

# BMO Private Equity Trust PLC

2018 Report and Accounts

Formerly F&C Private Equity Trust PLC

**BMO Private Equity Trust PLC**  
Celebrating 20 years – 1999 to 2019





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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your shares in BMO Private Equity Trust PLC, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

# Company Overview

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## The Company

BMO Private Equity Trust PLC ('the Company') formerly known as F&C Private Equity Trust plc is an investment trust and its Ordinary Shares are traded on the Main Market of the London Stock Exchange.

## Objective and Investment Policy

The Company's objective is to achieve long-term capital growth through investment in private equity assets, whilst providing shareholders with a predictable and above average level of dividend funded from a combination of the Company's revenue and realised capital profits.

The Company's investment policy is contained on page 9.

## Dividend Policy

The Company aims to pay quarterly dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid. All quarterly dividends will be paid as interim dividends. The interim dividends payable in respect of the quarters ended 31 March, 30 June, 30 September and 31 December are expected to be paid in the following July, October, January and April respectively.

## Management

The Company's investment manager, BMO Investment Business Limited ('the Manager') changed its name from F&C Investment Business Limited effective 31 October 2018. There have been no changes to the terms of the management and performance fee arrangements with BMO Investment Business Limited, which are set out in note 3. This company is a wholly owned subsidiary of BMO Asset Management (Holdings) PLC which changed its name from F&C Asset Management PLC effective 31 October 2018.

BMO Asset Management (Holdings) PLC is wholly owned by Bank of Montreal ("BMO") and is part of the BMO Global Asset Management group of companies.

## Capital Structure as at 31 December 2018

73,941,429 Ordinary Shares of 1 pence, each entitled to one vote at a general meeting.

Further details of the Company's capital structure, including the rights attributable to the Ordinary Shares, are provided on page 25.

## How to Invest

The Manager operates a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 69.

The Company's website address is:  
**[www.bmoprivateequitytrust.com](http://www.bmoprivateequitytrust.com)**.

# Financial Highlights

-2.6%

## Share price total return

- Share price total return <sup>(1)</sup> for the year of -2.6 per cent for the Ordinary Shares.

12.4%

## NAV total return

- Net Asset Value <sup>(2)</sup> total return <sup>(1)</sup> for the year of 12.4 per cent for the Ordinary Shares.

14.37p

## Dividends

- Total dividends of 14.37p per Ordinary Share which represents growth of 2.4 per cent in comparison to the previous year.

4.5%

## Dividend yield

- Dividend yield <sup>(3)</sup> of 4.5 per cent based on the year-end share price.

<sup>(1)</sup> Total Return. Refer to Alternative Performance Measures on page 66.

<sup>(2)</sup> Net Asset Value per Ordinary Share. Refer to Alternative Performance Measures on page 66.

<sup>(3)</sup> Dividend Yield. Refer to Alternative Performance Measures on page 66.

# Summary of Performance

	31 December 2018	31 December 2017	% change
<b>Total Returns for the Year**</b>			
Net asset value per Ordinary Share <sup>(1)</sup>	12.4%	+5.6%	
Ordinary Share price	-2.6%	+19.2%	
<b>Capital Values</b>			
Net assets (£'000)	285,631	264,144	+8.1
Net asset value per Ordinary Share <sup>(1)</sup>	386.29p	357.23p	+8.1
Ordinary Share price	317.00p	339.00p	-6.5
Discount to net asset value <sup>(2)</sup>	17.9%	5.1%	
<b>Income</b>			
Revenue return after taxation (£'000)	464	(426)	
Revenue return per Ordinary Share (fully diluted)	0.63p	(0.58)p	
Dividends per Ordinary Share	14.37p	14.04p	
Dividend Yield <sup>(3)</sup>	4.5%	4.1%	
Gearing †	1.9%	-0.2%	
<b>Ongoing Charges <sup>(4)</sup></b>			
As a percentage of average net assets	1.3%	1.3%	
As a percentage of average net assets including performance fees	2.1%	2.1%	
<b>Future commitments (£'000)</b>	<b>130,928</b>	123,389	

\* Total return is the combined effect of any dividends paid, together with the rise or fall in the net asset value per Ordinary Share or share price. Any dividends are assumed to have been re-invested in either the Company's assets or in additional shares.

† Borrowings less cash ÷ total assets less current liabilities (excluding borrowings and cash).

<sup>(1)</sup> Net Asset Value per Ordinary Share. Refer to Alternative Performance Measures on page 66.

<sup>(2)</sup> Discount (or Premium). Refer to Alternative Performance Measures on page 66.

<sup>(3)</sup> Dividend Yield. Refer to Alternative Performance Measures on page 66.

<sup>(4)</sup> Ongoing Charges. Refer to Alternative Performance Measures on page 66.

Sources: BMO Investment Business and Thomson Reuters Eikon

# Chairman's Statement



**Mark Tennant, Chairman**

## Introduction

I am pleased to report that your Company has achieved a net asset value ("NAV") total return for the year ended 31 December 2018 of 12.4 per cent. The NAV total return in the fourth quarter was 5.8%. The discount at the year-end was 17.9 per cent (2017: 5.1 per cent), the share price total return for the year was -2.6 per cent. This compares to a total return from the FTSE All-Share Index for the year of -9.5 per cent. The share price at the year-end was 317.00p per share (2017: 339.00p), and NAV per share was 386.29p (2017: 357.23p). Since the year end the share price has increased resulting in a reduction in the discount.

During the year the Company made new investments either through funds or as co-investments, totalling £71.8 million. Realisations and associated income totalled £82.7 million. Outstanding undrawn commitments at the year-end were £130.9 million of which £16.0 million was to funds where the investment period has expired.

The Company's performance fee arrangements contain a hurdle rate, calculated over rolling three-year periods, of an IRR of 8.0 per cent per annum. The annual IRR of the NAV for the three-year period ended 31 December 2018 was 13.9 per cent and, consequently, a performance fee of £2.3 million is payable to the Manager, BMO Investment Business Limited, in respect of 2018. This is the sixth consecutive year that a performance fee has been payable, demonstrating consistent performance and providing shareholders with an attractive total return, which includes capital growth and an above average dividend yield.

## Dividends

Since 2012 your Company has paid a substantial dividend from realised capital profits allowing shareholders to participate, to some degree, directly in the proceeds of the steady stream of private equity realisations which the Company achieves. This policy has been well received by shareholders and provides for a steadily growing dividend with downside protection. Your Board is fully committed to maintaining this general approach for the foreseeable future.

The Company's quarterly dividends are payable in respect of the quarters ended 31 March, 30 June, 30 September and 31 December and are paid in the following July, October, January and April respectively. As shareholders do not have an opportunity to approve a final dividend at each Annual General Meeting, shareholders are asked to approve the Company's dividend policy at the forthcoming Annual General Meeting.

In accordance with the Company's stated dividend policy, the Board recommends a further quarterly dividend of 3.65p per Ordinary Share, payable on 30 April 2019 to shareholders on the register on 5 April 2019 and an ex-dividend date of 4 April 2019. Total dividends paid for the year therefore amount to 14.37p per Ordinary Share equivalent to a dividend yield of 4.5 per cent at the year-end.

## Financing

At 31 December 2018 the Company had a net debt position of £5.5m leaving the bulk of the £70m loan facility from RBS available should it be required. It remains the Company's policy to employ moderate levels of gearing as a means of enhancing shareholder returns. The record levels of realisations during the year have acted to limit the effective gearing of the Company despite a very active programme of new investments. It is the Company's intention to arrange a fresh five year borrowing facility to replace the current facility when it expires at the end of June 2019. It is likely that this facility will be somewhat larger to reflect the growth of the company over the last five years.

## Twenty Year Anniversary

22 March 2019 was the twentieth anniversary of the admission of the Company's shares to the Official List of the London Stock Exchange. During that period the Company has grown in size from net assets of £106.4 million as at 22 March 1999 to £285.6 million at 31 December 2018. In addition, there has been a strong flow of dividends over this period totalling £65.6 million for ordinary shareholders. NAV total return for this period has been 478.4 per cent in comparison

to 149.9 per cent total return from the FTSE All Share. In other words £100 invested in the Company's ordinary shares and with dividends reinvested would now be worth £578.39. The equivalent figure for investment in the FTSE All Share would be £249.92. This demonstrates strikingly the long-term benefits of investment in a well-diversified portfolio of private equity investments.

Many individuals have been involved with the success of the Company during this period and I thank them all on behalf of the Board and Shareholders. However, I make special mention of Hamish Mair and Neil Sneddon who have represented the Company's investment managers throughout its twenty-year life. Their vision and thorough knowledge and understanding of the private equity industry has made the Company the success it is.

### Directorate Change

The Board recognises the value in both attracting fresh talent and the maintenance of continuity and accordingly a plan has been developed to ensure an orderly succession as directors retire.

As part of this process, at the Annual General Meeting to be held on 23 May 2019 Douglas Kinloch Anderson will retire from the Board. Douglas has served as a Director since December 2000 and before that on the board of The Scottish Eastern Investment Trust, the entity from which this Company arose. I wish to place on record my appreciation for his support and guidance to me over my tenure as Chairman. In addition, the Board and the Company's advisors have greatly valued Douglas' guidance and wish to add their thanks for his contribution to the Company's success and affairs.

### The Manager

During the year, the Company's investment manager re-branded from F&C Investment Business Limited to BMO Investment Business Limited. BMO Investment Business Limited became part of the BMO Financial Group in 2014. BMO was founded over 200 years ago as Bank of Montreal and is now the 8th largest bank by assets in North America. It provides a broad range of financial products to over 12 million customers worldwide. During 2018 BMO re-branded those of its investment products and legal entities which operated under the "F&C" prefix to "BMO". In accordance with this the Company changed its name to BMO Private Equity Trust PLC in November 2018.

The investment policy and process remains the same under the same Manager with Hamish Mair as Fund Manager.

### Brexit

The Board has continued to monitor the potential impact of Brexit upon the Company. While the impact of Brexit on financial markets both in the UK and the EU cannot be assessed, any volatility would be managed as part of our normal investment processes. Any other consequences are considered to be minimal.

### Annual General Meeting

The Annual General Meeting will be held at 12 noon on 23 May 2019 at the offices of BMO Global Asset Management (EMEA), Exchange House, Primrose Street, London EC2A 2NY. This will be followed by a presentation by Hamish Mair, the Company's lead fund manager. This is a good opportunity for shareholders to meet the Manager and the Board and we would encourage you to attend.

### Outlook

The Company has delivered a strong outcome for the year. The performance is broadly based and the benefits of having a well diversified international portfolio are well demonstrated by the heterogeneity of the portfolio. Many of the companies are operating in specific niches and these can often show growth, which is more closely linked to the adoption of a product or service than to the background economy or dynamics of a particular industrial sector. The portfolio is well placed to deliver further growth in 2019.



**Mark Tennant**

Chairman

5 April 2019



# Business Model, Strategy and Policies

The Company carries on business as an investment trust. Its Ordinary Shares are traded on the Main Market of the London Stock Exchange.

## Board of Directors

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. Biographical details of the Directors who served during the year, all of whom are non-executive, can be found on page 24.

The Board consists of four male Directors and two female Directors.

The Company has no employees.

The Board has contractually delegated the management of the investment portfolio and other services to the Manager. A summary of the terms of the management agreement is contained in note 3 to the financial statements.

## Investment Strategy

The Company's investment strategy is set out in its objective and investment policy as set out below.

### Objective

The Company's objective is to achieve long-term capital growth through investment in private equity assets, whilst providing shareholders with a predictable and above average level of dividend funded from a combination of the Company's revenue and realised capital profits.

### Investment Policy

The Company makes private equity investments by taking stakes in private equity focused limited partnerships, offshore funds, investment companies and investment trusts. In addition to investing in newly-formed private equity funds, the Company may also purchase secondary private equity fund interests (that is, portfolios of investments in existing private equity funds). The Company may also make direct private equity investments, mainly through co-investment with the funds in which the Company is invested.

The private equity funds in which the Company invests comprise buy-out funds, venture capital funds and mezzanine funds. Both the funds and the direct investments are selected in order to create an underlying portfolio which is well-diversified by geography, sector, size of company, stage of development, transaction type and management style.

The Company may use gearing of up to 30 per cent of its total assets at the point of drawdown.

At the time of investment:

- No more than 15 per cent of total assets may be invested in UK-listed investment companies.
- No more than 15 per cent of total assets may be invested in non-UK listed investment companies.
- No more than 50 per cent of total assets may be invested in direct private equity co-investments.
- No more than 5 per cent of total assets to be invested in any one direct investment or co-investment.
- No more than 10 per cent of total assets may be invested outside the United States of America, the United Kingdom and Continental Europe.

As far as practicable the Company will be fully invested at all times.

### Dividend Policy

The Company aims to pay quarterly dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid. The dividend can be funded from a combination of the Company's revenue and realised capital profits. Prior to January 2018, the Company paid semi-annual dividends.

### Investment of Assets

At each Board meeting, the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and a market outlook. The Board also considers compliance with the investment policy and other investment restrictions during the reporting period. An analysis of the portfolio as at 31 December 2018 is presented in the Investment Manager's Review on pages 15 to 18 and in the Portfolio Summary on page 19. The full portfolio listing is provided on pages 22 and 23.







