributions to the Company	4	(0.1)
At 31 October 2020	4	1.1
Total gains recognised in profit or loss	4	2.7
Carried interest distributions to the Company	4	(0.2)
At 31 October 2021	4	3.6

Total gains or losses included in the Company's profit and loss for the year are as follows:

Finance income/(costs)	2021 £m	2020 £m
Investments in subsidiaries – capital investments in carried interest vehicles	2.7	(0.1)
Gain/(loss) on financial instruments and non-financial assets measured at FVTPL	**2.7**	**(0.1)**

Sensitivities for Level 3 assets

Investments in subsidiaries – capital investments in carried interest vehicles

The use of different assumptions in the valuation of the carried interest investments could lead to different measurements of fair value. Changing one or more of the significant unobservable inputs to reasonably possible alternative assumptions, holding the other inputs constant, would have the following effects on the profit or loss after taxation, through changes in fair value gains or losses:

31 October 2021

Carried interest fair value movement*	10% increase	10% decrease
Increase/(decrease) in investment valuation	£1.0m	(£0.9m)
Timing of carried interest distributions	Cash flow profile delayed by one year	
Decrease in investment valuation		(£0.5m)
Discount rate movement	5% increase	5% decrease
(Decrease)/increase in investment valuation	(£0.4m)	£0.5m

* Represents a 10% change to the investment valuation at the reporting date.

17. Subsidiary and related undertakings

Details of all subsidiary and related undertakings are disclosed in note 36 to the Consolidated Financial Statements on pages 87 to 90.

18. Related party transactions

The Company has taken exemption from the requirement to disclose related party transactions with wholly-owned members of the BMO Asset Management (Holdings) plc Group on the basis that these companies are included within the Consolidated Financial Statements of BMO Asset Management (Holdings) plc.

(a) Related party transactions with BMO Financial Group companies

Bank of Montreal is the ultimate parent undertaking. All transactions between BMO Asset Management (Holdings) plc and the wider BMO Financial Group are considered to be related party transactions, but are exempt from disclosure in the Company Financial Statements on the basis that all transactions are consolidated in the Financial Statements of BMO Financial Group.

(b) Transactions with entities which are not wholly owned

The Company has made carried interest investments in each of F&C REIT Carry LP, F&C REIT Carry 3 LP, F&C REIT Carry 4 LP, F&C REIT Carry 5 LP, F&C REIT Carry 6 LP, F&C REIT Carry 8 LP and BMO REP Carry 9 LP. These LP's and the underlying funds are managed by a former minority partner of BMO Real Estate Partners LLP. These investments entitle the Company to a share of any future carried interest arising from the management of the Club Deals LPs. No carried interest distributions were received from the LP's in 2021 (2020: nil) nor had any achieved the carry threshold.

19. Guarantees

The Company has provided the following as at 31 October 2021:

- A guarantee in respect of the FCAM Plan. A provision of £0.2m (31 October 2020: £0.1m) has been recognised in respect of this guarantee, details of which are disclosed in note 10.
- Guaranteed funding for its subsidiary BMO AM Treasury Limited until 22 July 2022 for satisfying its liabilities. At 31 October 2021, BMO AM Treasury Limited had net liabilities of £125.3m.
- Guaranteed funding for its subsidiary F&C Alternative Investments (Holdings) Limited until 22 July 2022 for satisfying its liabilities. At 31 October 2021, F&C Alternative Investments (Holdings) Limited had net liabilities of £8.7m.
- Guaranteed funding for its subsidiary FP Asset Management Holdings Limited until 22 July 2022 for satisfying its liabilities. At 31 October 2021, FP Asset Management Holdings Limited had net liabilities of £0.8m.

The guaranteed funding for subsidiaries has not been recognised as a provision at 31 October 2021 or 31 October 2020 as the Directors consider it unlikely that there will be an outflow of economic benefits in respect of these guarantees.

20. Contingent liabilities

Ongoing business operations

In the normal course of its business, the Company may be subject to matters of litigation or dispute. While there can be no assurances, at this time the Directors believe, based on the information currently available to them, that it is not probable that the ultimate outcome of any of these matters will have a material adverse effect on the financial condition of the Company.

21. Parent undertaking and controlling party

The Company's immediate parent company is BMO Global Asset Management (Europe) Limited, which is registered in England.

The smallest group of which the Company is a member and for which Group Financial Statements are prepared is BMO Asset Management (Holdings) plc. The Consolidated Financial Statements are shown on pages 28 to 97.

At the reporting date, the Company's ultimate parent undertaking and controlling party is Bank of Montreal, a company incorporated in Canada. The consolidated accounts of Bank of Montreal are available from Corporate Communications Department, BMO Financial Group, 28th Floor, 1 First Canadian Place, Toronto, Ontario, M5X 1A1. The Company's ultimate parent undertaking and controlling party changed on 8 November 2021, as disclosed in note 22(i).

22. Events after the reporting period

(i) Acquisition of the BMO Global Asset Management (Europe) Group by Ameriprise

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 transaction completed on 8 November 2021.

The Company is part of the BMO GAM E Group, which formed a significant element of BMO's asset management business in EMEA, Therefore, as part of the broader transaction agreed with BMO, Ameriprise, via its subsidiary Columbia Threadneedle Investments UK International Limited, has acquired the entire share capital of BMO Global Asset Management (Europe) Limited, and as such, the Company has transferred to become part of the Columbia Threadneedle Investments asset management business within Ameriprise.

The acquisition has had no impact on the Company's results for the year to 31 October 2021, or the financial position at that date. While the Company could potentially be impacted by any restructuring activity, at this stage it is not possible to quantify the extent of any impact on the Company's activities. From 8 November 2021, Ameriprise is now the Company's ultimate parent. Copies of the consolidated financial statements of Ameriprise Financial, Inc can be obtained from the Corporate Secretary's Office, Ameriprise Financial, Inc., 1098 Ameriprise Financial Center, Minneapolis,

(ii) Russia/Ukraine conflict

During late February 2022, the eastern part of Europe entered into a phase of instability following the military action taken by Russia against Ukraine (the "Situation"). The worsening military situation in Ukraine has led to a humanitarian crisis and deterioration of the Ukrainian economy. As a result, many leading global countries have unveiled a series of sanctions against Russia in an attempt to bring economic pressure on Russia. In addition to the direct impact on the concerned economies and parties in Ukraine and Russia, the impact on other economies is inevitable. More specifically, this is expected to impact economic growth across the United Kingdom, Europe and the United States.

The Board of Directors are monitoring the effects of the Situation on the Company and other stakeholders and have assessed that the Situation does not impact the Financial Statements as at 31 October 2021 and the ability of the Company to continue as going concern.

Corporate Information

Directors

Kieran Poynter, Chairman and Independent Non-executive[1,2,3]
David Logan, Chief Executive Officer, BMO Asset Management (Holdings) plc; and Global Chief Operating Officer, Columbia Threadneedle Investments[3]
Michaela Jackson, Head of Distribution, Columbia Threadneedle Investments, EMEA
Nicholas Ring, Chief Executive Officer, Columbia Threadneedle Investments, EMEA
Richard Watts, Chief Investment Officer, Columbia Threadneedle Investments, EMEA
Charlie Porter, Independent Non-executive[1,2]
Ruth Sack, Independent Non-executive[1,2,3]

(1) Member of Nomination Committee
(2) Member of Risk & Remuneration Committee
(3) Member of Audit & Compliance Committee

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