### Responsible Ownership

The Manager is committed to socially responsible investment and, with the support of the Board, actively engages with investee companies in which the Company invests. Environmental policies, social, human rights, community and ethical issues are, therefore, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Company has no employees and the Board is composed entirely of non-executive Directors. As an investment trust, the Company has no significant direct social, human rights, community or environmental responsibilities. The Board notes that the Manager is a signatory to the UK Stewardship Code issued by the Financial Reporting Council.

**Principal Risks and Uncertainties and Risk Management**

As stated within the Report of the Audit Committee on pages 31 and 32, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and note 16 to the financial statements provides detailed explanations of the risks associated with the Company's financial instruments.

Principal Risks	Mitigation	Actions taken in the year
<p><b>Inappropriate capital structure:</b> Failure by the Company to meet its outstanding undrawn commitments could lead to financial loss for shareholders. Failure to replace maturing borrowings or enter agreement for new borrowings.</p> <p> <b>No change in overall risk in year</b></p>	<p>The Board receives a detailed analysis of outstanding commitments at each meeting. A medium term cashflow projection is also provided. The Company has a borrowing facility which will expire on 30 June 2019. The facility is composed of a €30 million term loan and a £45 million revolving credit facility.</p>	<p>The £45 million revolving credit facility remained undrawn throughout the year. Preparations to replace the current borrowing facility in advance of its termination date are proceeding.</p>
<p><b>Poor long term investment performance relative to the peer group or other asset classes.</b></p> <p> <b>No change in overall risk in year</b></p>	<p>Investment policy and performance are reviewed at each meeting. Borrowing limits have been set and monitored regularly.</p>	<p>The Board reviewed investment performance against the peer group and the FTSE All-Share Index at each regular meeting held during the year ended 31 December 2018.</p>
<p><b>Share price discount:</b> Objective and strategy are inappropriate in relation to investor demands, adversely affecting the Company's share price discount.</p> <p> <b>No change in overall risk in year</b></p>	<p>At each meeting of the Board, the Directors monitor performance against peer group and returns from the FTSE All-Share Index. Market intelligence is maintained via the Company's broker, Cantor Fitzgerald Europe and the provision of shareholder analysis. The Board meets shareholders on an annual basis at the Annual General Meeting held in London. Authority is sought at Annual General Meetings to allow the Company to issue and buyback its own shares.</p>	<p>An Annual General Meeting was held in May 2018 attended by shareholders and the Company's broker. A strategy meeting of the Board was held in February 2018.</p>
<p><b>External risks:</b> External events such as terrorism, disease, protectionism, inflation or deflation, economic shocks or recessions, the availability of credit and movements in interest rates could affect share prices and the valuation of investments.</p> <p> <b>No change in overall risk in year</b></p>	<p>Each regular meeting of the Board provides a forum to discuss with the Manager the general economic environment and to consider any impact upon the investment portfolio and objectives.</p>	<p>A strategy meeting of the Board was held in February 2018.</p>
<p><b>Key personnel:</b> Loss of key personnel from the BMO Private Equity team.</p> <p> <b>No change in overall risk in year</b></p>	<p>Regular meetings between the Board and senior staff of the Manager. There is a six month notice period to the investment management agreement.</p>	<p>The Board met senior executives of BMO Global Asset Management (EMEA) during the year.</p>
<p><b>Systems and service providers:</b> Failure of the Manager's accounting systems or disruption to the Manager's business or that of other third party service providers through cyber-attack or business continuity failure could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholders' confidence.</p> <p> <b>No change in overall risk in year</b></p>	<p>The Depository oversees custody of investments and cash in accordance with the requirements of the AIFMD. The Board receives an annual internal controls report from the Manager and the Registrar.</p>	<p>The Manager continues to strengthen and develop its Risk, Compliance and Internal Control functions and continues to invest in IT security. Supervision of BMO's third party service providers, including State Street and DST, has been maintained by BMO and includes assurances regarding IT security and cyber-attack prevention.</p>

## Rolling five year viability assessment and statement

The 2018 UK Corporate Governance Code requires a Board to assess the future prospects for the Company, and report on the assessment within the Annual Report.

The Board considered that a number of characteristics of the Company's business model and strategy were relevant to this assessment:

- The Board looks to long-term performance rather than short term opportunities.
- The Company's investment objective, strategy and policy, which are subject to regular Board monitoring, mean that the Company is invested in a well-diversified portfolio of funds and direct investments and that the level of borrowings is restricted.
- The Company has a single class of Ordinary Shares.
- The Company's business model and strategy is not time limited.

Also relevant were a number of aspects of the Company's operational arrangements:

- The Company has title to all assets held.
- The Company's borrowing facility which was entered into on 30 June 2014 will expire on 30 June 2019. It is composed of a €30 million term loan and a £45 million multi-currency revolving credit facility. The interest rate payable is variable. Preparations to replace this borrowing facility are proceeding.
- The Company aims to pay quarterly dividends with an annual yield equivalent to not less than four per cent of the average of the published net asset values per ordinary share for the previous four financial quarters, or if higher in pence per share the highest quarterly dividend previously paid. Dividends can be funded from the capital reserves of the Company.
- Revenue and expenditure forecasts and projected cash requirements are reviewed by the Directors at each Board Meeting.

In addition, the Directors carried out a robust assessment of the principal risks which could threaten the Company's objective, strategy, future performance, liquidity and solvency. These risks, their mitigations and the processes for monitoring them are set out on page 10, and in note 16 of the accounts.

The principal risks identified as relevant to the viability assessment were those relating to inappropriate objective and strategy, poor long term investment performance and the failure of the Company to manage financial resources to allow it to meet its outstanding undrawn commitments.

The Board took into account the forecasted cash requirements of the Company, the long-term nature of the investments held, the existence of the current borrowing facility including its expiration on 30 June 2019 and preparations for its replacement and the effects of any significant future falls in investment values on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors.

These matters were assessed over a five year period to April 2024, and the Board will continue to assess viability over five year rolling periods, taking account of foreseeable severe but plausible scenarios. Note 16 to the financial statements includes an analysis of the potential impact of movements of interest rates and foreign exchange on net asset value. A rolling five year period represents the horizon over which the Directors believe they can form a reasonable expectation of the Company's prospects, balancing the Company's financial flexibility and scope with the current uncertain outlook for longer-term economic conditions affecting the Company and its shareholders.

Based on their assessment, and in the context of the Company's business model, strategy and operational arrangements set out above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to April 2024. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

By order of the Board

BMO Asset Management (Holdings) PLC  
6th Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

5 April 2019

# Key Performance Indicators

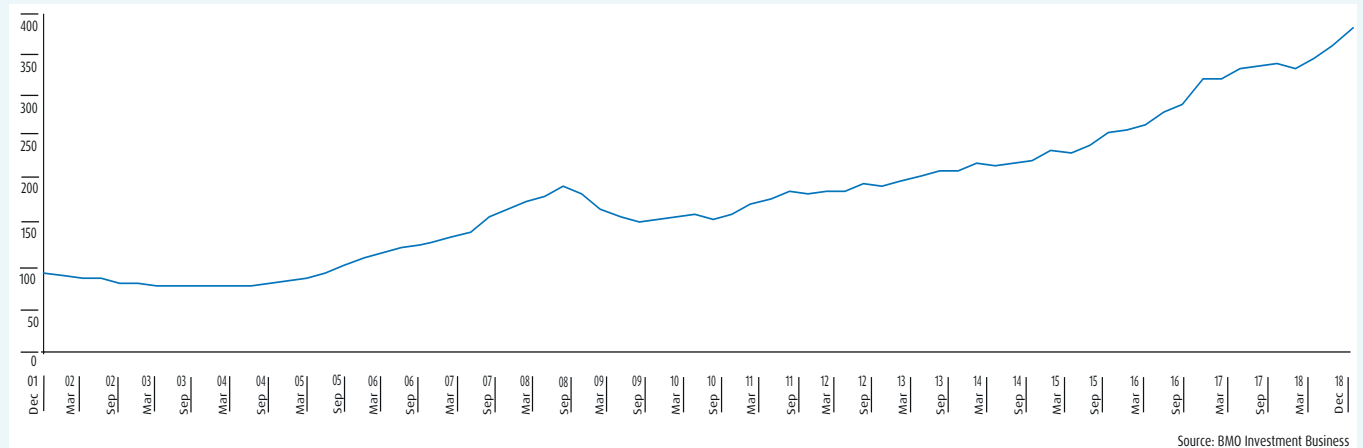
Throughout the year, the Board used a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return<sup>(1)</sup> of the Ordinary Shares.
- Discount<sup>(2)</sup> of Ordinary Share price to net asset value.

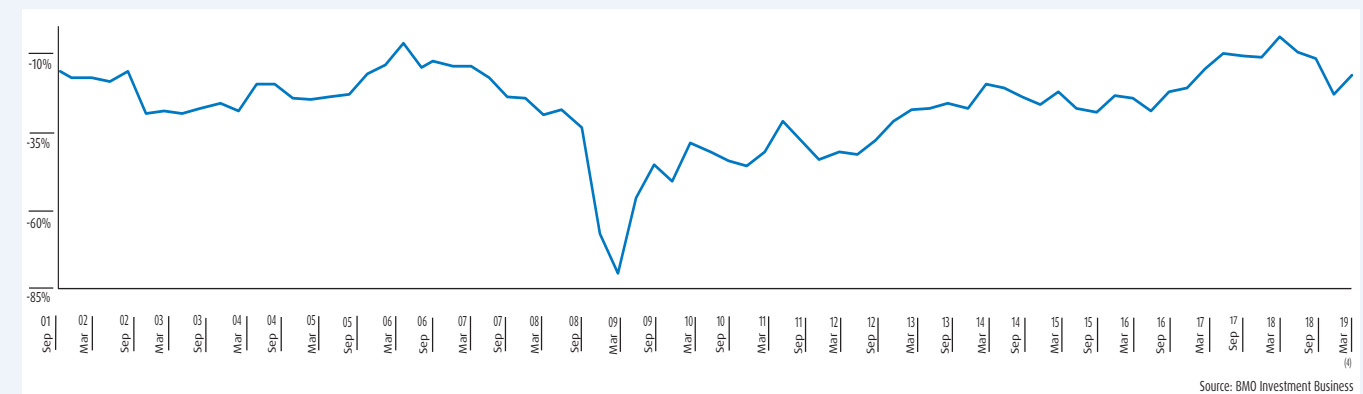
- Dividend per Ordinary Share and dividend yield as a percentage of net asset value per share.
- Ongoing charges<sup>(3)</sup> as a percentage of shareholders' funds.

A historical record of these indicators is contained in the charts below (except for the historical record of dividend yield) and in the Historical Record on page 65.

**Net Asset Value Total Return  
Ordinary Shares since September 2001**



**Premium/(discount) of Share Price to Net Asset Value  
Ordinary Shares since September 2001**



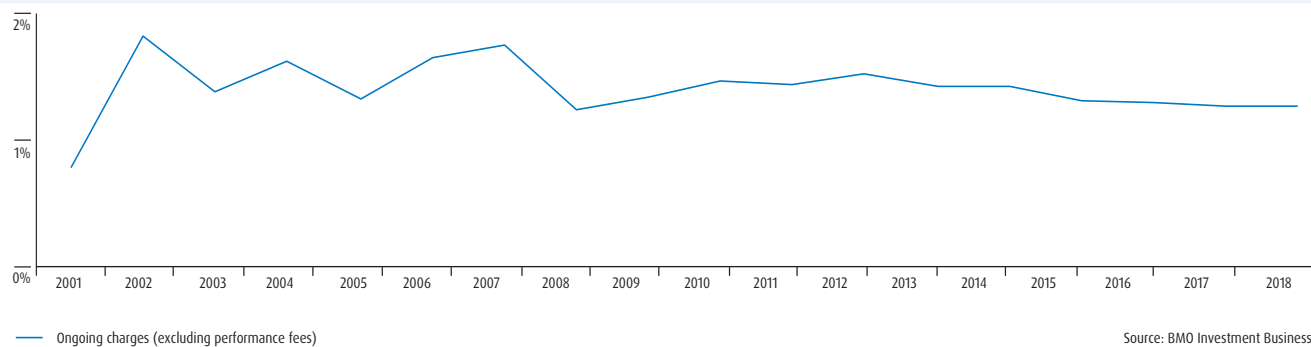
<sup>(1)</sup> Net Asset Value total return per Ordinary Share. Refer to Alternative Performance Measures on page 66.

<sup>(2)</sup> Discount (or Premium). Refer to Alternative Performance Measures on page 66.

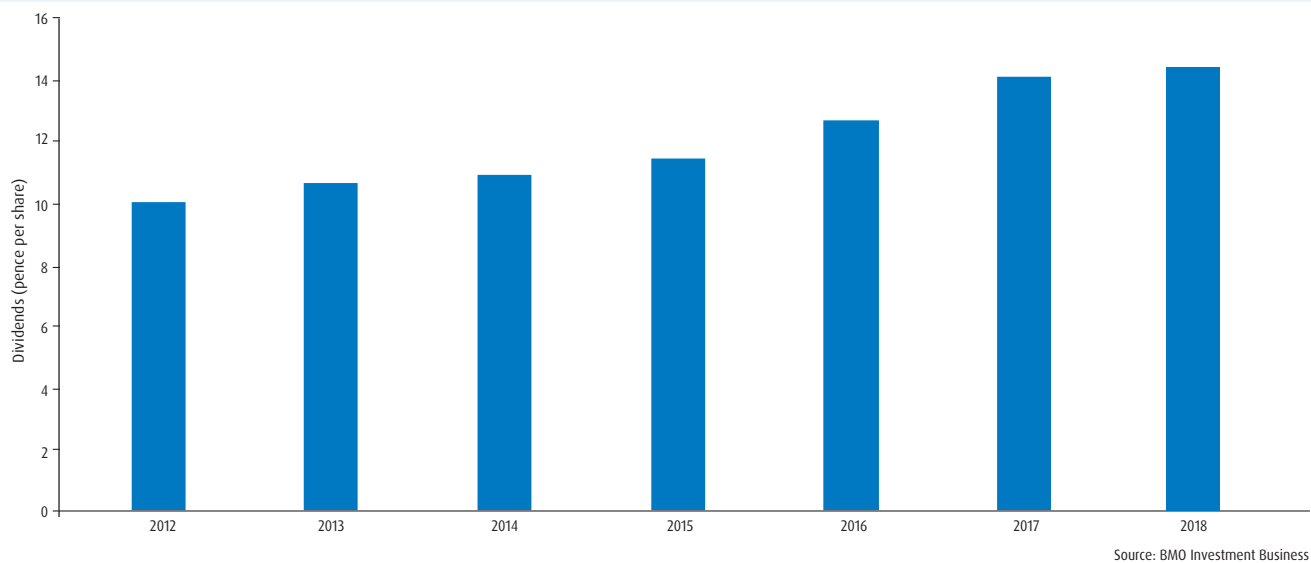
<sup>(3)</sup> Ongoing Charges. Refer to Alternative Performance Measures on page 66.

<sup>(4)</sup> 31 March 19 – NAV is the year end NAV less January 2019 dividend paid of 3.58p per share (XD date – 10 January 2019).

### Ongoing Charges as a Percentage of Shareholders' Funds



### Dividends per Ordinary Share



# Investment Manager

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**Hamish Mair** is the head of the private equity funds team at BMO Investment Business Limited and the fund manager of BMO Private Equity Trust PLC.



**Neil Sneddon** is a director in the private equity funds team at BMO Investment Business Limited and the deputy fund manager of BMO Private Equity Trust PLC.

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## Investment Manager

BMO Private Equity Trust PLC is managed by BMO Investment Business Limited, formerly known as F&C Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) PLC (“BMO Asset Management”). BMO Asset Management is a leading asset manager in both the UK and Europe and provides investment management and other services to a range of investment trust clients.

BMO Asset Management is a wholly owned subsidiary of Bank of Montreal (‘BMO’) and is part of BMO Global Asset Management.

# Investment Manager's Review



**Hamish Mair, Fund Manager**

## Introduction

The private equity market internationally has had another strong year with impressive totals for deal activity and fund raising. It is therefore not surprising that in our portfolio 2018 has seen a substantial amount of turnover. A record level of distributions at £82.7m, including associated income, brought the total realised over the past four years to almost £300m. Most of the deals in which we invest, either through funds or co-investments, are planned around a four or five-year hold. This level of realisations is consistent with this being achieved. With an evergreen structure it is essential that the proceeds of exits are reinvested steadily to lay the foundations of future growth. During the year new investments totalled £71.8m. Because we have a range of investment partners covering many geographies and sectors there is constant dealflow, and redeploying capital appears to happen automatically. In fact the money is invested following much research and multiple stages of decision-making by our investment partners and ourselves. To maintain steady growth in shareholder value it is necessary to have a portion of the portfolio maturing each year. More than 50% of our portfolio is more than three years old which provides a healthy stock of maturing holdings. As exits tend to occur at a material uplift to the latest carrying value there is a close link between the level of realisations and value growth. The other components are growth in profits and the valuation multiples or other parameters which are used.

Although the market conditions vary through the cycle with a broadly-based approach there will always be opportunities to invest. In our target market of lower mid-market Europe there are tens of thousands of companies which could potentially use private equity as a means of financing their growth. Our portfolio on a look through basis has over 400 companies. Each of these investments carries significant risk but the heterogeneity of the portfolio reduces the risk at a portfolio level very substantially.

Through detailed analysis of the portfolio, on a look through basis, it is possible to summarise the portfolio's financial characteristics. The indicative weighted average acquisition price at entry is an enterprise value to EBITDA multiple of 7.1x. The average age of holdings is around four years. The current valuation implies an enterprise value to EBITDA ratio of 8.9x with a debt to EBITDA ratio of 2.7x. Neither of these are high by the standards of the international private equity market and this indicates scope for higher values on ultimate exit and also that the financial gearing at company level is moderate.

## New Investments

Seven new commitments to funds were made during the year. In addition, we acquired two secondary positions in funds and made seven co-investments. The co-investment portfolio now numbers 29 holdings and accounts for 39% of the portfolio by value.

In the UK we have backed Apiary Capital I (£5m), a new fund specialising in the lower mid-market. We have also reinforced our longstanding relationship with Inflexion through commitments to their Buyout Fund IV (£4m) and Partnership Capital Fund II (£3.5m). In the Nordic region we have backed Verdane Edda (£4.3m) in a fund focusing on technology enabled growth. We have also backed Volpi Capital I (£6.3m) who cover Northern Europe, also seeking companies with a clear technology angle. We have renewed our commitment to Iberia through Corfin V (€6m), one of the most experienced mid-market investors in the region. Investing on a sectoral basis we have committed \$5m to MVM V, a healthcare fund seeking value priced special situations mainly in the US and Europe. Two funds, both in Italy were acquired in the secondary market. NEM Imprese III (£3.9m) was acquired as part of a reorganisation of the private equity activities of Banco Popolare de Vincenza. Progressio II (£2.1m) was added to our existing holding through exercise of pre-

emption rights. Both of these funds were acquired at an attractive discount to NAV.

The co-investment portfolio broadened over the year. The South Eastern Europe large format pet store chain Pet Centar (£3.8m) is led by TRG and the expansion across the region is well underway. Coincidentally we have also invested in a UK based pet store chain in the Kester Capital led investment in Jollyes (£4.4m). This investment is based upon the introduction of a new management team with new initiatives to strengthen the UK number two. In the US we have invested with hospitality experts Trispan in 'polished casual' Mexican restaurant chain Rosa Mexicana (£3.6m). In North Wales we have invested with Inflexion in leading independent builders' merchant Huws Gray. Since the initial investment in May there has been a major acquisition further expanding the company's geographic coverage (£5.6m). We have invested in print managed solutions company DMC Canotec alongside Horizon (formally known as Lyceum) (£2.3m) which provides Canon photocopiers and associated services to a wide range of SME customers.

Two new co-investments were added during the final quarter. £3.0m was invested in the MVM led investment AccuVein, the fast-growing company which has developed a revolutionary device for vein visualisation using near infra-red technology to highlight veins and arteries. This is considered to be a major advance in venepuncture. We have invested alongside MVM who have been in the company for several years and believe that a value creating breakthrough is close.

£3.6m was invested in Coretrax, a Buckthorn led oil services company based in Aberdeen. Coretrax is a leading player internationally in wellbore clean up, plug and abandonment products. The business has grown rapidly and is well placed to accelerate its international expansion.

### Drawdowns

A total of £31.0m has been invested in co-investments during 2018. In addition to this £40.8m has been drawn by funds for investment. The detail of many of the significant drawdowns has been reported earlier in the year. The notable drawdowns in the final quarter are described below.

In the UK Inflexion have been active with £1.3m, combined, drawn from Inflexion Enterprise Fund IV and Inflexion Partnership Capital Fund I. Their Enterprise Fund IV made two new investments. PMC Treasury is a provider of treasury and risk management services to portfolio companies of private equity and infrastructure funds. Inflexion acquired a 38% minority stake. LifeCare Group is a specialist travel vaccination business focused on the UK and Danish markets. Inflexion have taken a 49% stake and plan to grow it

via buy-and-build acquisitions. Inflexion Partnership Capital have made an additional investment in outdoor clothing chain Mountain Warehouse. They have also made new investments in niche motor insurer Granite and in UKFast, a Manchester based business critical IT cloud hosting infrastructure provider.

August Equity IV has called £0.8m for a top-up investment in funerals business Fosters and for a new investment in the Dermatology Partnership, a merger of three clinics. SEP V have called £0.5m for Totally Money, a holding from the earlier SEP III fund which has moved its business model from a credit card comparison site to a free credit card report which is used for lead generation for consumer financial services companies. TDR Capital have made a follow-on investment in the longstanding modular buildings company Algeco Scotsman. Our share of this was £0.4m.

There have been several new investments in Europe in the final quarter. In France Astorg VI called £1.1m mainly for IGM Resins, a company specialising in resins which are cured by exposure to ultra violet. A small part of the drawdown was for Echosens, the non-invasive liver diagnostic company. In Hungary, ARX CEE IV invested £0.5m for us in TMX, a company which repairs mobile phones and provides installation and logistics services to OEMs. In Germany Chequers Capital XVII have added to one of their holdings with the addition of Senior Living to its care home operator business Emvia Living. Our share is £0.4m. In the Netherlands Bencis V called £0.7m mainly for fitness chain Fit for Free which has been combined with SportCity.

In the US Blue Point Capital IV has added £0.4m to its platform aerospace castings business Precision Products Corp. Graycliff III has called £0.4m for industrial electric motors company WWE.

### Realisations

Over the fourth quarter realisations totalled £19.9m. Together with associated income this brings the total for the year to £82.7m, as noted above a new record for the Company. The principal exits in the year so far have been covered in earlier reports. The key realisations in the fourth quarter cover a wide variety of geographies and sectors.

In the UK RJD Partners III exited body art supplies (tattoo consumables) company Barber of Sheffield returning £2.5m (4.2x, 92% IRR) which was a strong outcome for this highly niche business. Inflexion realised media and exhibitions company Closer Still through a sale to Providence Private Equity. Across the three funds in which it was held (2010, 2012 and Partnership Capital) a combined £1.4m was returned (2.8x, 27% IRR). August Equity III returned £0.7m from the sale of Vet Partners to BC Partners (4.8x, 131% IRR) and private



schools group Minerva to an investor syndicate (1.8x, 12.8% IRR). Equity Harvest Fund, managed by Dunedin exited longstanding holding CET (drainage repair and testing) returning £1.1m.

In Continental Europe Argan Capital sold GCE, the Sweden based medical and industrial gases company yielding £2.3m (1.7x, 5% IRR). Chequers Capital XVI exited three holdings yielding a combined £1.2m; German intensive care provider Deutsche Fachpflege Group (DFG) (2.0x, 14%) - through a sale to Advent, Rollon (conveyer belt components) (6.4x, 47%), and Cordenka (Rayon for tyres) (2.0x).

In the US Graycliff III has achieved an excellent exit of Impakt Holdings, a provider of design, engineering and agile manufacturing solutions which has been sold to strategic buyer Celestica. £2.9m has been returned (7.2x, 138% IRR).

In addition to these conventional exits there have been two substantial realisations which fall under the category of secondary deals. TDR Capital have sold their holding in pub company Stonegate to a new vehicle under their management with funding from Landmark Partners. Both the holdings through TDR Capital II and its Annex fund were sold with combined proceeds of £2.3m, with the returns for each fund of 2.0x and 14% IRR and 2.5x and 18% IRR respectively. In Spain N+1 Fund II has been brought to an effective conclusion by the sale of its three remaining assets to one of the fund investors Partners Group. The deal was struck at a premium to December 2017 NAV of 5.2%. This yielded £2.2m which was considered an acceptable outcome. As the private equity market and its associated secondary market grows it is likely that, on occasion, it will make sense for us to exit 'rump' positions where we have little visibility or confidence that managing out 'normally' is going to deliver an adequate return.

### Valuation Changes

There have been a large number of notable valuation changes over the course of the year. These cover both the funds and co-investment elements of the portfolio.

The largest individual contribution was from Active Pharmaceutical Ingredient company Ambio which contributed £7.5m. Most of this came from the exit of 75% of our holding through the acquisition by Carlyle Asia but a further uplift of £1.7m results from Carlyle's subsequent investment of a further \$20m into the company at the same price as the deal but with additional value attributed to the earn-out component which we had not included in our valuation.

Oil Services company Ashtead is trading well and has integrated a substantial acquisition successfully and this is uplifted by £2.7m. Huws Gray, the co-investment in the enlarged builders' merchant chain noted above, has performed well fundamentally with revenues

and profits in FY 2018 up 42% and 27% respectively. This results in an uplift of £1.4m. The Inflexion stable of funds, as a whole, have performed strongly with various exits and good trading. Taking all our Inflexion fund holdings together the uplift for the year is £3.2m.

Blue Point Capital has had some strong exits during the year and contributes £3.2m of uplift. Also in the US Graycliff III is up by £1.6m, reflecting exits and good trading of portfolio companies. In France Chequers XVI contributes £1.3m. In Spain Corpfin Capital IV is up by £1.4m. In Italy the secondary, NEM Imprese, is up by £2.3m. In Norway insurance services company Recover Nordic has had a good year and is up by £1.3m.

Our look through holding via an FPE LP in Eventbrite shares, which we received as part of the consideration for Ticketscript is up by £2.2m following Eventbrite's listing in September 2018. RJD Partners III is up by £1.0m reflecting the sale of Barber noted above. Canada based software company Tier1 CRM is growing well and is up by £1.0m. Volpi refinanced one of its holdings and this has allowed an uplift of £0.9m. There were several other uplifts for funds and co-investments over the year.

The largest individual negative was training company Babington which has been reduced by £1.8m. This reflects the delayed benefits of the introduction of the apprenticeship levy which has not progressed smoothly. A recovery is under way and we remain optimistic about the final outcome. Earlier in the year superfoods company Nutrisure was put into administration by its debt provider with the loss of all £1.2m of our equity value. There were a number of other smaller downgrades.

### Financing

The Company is in good shape financially. Net debt at 31 December was only £5.5m and this has subsequently decreased slightly. Our £70m banking facility from RBS which consists of a term loan element and a revolving credit facility expires at the end of June. We will be working to conclude a fresh agreement with a larger facility over the next couple of months. We have routinely borrowed the term loan element of the facility in euros to provide a partial hedge against our considerable exposure to the euro. The exchange rate has been quite volatile due to Brexit related concerns and borrowing in euros has proved helpful in dampening, but not eliminating, the impact of currency on our NAV. We have generally taken the view that currency risks come along with investing internationally.

### Outlook

The performance of the portfolio is broadly based and the benefits of having a well diversified international portfolio are

well demonstrated by the multiple uplifts and exits across the portfolio. Despite some obvious headwinds in Europe and the UK, the companies in the underlying portfolio are able to make good progress. The rise in the price of private equity deals internationally is well documented but, based on the deals done by our investment partners, it does seem possible to find attractively priced companies in the lower mid-market across a range of sectors and geographies. There are several threats to economic growth as we enter the second quarter of 2019, but the deliberative investment processes that distinguish private equity allows each of these factors to be considered and built into the investment thesis of each investment. From here we expect to make further progress for shareholders in 2019.

### **Hamish Mair**

Investment Manager  
BMO Investment Business Limited

5 April 2019

# Portfolio Summary

Portfolio Distribution As at 31 December 2018		
	% of Total 2018	% of Total 2017
Buyout Funds – Pan European*	10.6	9.9
Buyout Funds – UK	15.7	17.9
Buyout Funds – Continental Europe†	23.2	23.7
Private Equity Funds – USA	5.2	6.5
Private Equity Funds – Global	1.4	1.9
Venture Capital Funds	3.0	4.2
Mezzanine Funds	0.9	1.8
Direct – Quoted	0.2	0.4
Secondary Funds	0.8	1.2
Direct – Investments/Co-investments	39.0	32.5
	100.0	100.0

\* Europe including the UK.

† Europe excluding the UK.

Ten Largest Holdings As at 31 December 2018		
	Total Valuation £'000	% of Total Portfolio
Avalon	9,190	3.1
Stirling Square Capital Partners II	7,999	2.7
Ashtead	7,992	2.7
Ambio Holdings	7,491	2.5
TWMA	7,283	2.5
Huws Gray	7,047	2.4
Volpi Capital I	6,243	2.1
Corpfin Capital Fund IV	6,127	2.1
Sigma	6,101	2.1
Collingwood Insurance Group	5,954	2.0
	71,427	24.2

# Top Ten Holdings

## Avalon

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	United Kingdom	<b>2018</b>	2017
<b>Percentage held:</b>	9.5%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		
In the last quarter of 2012, the Company invested £2.25 million in Avalon alongside Lonsdale Capital Partners, a UK lower mid-market PE firm. The Company, founded in 1990, is one of the leading independent providers of pre-paid funeral plans in the UK and more recently Spain.		<b>Residual cost</b>	2,306
		<b>Value</b>	9,458

## Stirling Square Capital Partners II

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	Europe	<b>2018</b>	2017
<b>Percentage held:</b>	3.2%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		
Stirling Square Capital Partners (SSCP) is a Pan-European buyout firm focussing on investments with enterprise values in the range of €100 million to €300 million that was founded in 2002. The Company co-invested alongside SSCP in four of their previous deals (GDT, Whittan, 3si and Axitea). The Company committed €12 million to this fund. SSCP closed at €375 million in March 2010.		<b>Residual cost</b>	4,006
		<b>Value</b>	7,730

## Ashtead

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	Global	<b>2018</b>	2017
<b>Percentage held:</b>	14.3%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		
Ashtead Technology operates in the global subsea services sector of the oil field services market. It rents and services specialist equipment used in inspection, maintenance and repair of existing in-production fields, brownfield extension activity and construction of new oil and gas fields. Its main product lines are: positioning systems, sonars, magnetometers and echo sounders, visual inspection systems and ROV sensors/tooling. The investment is led by Buckthorn, an emerging UK based private equity manager established to invest on a deal by deal basis.		<b>Residual cost</b>	4,132
		<b>Value</b>	4,783

## Ambio Holdings

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	USA	<b>2018</b>	2017
<b>Percentage held:</b>	11.6%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		
The Company invested \$6 million in Ambio Holdings, a new Delaware company established to hold 100% of the shares and assets of both AmbioPharm and Ambio which were merged as part of a deal constructed by MVM, a London/Boston based private equity manager which focuses on life science investments in Europe and the US. AmbioPharm is a profitable pharmaceutical contract manufacturing business, and Ambio is a drug development company focused on high-value complex generic pharmaceuticals.		<b>Residual cost</b>	3,739
		<b>Value</b>	16,598

## TWMA

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	UK	<b>2018</b>	2017
<b>Percentage held:</b>	44.5%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		
TWMA has been developing drilling waste management solutions for over 15 years and has successfully pioneered and established a fully comprehensive management solution for Offshore Services, Onshore Services, Waste Handling & Transfer Services and Environmental Solutions. The group's revenues are generated from treating and handling offshore oil and gas drill cuttings and slops which must be removed efficiently and safely from the drilling process, treated and disposed of.		<b>Residual cost</b>	5,004
		<b>Value</b>	5,000

# Top Ten Holdings

## Huws Gray

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	UK	<b>2018</b>	2017
<b>Percentage held:</b>	1.8%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		

In April 2018, the Company committed £6m to Huws Gray, alongside UK mid-market investor Inflexion. Huws Gray is a UK builders' merchant based in North Wales, North-West England and East Anglia, with over 60 branches nationwide. It primarily caters for small building contractors focussed on the repairs and improvement market, with the majority of revenues generated from heavy products, such as bricks and timber.

<b>Residual cost</b>	<b>5,626</b>	-
<b>Value</b>	<b>7,047</b>	-

## Volpi Capital I

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	N. Europe	<b>2018</b>	2017
<b>Percentage held:</b>	3.75%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		

Volpi Capital is Northern and Western European focused buyout firm focusing on investments in the information and tech-enabled services space. It invests in companies with enterprise values between €50 million and €200 million. The Company committed €7m to this fund, which closed at €187m in April 2018.

<b>Residual cost</b>	<b>5,254</b>	-
<b>Value</b>	<b>6,243</b>	-

## Corpfin Capital Fund IV

<b>Investment type:</b>	Buyout fund	<b>31 December</b>	31 December
<b>Region:</b>	Spain	<b>2018</b>	2017
<b>Percentage held:</b>	2.33%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of fund value		

Founded in 1990, Corpfin is a Madrid-based lower mid-market buyout firm focussing on investments with enterprise values of up to €200m in Spain. The Company initially committed €5m to this fund, which closed at €255m in April 2015, and exercised its options to increase this to €5.95m in July 2015. The Company has also committed to the manager's fifth fund, Corpfin V.

<b>Residual cost</b>	<b>3,266</b>	2,852
<b>Value</b>	<b>6,127</b>	4,287

## Sigma

<b>Investment type:</b>	Direct investment	<b>31 December</b>	31 December
<b>Region:</b>	USA	<b>2018</b>	2017
<b>Percentage held:</b>	6.0%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		

Founded in 1981, Sigma is a leading manufacturer of metal castings, precision machined components and sub-assemblies for the US low voltage electrical product market. It is the global leader by market share in electrical fittings, weatherproof boxes and power transmission and distribution cut-outs and connectors. The investment is led by Argand Partners, a US value investor focussed on the mid-market

<b>Residual cost</b>	<b>4,876</b>	4,098
<b>Value</b>	<b>6,101</b>	4,454

## Collingwood Insurance Group

<b>Investment type:</b>	Direct Investment	<b>31 December</b>	31 December
<b>Region:</b>	UK	<b>2018</b>	2017
<b>Percentage held:</b>	16.2%	<b>£'000</b>	£'000
<b>Valuation basis:</b>	Percentage of co-investment value		

Collingwood Insurance Group is a specialist UK motor insurer, providing a select number of products tailored specifically for certain categories of the market. It currently caters for taxis, learner drivers, younger drivers and fleets, with new niche products also under development. The Company invested £3.6 million in Collingwood.

<b>Residual cost</b>	<b>2,837</b>	3,156
<b>Value</b>	<b>5,954</b>	5,930

# Portfolio Holdings

Investment	Geographic Focus	Total Valuation £'000	% of Total Portfolio
<b>Buyout Funds – Pan European</b>			
Stirling Square Capital Partners II	Europe	7,999	2.7
Volpi Capital I	Europe	6,243	2.1
TDR Capital II	Europe	5,683	1.9
TDR II Annex Fund	Europe	3,663	1.2
Apposite Healthcare Fund II	UK	3,268	1.1
Argan Capital	Europe	2,682	0.9
Agilitas 2015 Private Equity Fund	Europe	2,037	0.7
<b>Total Buyout Funds – Pan European</b>		<b>31,575</b>	<b>10.6</b>
<b>Buyout Funds – UK</b>			
Inflexion 2010	UK	4,979	1.7
Lyceum Capital III	UK	4,385	1.5
Inflexion Buyout IV	UK	3,983	1.3
August Equity Partners IV	UK	3,953	1.3
Inflexion 2012 Co-Investment Fund	UK	3,473	1.2
Primary Capital IV	UK	3,030	1.1
August Equity Partners II	UK	2,860	1.0
Inflexion Partnership Capital I	UK	2,325	0.8
Dunedin Buyout II	UK	2,282	0.8
Inflexion Supplemental Fund IV	UK	2,258	0.8
GCP Capital Partners Europe II	UK	2,242	0.8
Inflexion Enterprise Fund IV	UK	2,113	0.7
Piper Private Equity VI	UK	1,900	0.6
FPE II	UK	1,291	0.4
August Equity Partners III	UK	1,237	0.4
RJD Private Equity II	UK	1,004	0.3
RJD Private Equity III	UK	999	0.3
Piper Private Equity V	UK	989	0.3
Apiary Capital Partners I	UK	402	0.1
Primary Capital III	UK	183	0.1
Penta F&C Co-Investment Fund	UK	178	0.1
Inflexion Buyout V	UK	167	0.1
Equity Harvest Fund	UK	143	-
<b>Total Buyout Funds – UK</b>		<b>46,376</b>	<b>15.7</b>
<b>Buyout Funds – Continental Europe</b>			
Corphin Capital Fund IV	Spain	6,127	2.1
Aliante Equity 3	Italy	5,702	1.9
Astorg VI	France	4,993	1.7
NEM Imprese III	Italy	4,736	1.6
Progression II	Italy	3,648	1.2
Procuritas Capital V	Nordic	3,511	1.2
DBAG VI	Germany	3,207	1.1
Capvis III	Europe	2,955	1.0
Ciclad 5	France	2,763	0.9
Summa I	Nordic	2,643	0.9
Bencis Buyout V	Benelux	2,339	0.8
Procuritas Capital IV	Nordic	2,293	0.8
Portobello Fund III	Spain	2,179	0.7
Avallon MBO II	Central & East Europe	1,993	0.7
Capvis IV	Europe	1,946	0.7
PineBridge New Europe II	Central & East Europe	1,928	0.7
Vaaka Partners Buyout Fund II	Nordic	1,865	0.6
Vaaka Partners Buyout Fund III	Nordic	1,542	0.5
Chequers Capital XVI	France	1,528	0.5
DBAG VII	DACH	1,361	0.5
Procuritas Capital VI	Nordic	1,113	0.4
ILP III	Italy	1,066	0.4
Montefiore IV	France	1,065	0.4
Herkules Private Equity III	Nordic	1,050	0.3
DBAG V	Germany	894	0.3
ARX CEE IV	Central & East Europe	783	0.3
Chequers Capital XVII	France	661	0.2
Ciclad 4	France	599	0.2
Gilde Buyout III	Benelux	578	0.2
Archimed	Europe	423	0.1
Chequers Capital XV	France	297	0.1
PM & Partners II	Italy	263	0.1
N+1 Private Equity II	Spain	204	0.1
DBAG VIII	DACH	121	-
<b>Total Buyout Funds – Continental Europe</b>		<b>68,376</b>	<b>23.2</b>

	Geographic Focus	Total Valuation £'000	% of Total Portfolio
<b>Investment</b>			
<b>Private Equity Funds – USA</b>			
Blue Point Capital III	USA	4,364	1.5
Camden Partners IV	USA	3,650	1.2
HealthpointCapital Partners III	USA	2,162	0.7
Stellex	USA	1,782	0.6
Graycliff Private Equity Partners III	USA	1,631	0.6
Blue Point Capital IV	USA	988	0.3
Blue Point Capital II	USA	799	0.3
Camden Partners III	USA	56	-
<b>Total Private Equity Funds – USA</b>		<b>15,432</b>	<b>5.2</b>
<b>Private Equity Funds – Global</b>			
AIF Capital Asia III	Asia	1,156	0.4
PineBridge Global Emerging Market II	Global	954	0.3
F&C Climate Opportunity Partners	Global	687	0.2
Warburg Pincus IX	Global	592	0.2
Warburg Pincus VIII	Global	441	0.2
PineBridge Latin America Partners II	Brazil	164	0.1
<b>Total Private Equity Funds – Global</b>		<b>3,994</b>	<b>1.4</b>
<b>Venture Capital Funds</b>			
SEP V	Europe	2,390	0.8
SEP IV	Europe	1,490	0.5
Pentech Fund II	Europe	1,182	0.4
Environmental Technologies Fund	UK	975	0.3
SEP III	Europe	852	0.3
Life Sciences Partners III	Europe	669	0.3
Alta Berkeley VI	Europe	659	0.2
SEP II	Europe	561	0.2
<b>Total Venture Capital Funds</b>		<b>8,778</b>	<b>3.0</b>
<b>Mezzanine Funds</b>			
Hutton Collins III	European	843	0.3
Accession Mezzanine II	Central & East Europe	777	0.3
Hutton Collins II	Europe	750	0.2
Hutton Collins I	Europe	186	0.1
<b>Total Mezzanine Funds</b>		<b>2,556</b>	<b>0.9</b>
<b>Direct – Quoted</b>			
Parques Reunidos	Europe	301	0.1
Antero	USA	297	0.1
Laredo Petroleum	USA	31	-
<b>Total Direct – Quoted</b>		<b>629</b>	<b>0.2</b>
<b>Secondary Funds</b>			
The Aurora Fund	Europe	2,301	0.8
<b>Total Secondary Funds</b>		<b>2,301</b>	<b>0.8</b>
<b>Direct – Investments/Co-investments</b>			
Avalon	UK	9,190	3.1
Ashtead	Global	7,992	2.7
Ambio Holdings	USA	7,491	2.5
TWMA	UK	7,283	2.5
Huws Gray	UK	7,047	2.4
Sigma	USA	6,101	2.1
Collingwood Insurance Group	UK	5,954	2.0
Recover Nordic	Nordic	5,832	2.0
Ticketscript	Europe	5,165	1.7
Weird Fish	UK	4,493	1.5
Jollyes	Europe	4,350	1.5
Dotmatics	UK	3,999	1.4
Rosa Mexicano	Europe	3,941	1.3
Calucem	Europe	3,875	1.3
Coretrax	UK	3,606	1.2
TRG Pluto LP	Europe	3,515	1.2
Tier1 CRM	USA	3,433	1.2
Walkers	UK	3,295	1.1
Accuvein	USA	2,944	1.0
CETA	UK	2,500	0.8
Swanton	UK	2,323	0.8
DMC Canotec	Europe	2,271	0.8
RGI Group	Europe	1,779	0.6
Safran	Nordic	1,624	0.6
Schaetti	Europe	1,516	0.5
Babington	UK	1,245	0.4
Meter Provida	UK	974	0.3
Algeco Scotsman	Europe	834	0.3
Harrington Brooks	UK	653	0.2
<b>Total Direct – Investments/Co-investments</b>		<b>115,225</b>	<b>39.0</b>
<b>Total Portfolio</b>		<b>295,242</b>	<b>100.0</b>

# Board of Directors



**Mark Tennant** \*†‡

**Chairman**

is a member of the Advisory Board of T Rowe Price Global Investor Services and a director of UTI International. He is Chairman of the Centrica Combined Common Investment Fund Limited and the Deputy Chairman and Head of Policy at Scottish Land and Estates. Until recently he was a Senior Adviser to J.P. Morgan. He joined the Board in February 2009 and was appointed as Chairman in May 2010.



**David Shaw** \*†‡

sits on the boards of a number of private companies including acting as Chairman of the charity Dyslexia Scotland. He was previously Chief Executive, then Chairman, of Bridgepoint Capital, a leading European mid corporate private equity firm until his retirement in December 2009. He joined the Board in November 2009.



**Elizabeth Kennedy** \*†‡

**Chairman of the Audit Committee**

is a corporate and commercial lawyer with Kergan Stewart with over 30 years' experience in corporate finance, principally in IPOs, secondary issues and takeovers. She is also a director of Octopus AIM VCT 2 plc, Beatson Cancer Charity and a private technology company and is also a member and past Chair of the AIM Advisory Group of the London Stock Exchange. She joined the Board in July 2007.



**Swantje Conrad** \*†‡

began her career in banking at J.P. Morgan in 1991 from where she retired as Managing Director in 2017. During her 26 years at J.P. Morgan, Swantje gained extensive experience in corporate finance/ M&A, global markets and investment management. Until recently she served as Independent Director of Siemens Gamesa Renewable Energy S.A., a Spanish listed leading global supplier of wind turbine equipment, and as a trustee of the Whitechapel Gallery, London. She was appointed to the Board in April 2017.



**Douglas Kinloch Anderson, OBE** †‡

is Executive Chairman of Kinloch Anderson Limited. He was National President of the Royal Warrant Holders Association, President of The Edinburgh Chamber of Commerce and Master of the Edinburgh Merchant Company. His career has included wide experience in manufacturing, retailing and exporting, particularly to Europe, North America and the Far East. He joined the Board in December 2000 and will retire at the Company's Annual General meeting in May 2019.



**Richard Gray** \*†‡

is Vice Chairman of Panmure Gordon & Co. He has previously worked at Lazard & Co., Charterhouse, UBS and Hoare Govett and held senior positions in London and New York. He has broad experience across equity research, equity sales, equity capital markets, corporate broking and corporate finance. He was appointed to the Board in March 2017.

\* Member of the Audit Committee

† Member of the Management Engagement Committee

‡ Member of the Nomination Committee



# Report of the Directors

## Results and Dividends

The Directors submit the Annual Report and financial statements of the Company for the year ended 31 December 2018. The results for the year are set out in the attached financial statements.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Following the introduction of quarterly dividends an interim dividend of 3.55p per Ordinary Share was paid on 31 January 2018. Further dividends of 3.57p per Ordinary Share were paid in April, July and October 2018.

## Principal Activity and Status

The Company is registered as a public limited company in terms of the Companies Act 2006 (the 'Act') and is an investment company as defined by Section 833 of the Act.

The Company has been approved as an investment trust for accounting periods commencing on or after 1 January 2012 subject to it continuing to meet the eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

## Company Number: SC179412

### Share Capital

#### Ordinary Shares

#### Dividends

The Ordinary Shares carry the right to participate in the revenue and realised capital profits of the Company. The dividends paid to the holders of Ordinary Shares currently depend on, inter alia, the income return on the Company's assets, capital structure and gearing and, accordingly, may vary over time.

In respect of the Ordinary Shares, the Company aims to pay quarterly dividends with an annual yield equivalent to not less than 4 per cent of the average of the published net asset values per Ordinary Share as at the end of each of its last four financial quarters prior to the announcement of the relevant quarterly dividend or, if higher, equal (in terms of pence per share) to the highest quarterly dividend previously paid. Prior to January 2018, the Company paid semi-annual dividends.

#### Capital Entitlement

On a winding up of the Company, after satisfying all liabilities, Ordinary Shareholders would be entitled to all the remaining assets.

## Voting Rights

Ordinary Shareholders are entitled to receive notice of, and attend and vote at, all general meetings of the Company. Each Ordinary Share is entitled to one vote.

## Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 24.

Ms Elizabeth Kennedy, Mr Douglas Kinloch Anderson, Mr Mark Tennant and Mr David Shaw have served on the Board for nine years or more. The Board subscribes to the view that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. The term of any non-executive Director beyond six years is subject to rigorous review by the Board.

In addition to the maintenance of continuity the Board recognises the value in attracting fresh talent. As part of a process of succession planning Ms Swantje Conrad and Mr Richard Gray were appointed to the Board in 2017. At the forthcoming Annual General Meeting of the Company in May 2019 Mr Douglas Kinloch Anderson will retire from the Board. The Board welcomes the revised AIC Code of Corporate Governance and believes that its succession plan respects both the letter and spirit of the Code regarding composition and diversity.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper governance of the Company. The Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that those Directors seeking re-election are re-elected.

No Director has any material interest in any contract to which the Company is a party.

## Directors' Indemnities

As at the date of this report, indemnities are in place between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law,

in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred, provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Act.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

### Substantial Interests in Share Capital

At 31 December 2018 the Company had received notification of the following holdings of voting rights (under the FCA's Disclosure and Transparency Rules):

	Ordinary Shares Held	% of Ordinary Shares
CCLA Investment Management	7,580,022	10.3
Prudential	4,584,498	6.2
Oxford County Council Pension Fund	4,000,000	5.4
Smith and Williamson Holdings	3,638,081	4.9
Lazard Asset Management	3,617,271	4.9
Bank of Montreal	2,779,650	3.8

Since 31 December 2018, CCLA Investment Management has notified an increase in its holdings to 8,328,782 shares or 11.3% of the Company's Ordinary Shares. No other changes have been notified to the Company.

BMO Retail Products owned 19,744,918 shares or 26.7 per cent of the issued share capital of the Company at 31 December 2018. For the first time, this year, for non-contentious resolutions the nominee company holding these shares will vote the shares held on behalf of planholders who have not returned their voting directions in proportion to the directions of those who have ("proportional voting"). Implementation of this arrangement is subject to a minimum threshold of 5% of the shares held in the BMO savings plans being voted. A maximum limit of 10,000 shares that any one individual investor can vote, being approximately 1.0% of the relevant minimum threshold, also applies. Any individual voting directions received in excess of the maximum limit will remain valid, but will not form part of the proportional voting basis. Planholders have the right to exclude their shares from the proportional voting arrangement.

### Conflicts of Interest

Under the Act a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation.

The Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the Articles of Association contain a provision to this effect. The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up-to-date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

### Management and Management Fees

BMO Investment Business Limited provides investment management services to the Company and was appointed as the Company's AIFM on 22 July 2014. A summary of the contract between the Company and the Manager in respect of investment management services provided is given in note 3 to the financial statements.

The Management Engagement Committee has reviewed the appropriateness of the Manager's appointment. In carrying out its review, the Committee considered the past investment performance of the Company and the capability and resources of the Manager to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Manager, together with the commitment of the Manager to the Company and its investment trust business and the standard of other services provided, which include administration, marketing and corporate development.

Following this review it is the Directors' opinion that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

### Depositary

JPMorgan Europe Limited was appointed as depositary on 22 July 2014 in accordance with the AIFM Directive. The depositary's responsibilities include, but are not limited to, cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

### Company Secretary

BMO Asset Management (Holdings) PLC provides secretarial services to the Company.

### Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions.

### Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, the availability of the Company's loan facility and the preparations for

its replacement and compliance with its covenants. They have also considered year-end cash balances and forecast cash flows, especially those relating to capital commitments and realisations.

As at 31 December 2018, the Company had outstanding undrawn commitments of £130.9 million. Of this amount, approximately £16 million is to funds where the investment period has expired and the Manager would expect very little of this to be drawn. Of the outstanding undrawn commitments remaining within their investment periods, the Manager would expect that a significant amount will not be drawn before these periods expire.

The Company's current loan facility is due to expire on 30 June 2019. Preparations for a replacement facility are proceeding.

Based on this information the Directors believe that the Company has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

### Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank debt and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. Financial instruments recognised at fair value are shown in the fair value hierarchy in note 10 to the financial statements. The financial risk management objectives and policies arising from the Company's financial instruments and the exposure to risk are disclosed in note 16 to the financial statements. Details of the Company's bank facility are contained in note 14 to the financial statements.

### Disclosure of Information to the Auditor

The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Individual Savings Accounts

The Company's shares are qualifying investments as defined by HM Revenue & Customs' regulations for Individual Savings Accounts. It is the intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

### Annual General Meeting

The Notice of Annual General Meeting to be held on 23 May 2019 is set out on pages 59 to 63.

### Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

### Dividend Policy

Resolution 3 is to approve the Company's dividend policy. The resolution is being proposed to comply with guidance issued by certain voting agencies since, in line with the dividend policy set out on page 9, all dividends are now declared as interim dividends, and without this resolution shareholders would otherwise not have the opportunity to vote on dividends.

### Directors' Authority to Allot Shares

The Directors are seeking to renew the authority to allot shares. Resolution 11 in the Notice of Annual General Meeting seeks renewal of such authority to allot Ordinary Shares up to an aggregate nominal amount of £73,941 (being an amount equal to 10 per cent of the total issued share capital of the Company as at the date of this report).

Under resolution 12, which is a special resolution, the Directors are also seeking to renew the authority to allot new Ordinary Shares and/or sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply. (This section requires that, when equity securities are allotted for cash, such new shares are first offered to existing equity shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights"). The purpose of holding shares in treasury is to allow the Company to re-issue those shares quickly and cost-effectively.

Allotments of Ordinary Shares pursuant to these authorities would enable the Directors to issue shares for cash and/or to sell equity securities held as treasury shares to take advantage of changes in market conditions that may arise, in order to increase the amount of the Company's issued share capital. The purpose of such an increase would be to improve the liquidity of the market in the Company's shares and to spread the fixed costs of administering the Company over a wider base. The Directors believe that this would increase the investment attractions of the Company to the benefit of existing shareholders. No issue of shares and/or sale of shares held in treasury would be made which would dilute the net asset value per Ordinary Share of existing shareholders.

Resolution 12, if passed, will give the Directors power to allot for cash Ordinary Shares of the Company and to sell Ordinary Shares out of treasury up to a maximum nominal amount of £36,970 (being an amount representing 5 per cent of the total issued ordinary share capital of the Company as at the date of this report) without the application of the pre-emption rights described above. The calculation of the above figure is in accordance with the limits laid down by the Investment Protection Committee guidelines, and the Directors will not use the authority other than in accordance with the above guidelines.

The authorities contained in resolutions 11 and 12 will continue until the Annual General Meeting of the Company in 2020, and the Directors envisage seeking renewal of these authorities in 2020 and in each succeeding year, subject to such renewals again being in accordance with the above guidelines.

### Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Shares expires at the end of the Annual General Meeting and resolution 13, as set out in the Notice of the Annual General Meeting, seeks renewal of such authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued Ordinary Shares as at the date of the passing of the resolution (approximately 11.1 million Ordinary Shares). The price paid for shares will not be less than the nominal value of 1p per Ordinary Share nor more than the higher of (i) 5 per cent above the average of the middle market values of those shares for the five business days before the shares are purchased, (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent bid on that venue. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share of the Ordinary Shares and be in the interests of shareholders as a whole. Purchases would only be made for cash at a cost which is below the prevailing net asset value per share. Any shares purchased under this authority will be cancelled or held in treasury for future re-issue at a premium to the prevailing net asset value per share. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, where held in treasury, shares are treated as if they had been cancelled (for example they carry no voting rights and do not rank for dividends). The purpose of holding some shares in treasury is to allow the Company to re-issue these share quickly and cost effectively, thus providing the Company with greater flexibility.

### Recommendation

The Board considers that the passing of the resolutions to be proposed at the Annual General Meeting is in the interests of the Company and its shareholders as a whole and they unanimously recommend that shareholders vote in favour of those resolutions.

### Statement Regarding Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, the Directors consider that taken as a whole it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Accounts would have a reasonable level of knowledge of the investment industry in general and investment trusts in particular.

By order of the Board

BMO Asset Management (Holdings) PLC  
6th Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

5 April 2019

# Corporate Governance Statement

The Company is committed to high standards of corporate governance and accordingly adheres, in so far as they are relevant to an investment trust the requirements of the 2016 Corporate Governance Code ('the Code') of the Financial Reporting Council ('FRC'). The Association of Investment Companies issued its own Code of Corporate Governance ('the AIC Code') which can be found at [www.theaic.co.uk](http://www.theaic.co.uk). During July 2018, the Financial Reporting Council ('the FRC') issued a revised UK Corporate Governance Code ('the 2018 Code'). The AIC has issued its own revised Code ('the 2019 AIC Code'). Both codes are effective for accounting periods beginning on or after 1 January 2019. As a matter of good practice, the Company has adopted corporate governance arrangements which follow the general principles of the 2019 AIC Code. Significant differences in actual practice are detailed below.

Since all Directors are non-executive, the provisions on the role of the chief executive and on Directors' remuneration are not relevant to the Company (except in so far as they apply to non-executive Directors) and are therefore not reported on further.

In view of its non-executive nature and the requirement of the Articles of Association that all in accordance are subject to retirement by rotation, the Board does not consider it appropriate for the Directors to be appointed for a specified term. The Articles of Association require the Directors to retire by rotation at least every three years, and the Board has agreed that in accordance with the 2019 AIC Code all directors will retire annually. In addition, due to its size and non-executive nature, the Board does not consider it appropriate for a Senior Independent Director to be appointed.

The Board consists solely of non-executive Directors. Mark Tennant is the Chairman. All Directors are considered by the Board to be independent of the Manager. New Directors receive an induction from the Manager on joining the Board and all Directors are made aware of appropriate training courses.

During the year the performance of the Board, committees and individual Directors was evaluated through a discussion process led

by the Chairman. The performance of the Chairman was evaluated by the other Directors.

Amongst other considerations, the performance evaluation considered the balance of skills and diversity of the Board, as well as the Board's overall effectiveness. The Board believes it has an appropriate balance of skills and experience, length of service and knowledge of the Company. The Board does not consider that the use of external consultants to conduct this evaluation is likely to provide any meaningful advantage over the process adopted. But the option is kept under review.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 December 2018 and the number of meetings attended by each Director. In addition to these scheduled meetings, there was a further Board and Board committee meeting held during the year.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. No such advice was sought during the year. The Company maintains appropriate Directors' and Officers' liability insurance.

The basis on which the Company aims to generate value over the longer term is set out within the Business Model, Strategy and Policies on pages 9 to 11. The Company has no executive Directors or employees. A management agreement between the Company and its Manager (BMO Investment Business Limited) sets out the matters over which the Manager has authority and the limits above which Board approval must be sought. All other matters, including corporate strategy, investment and dividend policies, gearing, corporate governance procedures and risk management are reserved for the approval of the Board of Directors.

The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Board has direct access to the

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
<b>Mark Tennant</b>	4	4	2	2	1	1	1	1
<b>Elizabeth Kennedy</b>	4	4	2	2	1	1	1	1
<b>Douglas Kinloch Anderson</b>	4	4	2	2	1	1	1	1
<b>Swantje Conrad</b>	4	4	2	2	1	1	1	1
<b>Richard Gray</b>	4	4	2	2	1	1	1	1
<b>David Shaw</b>	4	4	2	2	1	1	1	1

company secretarial advice and services provided by BMO. The proceedings at all board meetings are fully recorded through a process that allows and Director's concerns to be recorded in the minutes. The Board has the power to appoint or remove the Company Secretary.

The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

The length of tenure of the Chairman is determined by reference to the 2019 AIC Code. The Board's policy on tenure of the Chairman is that continuity and experience are considered to add significantly to the strength of that role. As noted on page 25 the term of any non-executive director, including the Chairman, beyond six years is subject to rigorous review by the Board.

Throughout the year, a number of committees have been in operation. Those committees are the Audit Committee, the Management Engagement Committee, and the Nomination Committee. The committees operate within clearly defined terms of reference which are available for inspection on request at the Company's registered office.

### **Bribery Act**

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

### **Criminal Finances Act**

The Company is subject to the Criminal Finances Act 2017 and has adopted a policy designed to prevent tax evasion and its facilitation. The policy is based upon a risk assessment undertaken by the Board.

### **Audit Committee**

The Report of the Audit Committee is contained on pages 31 and 32.

### **Management Engagement Committee**

The Management Engagement Committee comprises all of the Directors and is chaired by Mark Tennant. The committee reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis. Details of the current management fee arrangements are provided in note 3.

### **Nomination Committee**

The Nomination Committee comprises all of the Directors and is chaired by Mark Tennant. It considers the level of Directors' fees at least annually and is also convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. Any appointments to the Board are based on merit, but in considering appointments, the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, diversity, including gender, independence and knowledge of the Company within the Board. The Directors have not set any measurable objectives in relation to the diversity of the Board.

### **Relations with Shareholders**

The Company welcomes the views of shareholders and places great importance on communications with them. The Manager holds meetings with the Company's largest shareholders and reports back to the Board on these meetings. The Board is also regularly briefed on shareholder attitudes by the Company's broker. The Chairman and other Directors are available to meet shareholders if required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company. The Annual Report and Notice of Annual General Meeting are sent to shareholders at least 20 working days before the meeting.

In accordance with the 2019 AIC Code, when votes of 20 per cent or more have been cast against a resolution at a General Meeting the Company will announce the actions it intends to take to consult Shareholders to understand the reasons behind the result. A further update will be published within six months. No such votes were received during 2018.

By order of the Board

BMO Asset Management (Holdings) PLC  
6th Floor  
Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG

5 April 2019

# Report of the Audit Committee

The members of the Audit Committee who served throughout the year ended 31 December 2018 were Elizabeth Kennedy, Swantje Conrad, Richard Gray, David Shaw and Mark Tennant. The committee is chaired by Elizabeth Kennedy. The duties of the committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the Auditor, Ernst & Young LLP ('EY'), including its independence and objectivity. It is also the forum through which EY reports to the Board of Directors. The Committee meets at least twice yearly including at least one meeting with EY.

The Audit Committee met on two occasions during the year and the attendance of each of the members is set out on page 29. In the course of its duties, the committee had direct access to EY and senior members of the Manager's fund management and investment trust teams. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- The annual results announcements, and annual and half-yearly reports and accounts;
- The accounting policies of the Company;
- The principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- The effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their re-appointment, remuneration and terms of engagement;
- The policy on the engagement of EY to supply non-audit services;
- The implications of proposed new accounting standards and regulatory changes;
- The receipt of an internal controls report from the Manager; and
- Whether the Annual Report and Accounts is fair, balanced and understandable.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 31 December 2018. At the conclusion of the audit EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 36 to 40.

Following the implementation of the Statutory Audit Amending Disclosure, with effect from 1 January 2017, EY, as the Company's auditor is no longer able to provide tax compliance and advisory services to the Company.

As part of the review of auditor independence and effectiveness, EY has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The appointment was last put out to tender in 2010. The Company is not required to change its auditor until after the audit in respect of the year ended 31 December 2022. It is the current intention of the Audit Committee not to change the auditor until then. The Audit Committee, from direct observation and enquiry of the Manager, remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. Following professional guidelines, the audit partner rotates after five years. The current audit partner is in the fourth year of his appointment. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

## Significant Issues Considered by the Audit Committee in Relation to the Financial Statements

Matter	Action
<p><b>Valuation of Unlisted Investments</b> The Company's portfolio is invested predominantly in unlisted securities. Errors in the valuation could have a material impact on the Company's net asset value per share.</p>	<p>The Company's accounting policy for valuing its unlisted investments is stated in note 1(e) to the financial statements. The Audit Committee reviewed and challenged the valuation prepared by the Manager, taking account of the latest available information about the Company's investments, the Manager's knowledge of underlying funds and current market information where appropriate. The Audit Committee satisfied itself that the investments were valued on a consistent basis with prior periods and in accordance with published industry guidelines and applicable accounting standards.</p>

**Significant Issues Considered by the Audit Committee in Relation to the Financial Statements (continued)**

Matter	Action
<p><b>Title to Unlisted Investments</b>                      If the Company did not have legal title to its unlisted investments this could have a material impact on its net asset value per share.</p>	<p>The Board receives quarterly reports from the depositary and on an annual basis the Audit Committee reviews the Manager’s AAF Report on its internal controls.</p>
<p><b>Calculation of Performance Fee</b>                      As disclosed in note 3 to the financial statements, the Manager is entitled to both a basic and performance related management fee. The entitlement to a performance fee is based on a number of criteria. Errors in its calculation could result in an overpayment or underpayment of fees to the Manager.</p>	<p>The Audit Committee reviews the Manager’s entitlement to a performance fee and also reviews the calculation of any performance fee provisions twice a year.</p>

**Internal Control**

The Board is responsible for the Company’s system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed.

The process is based principally on the Manager’s existing risk-based approach to internal control whereby a matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. These functions include the financial reporting process. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken.

A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by the Manager and other service providers. Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, its peer group and a broad equity market index. The Board also reviews the Company’s activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. Since its appointment in July

2014, the depositary has provided quarterly reports to the Board and carries out daily independent checks on cost and investment transactions, annually verifies asset ownership and has strict liability for the loss of the Company’s financial assets in respect of which it has safe keeping duties.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Manager, including its internal audit function, provide sufficient assurance that a sound system of internal control, which safeguards shareholders’ investments and the Company’s assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary but this decision will be kept under review.

Elizabeth Kennedy  
 Chairman of the Audit Committee  
 5 April 2019



# Directors' Remuneration Report

The Board consists solely of independent non-executive Directors. The Company has no executive Directors or employees. The Nomination Committee fulfils the function of a Remuneration Committee in addition to its nomination function, and is responsible for determining the level of Directors' fees.

Full details of the Company's policy with regards to Directors' fees and fees paid during the year ended 31 December 2018, are shown below.

Under company law, the Auditor is required to audit certain disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on pages 36 to 40.

## Nomination Committee

As stated above, the Nomination Committee fulfils the function of a Remuneration Committee in addition to its nomination function. The Nomination Committee consists of all non-executive Directors and is chaired by Mr Mark Tennant. The Board has appointed the Company Secretary, BMO Asset Management (Holdings) PLC, to provide information in advance of the Nomination Committee considering the level of Directors' fees.

## Directors' Remuneration Policy

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, Directors' time commitment, their responsibilities and skills and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives. There were no changes to the policy during the year. The Board reviews the remuneration of Directors annually.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 per annum and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The non-executive Directors are engaged under letters of appointment and do not have service contracts. Each Director has a letter of appointment setting out the terms and conditions of his or her appointment and such letters are available for inspection at the Company's registered office and immediately prior and during the Company's Annual General Meeting. The terms of appointment

provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after his or her appointment. Directors are thereafter obliged to retire by rotation and, if they wish, to offer themselves for re-election, at least every three years after that.

In accordance with the 2019 AIC Code all Directors, with the exception of Douglas Kinloch Anderson, will now seek re-appointment to the Board at the Annual General Meeting to be held on 23 May 2019 and at each meeting thereafter. Douglas Kinloch Anderson will retire from the Board at the conclusion of the 2019 Annual General Meeting.

There is no notice period and no provision for compensation upon termination of appointment.

## Future Policy Table

Based on the current levels of fees, Directors' remuneration for the forthcoming financial year would be as follows:

	2019* £	2018# £
<b>Mark Tennant (Chairman)</b>	<b>50,000</b>	45,000
<b>Swantje Conrad</b>	<b>33,000</b>	30,000
<b>Richard Gray</b>	<b>33,000</b>	30,000
<b>Elizabeth Kennedy</b>	<b>40,000</b>	35,000
<b>Douglas Kinloch Anderson<sup>1</sup></b>	<b>12,928</b>	30,000
<b>David Shaw</b>	<b>33,000</b>	30,000
<b>Total</b>	<b>201,928</b>	200,000

<sup>1</sup> Retiring from the Board 23 May 2019.

\* Directors' remuneration for the year ending 31 December 2019 based on current fee levels. Directors are not eligible for any other payments.

# Actual Directors' remuneration for the year ended 31 December 2018.

The Company has not received any views from its shareholders in respect of the levels of Directors' remuneration.

## Annual Report on Directors' Remuneration

### Directors' Emoluments for the Year (audited)

The Directors who served during the financial year received the following amounts for services as non-executive Directors as well as reimbursement for expenses necessarily incurred. No other forms of remuneration were paid during the year.

Fees for services to the Company (audited)						
Director	Fees (audited)		Taxable Benefits <sup>(1)</sup> (audited)		Total (audited)	
	2018	2017	2018	2017	2018	2017
<b>Mark Tennant (Chairman)</b>	<b>45,000</b>	45,000	<b>3,041</b>	2,831	<b>48,041</b>	47,831
<b>Swantje Conrad</b>	<b>30,000</b>	22,418	<b>2,674</b>	847	<b>32,674</b>	23,265
<b>Richard Gray</b>	<b>30,000</b>	23,240	<b>1,104</b>	2,369	<b>31,104</b>	25,609
<b>Elizabeth Kennedy</b>	<b>35,000</b>	35,000	<b>899</b>	233	<b>35,899</b>	35,233
<b>Douglas Kinloch Anderson</b>	<b>30,000</b>	30,000	<b>45</b>	222	<b>30,045</b>	30,222
<b>David Shaw</b>	<b>30,000</b>	30,000	<b>13</b>	165	<b>30,013</b>	30,165
<b>Total</b>	<b>200,000</b>	197,679	<b>7,776</b>	6,667	<b>207,776</b>	204,346

<sup>(1)</sup> Comprises amounts reimbursed for expenses incurred in carrying out business for the Company, which have been grossed up to include PAYE and NI contributions.

### Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	2018 £	2017 £	Change %
<b>Aggregate Directors' Remuneration</b>	<b>200,000</b>	197,679	1.2%
<b>Management and other expenses*</b>	<b>5,677,000</b>	5,430,000	4.5%
<b>Dividends paid to Shareholders</b>	<b>10,544,000</b>	9,908,000	6.4%

\*Includes Directors' remuneration.

### Directors' Shareholdings (audited)

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company were as follows:

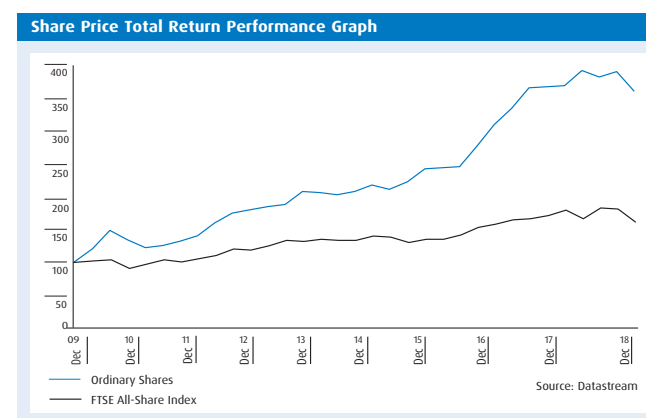
		31 December 2018 Ordinary Shares	31 December 2017 Ordinary Shares
<b>Mark Tennant (Chairman)</b>	Beneficial	<b>11,665</b>	11,665
<b>Swantje Conrad</b>	Beneficial	<b>9,978</b>	8,478
<b>Richard Gray</b>	Beneficial	<b>10,000</b>	10,000
<b>Elizabeth Kennedy</b>	Beneficial	<b>30,000</b>	30,000
<b>Douglas Kinloch Anderson</b>	Beneficial	<b>4,955</b>	4,955
<b>David Shaw</b>	Beneficial	<b>10,000</b>	10,000

On 31 January 2019 Swantje Conrad purchased 107 shares.

There have been no other changes in the Directors' interests in the shares of the Company between 31 December 2018 and 5 April 2019.

### Company Performance

The graph below compares, for the nine financial years ended 31 December 2018, the total return (assuming all dividends are reinvested) to shareholders compared to the total return on the FTSE All-Share Index. However, the Board recognises that the FTSE All-Share Index is not directly correlated with private equity investment.



### Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 24 May 2018, shareholders approved the Report on Directors' Remuneration for the year ended 31 December 2017. 99.4 per cent of votes were in favour of the resolution and 0.6 per cent were against.

An ordinary resolution for the approval of this Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting.

The remuneration policy of the Company is approved by Shareholders tri-annually. It was last approved by Shareholders at the Annual General Meeting held on 25 May 2017, 99.4 per cent of votes were in favour (30,185,376 votes) and 0.6 per cent of votes against (195,776 votes). A resolution to approve this policy will be agenda item of the 2020 Annual General Meeting of the Company

On behalf of the Board

Mark Tennant, Chairman  
5 April 2019

# Statement of Directors' Responsibilities

## Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for preparing the Report and Accounts, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report and Accounts is published on the [bmoprivateequitytrust.com](http://bmoprivateequitytrust.com) website, which is maintained by BMO. The Directors are responsible for the maintenance and integrity of the Company's website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors listed on page 24 confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy

On behalf of the Board

Mark Tennant  
Chairman

5 April 2019

# Independent Auditor's Report

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## Independent Auditor's Report to the Members of BMO Private Equity Trust PLC

### Opinion

We have audited the financial statements of BMO Private Equity Trust PLC (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 10 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 11 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 27 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 11 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### Overview of our Audit Approach

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Key audit matters	<ul style="list-style-type: none"><li>• Risk of incorrect valuation and defective title to the investment portfolio</li><li>• Risk of incorrect calculation of the performance fee</li></ul>
Materiality	<ul style="list-style-type: none"><li>• Overall materiality of £2.86m which represents 1% of shareholders' funds (2017: £2.64m)</li></ul>

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of incorrect valuation and defective title to the investment portfolio</b> (per the Audit Committee report set out on pages 31 and 32 and the accounting policy set out on page 46).</p> <p>The valuation of the investment portfolio at 31 December 2018 was £295.24m (2017: £266.54m) consisting primarily of private equity funds and co-investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title of the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>In accordance with the Company's accounting policy, all investments are classified as fair value through profit or loss. Unlisted investments are fair valued by the Directors and determined in accordance with the International Private Equity and Venture Capital Association ("IPEVCA") guidelines. The guidelines are also followed in respect of the marketability discounts applied to unlisted investments.</p> <p>The valuation of the unlisted investments is the area requiring the most significant judgement and estimation in the preparation of the financial statements.</p>	<p><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the Manager's processes and controls surrounding investment valuation by performing our walkthrough procedures to evaluate the design and implementation of controls.</p> <p>For a sample of private equity funds:</p> <ul style="list-style-type: none"> <li>We agreed the valuation of private equity funds to the statements received from the underlying general partner.</li> <li>We assessed that the framework of reporting from the underlying funds is consistent with the IPEVCA guidelines.</li> <li>We reviewed and tested any adjustments made by management to the valuations provided by the underlying general partners.</li> </ul> <p>For a sample of co-investments:</p> <ul style="list-style-type: none"> <li>We reviewed the direct investment valuations and assessed their compliance with the valuation principles of the IPEVCA Guidelines and IFRS 13.</li> <li>We discussed the valuations with the Manager, considering areas requiring most judgement.</li> <li>We obtained and assessed evidence for inputs into the valuation models (e.g. relevant earnings, portfolio company structure and relevant comparative multiples).</li> </ul> <p>For all private equity funds and co-investments;</p> <ul style="list-style-type: none"> <li>We reviewed the commentary on the remaining investments in the portfolio (outside the sample selected) for any apparent valuation anomalies</li> <li>We reviewed the valuation movements during the year with reference to the distributions and drawdowns which were subsequently agreed to bank statements, on a sample basis.</li> <li>For those investments held in foreign currencies, we have assessed that the appropriate exchange rates have been applied.</li> <li>We requested independent confirmations from the underlying investment managers to confirm existence of the investments held.</li> </ul>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title of the unlisted investment portfolio.</p>

### Our Assessment of Risk of Material Misstatement (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of incorrect calculation of the performance fee</b> (per the Audit Committee report set out on page 32 and the accounting policy set out on page 46).</p> <p>The performance fee amounted to £2.28m for the year ended 31 December 2018 (2017: £2.04m)</p> <p>The performance fees payable by the Company for investment management services are a significant component of the Company's cost base and, therefore impacts the Company's total return.</p> <p>If the performance fee is not calculated in accordance with the methodology prescribed in the investment management agreement ('IMA') this could have a significant impact on both costs and overall performance.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the Administrator's processes and controls surrounding the performance fee calculation.</p> <p>We recalculated the performance fee payable for the year ended 31 December 2018, with reference to the methodology prescribed in the IMA</p> <p>We validated all key external inputs used in the calculation to our audited financial information, the IMA and to external information produced by data vendors.</p> <p>We considered whether there were any areas of interpretation of the performance fee that we were required to discuss with the Manager or Audit Committee.</p>	<p><b>The results of our procedures are:</b></p> <p>We have no issues to communicate with respect to our procedures performed over the risk of incorrect calculation of the performance fee.</p>

There have been no changes to the areas of key focus raised in the above risk table from the prior year.

### An overview of the scope of our audit

#### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

#### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.86m (2017: £2.64m) which is 1% of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

#### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.14m (2017: £1.98m).

#### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.14m (2017: £0.13m) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 35** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 31 and 32** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 29 and 30** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited 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.

### Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are IFRS, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company on 21 January 1999 to audit the financial statements for the year ending 31 December 2000 and subsequent financial periods.  
The period of total uninterrupted engagement is 19 years, covering periods the years ending 31 December 2000 to 31 December 2018.
- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

### Use of our report

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.

Ashley Coups (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
5 April 2019

#### Notes:

1. The maintenance and integrity of the BMO Private Equity Trust PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Statement of Comprehensive Income

For the year ended 31 December 2018						
Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
<b>Income</b>						
9	-	36,966	36,996	-	21,216	21,216
	-	35	35	-	(1,019)	(1,019)
2	2,340	-	2,340	1,422	-	1,422
2	81	-	81	51	-	51
<b>Total income</b>	<b>2,421</b>	<b>37,001</b>	<b>39,422</b>	<b>1,473</b>	<b>20,197</b>	<b>21,670</b>
<b>Expenditure</b>						
3	(660)	(1,980)	(2,640)	(641)	(1,922)	(2,563)
3	-	(2,277)	(2,277)	-	(2,037)	(2,037)
4	(760)	-	(760)	(830)	-	(830)
<b>Total expenditure</b>	<b>(1,420)</b>	<b>(4,257)</b>	<b>(5,677)</b>	<b>(1,471)</b>	<b>(3,959)</b>	<b>(5,430)</b>
<b>Profit before finance costs and taxation</b>						
	1,001	32,744	33,745	2	16,238	16,240
5	(428)	(1,286)	(1,714)	(428)	(1,283)	(1,711)
<b>Profit/(loss) before taxation</b>	<b>573</b>	<b>31,458</b>	<b>32,031</b>	<b>(426)</b>	<b>14,955</b>	<b>14,529</b>
6	(109)	109	-	-	-	-
<b>Profit/(loss) for year/total comprehensive income</b>	<b>464</b>	<b>31,567</b>	<b>32,031</b>	<b>(426)</b>	<b>14,955</b>	<b>14,529</b>
<b>Return per Ordinary Share</b>						
8	0.63p	42.69p	43.32p	(0.58)p	20.23p	19.65p
8	0.63p	42.69p	43.32p	(0.58)p	20.23p	19.65p

The total column of this financial statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with IFRS. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above financial statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The accompanying notes are an integral part of the above financial statement.

# Balance Sheet

As at 31 December 2018			
Notes	2018 £'000	2017 £'000	
<b>Non-current assets</b>			
9	Investments at fair value through profit or loss	295,242	266,536
		295,242	266,536
<b>Current Assets</b>			
11	Other receivables	142	232
12	Cash and cash equivalents	21,335	26,765
		21,477	26,997
<b>Current liabilities</b>			
13	Other payables	(4,267)	(3,081)
14	Interest-bearing bank loan	(26,821)	-
		(31,088)	(3,081)
<b>Net current (liabilities)/assets</b>			
		(9,611)	23,916
<b>Total assets less current liabilities</b>			
		285,631	290,452
<b>Non-current liabilities</b>			
14	Interest-bearing bank loan	-	(26,308)
<b>Net assets</b>			
		285,631	264,144
<b>Equity</b>			
15	Called-up ordinary share capital	739	739
	Share premium account	2,527	2,527
	Special distributable capital reserve	15,040	15,040
	Special distributable revenue reserve	31,403	31,403
	Capital redemption reserve	1,335	1,335
	Capital reserve	234,587	213,100
	Revenue reserve	-	-
<b>Shareholders' funds</b>			
		285,631	264,144
8	<b>Net asset value per Ordinary Share</b>	<b>386.29p</b>	357.23p

The financial statements were approved and authorised for issue by the Board of Directors on 5 April 2019, and signed on its behalf by:



**Mark Tennant**

Director

The accompanying notes are an integral part of the above financial statement.

# Statement of Changes in Equity

For the year ended 31 December 2018								
Notes	Share Capital £'000	Share Premium Account £'000	Special Distributable Capital Reserve £'000	Special Distributable Revenue Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
<b>For the year ended 31 December 2018</b>								
	739	2,527	15,040	31,403	1,335	213,100	-	264,144
	-	-	-	-	-	31,567	464	32,031
7	-	-	-	-	-	(10,080)	(464)	(10,544)
	<b>739</b>	<b>2,527</b>	<b>15,040</b>	<b>31,403</b>	<b>1,335</b>	<b>234,587</b>	<b>-</b>	<b>285,631</b>
<b>For the year ended 31 December 2017</b>								
	739	2,527	15,040	31,403	1,335	203,679	4,800	259,523
	-	-	-	-	-	14,955	(426)	14,529
7	-	-	-	-	-	(5,534)	(4,374)	(9,908)
	<b>739</b>	<b>2,527</b>	<b>15,040</b>	<b>31,403</b>	<b>1,335</b>	<b>213,100</b>	<b>-</b>	<b>264,144</b>

The accompanying notes are an integral part of the above financial statement.

# Statement of Cash Flows

For the year ended 31 December 2018		
Notes	2018 £'000	2017 £'000
<b>Operating activities</b>		
Profit before taxation	32,031	14,529
Adjustments for:		
9 (Gains)/losses on disposals of investments	(41,549)	(32,637)
9 Decrease in holding gains	4,583	11,421
Exchange differences	(35)	1,019
Interest income	(81)	(51)
Interest received	81	51
Investment income	(2,340)	(1,422)
Investment income received	2,340	1,422
Finance costs	1,714	1,711
(Increase)/decrease in other receivables	(2)	1
Increase in other payables	999	26
<b>Net cash outflow from operating activities</b>	<b>(2,259)</b>	<b>(3,930)</b>
<b>Investing activities</b>		
Purchases of investments	(71,909)	(69,546)
Sales of investments	80,261	63,068
<b>Net cash inflow/(outflow) from investing activities</b>	<b>8,352</b>	<b>(6,478)</b>
<b>Financing activities</b>		
Interest paid	(1,310)	(1,497)
7 Equity dividends paid	(10,544)	(9,908)
<b>Net cash outflow from financing activities</b>	<b>(11,854)</b>	<b>(11,405)</b>
Net decrease in cash and cash equivalents	(5,761)	(21,813)
Currency gains	331	3
<b>Net decrease in cash and cash equivalents</b>	<b>(5,430)</b>	<b>(21,810)</b>
Opening cash and cash equivalents	26,765	48,575
<b>Closing cash and cash equivalents</b>	<b>21,335</b>	<b>26,765</b>

The accompanying notes are an integral part of the above financial statement.

# Notes to the Financial Statements

## 1 Accounting policies

A summary of the significant accounting policies adopted is set out below.

### (a) Basis of accounting

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The principal accounting policies are set out below. Where presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ('SORP') issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further detail is contained in the Report of the Directors on page 27.

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standard has been adopted in the current year:

#### IFRS 9 Financial Instruments

In the current period the Company has adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application. Receivables that were previously measured at amortised cost under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Therefore, such instruments continue to be measured at amortised cost under IFRS 9. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. The Company has not designated any financial liabilities at fair value through profit or loss therefore this requirement has not had an impact on the Company. IFRS 9 requires the Company to record expected credit losses on all of its receivables, either on a 12 month or lifetime basis. As the Company has limited exposure to credit risk, this amendment has not had a material impact on the financial statements as the Company only holds receivables with no financing component that have maturities of 12 months or less. This requirement has not changed the carrying amounts of the Company's financial assets under IFRS 9. Therefore, there was no impact of adopting IFRS 9 for the Company.

The Company adopted IFRS 15 Revenue from Contracts with Customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

#### Standards issued but not yet effective

There are no standards or amendments to standards not yet effective that are relevant to the Company and should be disclosed

### (b) Income

Investment income is determined on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Overseas dividends are shown net of withholding tax. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserves. Other income which includes deposit interest is recognised on an accruals basis.

### 1 Accounting policies (continued)

#### (c) Expenses

Expenses are accounted for on an accruals basis.

During the year to 31 December 2018, the management fee and bank loan interest were allocated 75 per cent to capital and 25 per cent to revenue. In accordance with the Board's expected long-term split of returns in the form of capital gains and income, with effect from 1 January 2019 the allocation basis will be revised to 90 per cent to capital and 10 per cent to revenue.

All other expenses are charged to revenue with the exception of any performance fee (described in more detail in note 3) which is charged fully to capital.

Transaction costs incurred on the purchase and sale of investments are taken to the Statement of Comprehensive Income as a capital item.

#### (d) Reserves

- (i) Share Premium Account – the surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares is credited to this account. The nominal value of the shares issued is recognised in share capital.
- (ii) Special Distributable Capital Reserve – the Special Distributable Capital Reserve is available for the Company to return capital to shareholders and for buy back of shares.
- (iii) Special Distributable Revenue Reserve – the Special Distributable Revenue Reserve is available for the Company to return revenue to shareholders by way of special dividends and for buy back of shares.
- (iv) Capital Redemption Reserve – the nominal value of the Restricted Voting Shares bought back for cancellation were added to this reserve. This reserve is non-distributable.
- (v) Capital Reserve – holding gains and losses, gains and losses on the disposal of investments and exchange adjustments to overseas currencies are taken to the Capital Reserve together with the proportion of management fees, finance costs and taxation allocated to capital. Dividends paid may be deducted from accumulated realised capital profits recognised within this reserve.
- (vi) Revenue Reserve – the net profit/loss arising in the revenue column of the Statement of Comprehensive Income is added to this reserve. Dividends paid during the year may be deducted from this reserve.

#### (e) Investments

Investments are classified as fair value through profit or loss at initial recognition and are recognised on trade date. Investments are measured initially and at subsequent reporting dates at fair value. For listed investments this is closing bid price. Unlisted investments are fair valued by the Directors and determined in accordance with the International Private Equity and Venture Capital Valuation guidelines. The guidelines are also followed in respect of the marketability discounts applied to unlisted investments. Investments held in foreign currencies are translated at the rates of exchange ruling on the balance sheet date. Purchases and sales of investments are recognised at the trade date of the transaction. Gains and losses arising from the changes in fair value are included in net profit for the year as a capital item. Gains and losses on investments recognised in the Statement of Comprehensive Income are not net of dividend distributions received from underlying investments.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 10, described as follows, based on the lowest significant applicable input:

**Level 1** reflects financial instruments quoted in an active market.

**Level 2** reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

**Level 3** reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

For investments that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest significant applicable input) at the date of the event that caused the transfer.

## 1 Accounting policies (continued)

### (f) Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Non-monetary fixed assets held at fair value through profit and loss and denominated in foreign currencies are reported at the rates of exchange prevailing when the fair value was assessed. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in either the capital or revenue column of the Statement of Comprehensive Income depending on whether the gain or loss is of a capital or revenue nature respectively.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the Statement of Comprehensive Income as part of the 'Gains on investments held at fair value'. Exchange differences on other financial instruments are included in profit or loss in the Statement of Comprehensive Income as 'Exchange losses'.

Rates of exchange at 31 December	2018	2017
Euro	1.11410	1.12650
US Dollar	1.27360	1.35275
Norwegian Krone	11.02840	11.06464
Swedish Krona	11.29152	11.07555
Swiss Franc	1.25550	1.31820

### (g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are 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.

Investment trusts which have approval under section 1158 Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (h) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at banks and overnights deposits.

### (i) Interest-bearing borrowings

All borrowings are initially recognised at cost, being fair value of the consideration received, net of arrangement costs associated with the borrowings. After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

### (j) Use of judgements, estimates and assumptions

The presentation of the financial statements in accordance with accounting standards requires the Board to make judgements, estimates and assumptions that affect the accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on perceived risks, historical experience, expectations of plausible future events and other factors. The nature of the estimations means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The area requiring the most significant judgement and estimation in the preparation of the financial statements is accounting for the value of unquoted investments. The policy for valuation of unquoted investments is set out in note 1(e) and further information on Board procedures is contained in the Report of the Audit Committee and note 10.

## 2 Income

	31 December 2018 £'000	31 December 2017 £'000
Investment income	2,340	1,422
<b>Other income</b>		
Deposit interest	81	51
	<b>2,421</b>	<b>1,473</b>

## 3 Investment management fee

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Investment management fee – basic fee	660	1,980	2,640	641	1,922	2,563
Investment management fee – performance fee	–	2,277	2,277	–	2,037	2,037
Total	660	4,257	4,917	641	3,959	4,600

The Company's investment manager is BMO Investment Business Limited ('the Manager').

Throughout the year the Manager was entitled to a basic management fee payable quarterly in arrears, of 0.9 per cent per annum of the relevant assets of the Company (2017: 0.9 per cent). For the purposes of the basic management fees, the 'relevant' assets are the net assets plus the amount of any long-term borrowings undertaken for the purpose of investment but excluding the value of any investment in any fund which is managed by the Manager or an associate of the Manager.

The Manager is also entitled to an annual performance fee if the internal rate of return per Ordinary Share over the relevant performance period (based on the net asset values per Ordinary Share at the beginning and end of that period, before accruing for any performance fee, and the dividends paid and other distributions made per Ordinary Share during that period) exceeds 8 per cent per annum (the "performance hurdle"). The performance fee is also subject to a "high water mark" such that the aggregate of the net asset value per Ordinary Share at the end of the relevant performance period, before accruing for any performance fee, and the dividends paid and other distributions made per Ordinary Share since 31 December 2017 (the end of the last period in respect of which a performance fee was paid) must exceed the audited diluted net asset value of 357.23p per Ordinary Share as at 31 December 2017 (the net asset value per Ordinary Share (fully diluted) at the end of the last period in respect of which a performance fee was paid, after accruing for that performance fee).

If the above conditions are satisfied in respect of a performance period, the performance fee will be equal to 7.5 per cent of the annualised increase in the net asset value per Ordinary Share (calculated using the internal rate of return per Ordinary Share) over that period multiplied by the time-weighted average number of Ordinary Shares in issue (excluding any shares held in treasury) during that period, provided that such performance fee will be reduced to such amount as may be necessary to ensure that (i) both the performance hurdle and the high water mark would still be satisfied if calculated based on the net asset value per Ordinary Share at the end of that period after accruing for the performance fee and (ii) the aggregate basic management and performance fees do not exceed 2 per cent per annum of the Company's net asset value. The performance period is the 36 month period ending on 31 December in the year in respect of which the performance fee may be payable.

The management agreement between the Company and the Manager may be terminated at any time by either party giving six months' notice of termination. The management agreement can be terminated by the Company by written notice with immediate effect and no compensation being payable, if, inter alia, the Manager ceases to be an authorised person under the Financial Services and Markets Act 2000, or becomes insolvent, is wound up, has a receiver appointed over the whole or a substantial part of its assets or is liquidated. In the event that the Company terminates the agreement otherwise than in accordance with the management agreement, the Manager is entitled to receive a compensation payment. The compensation sum shall be an amount equal to 0.9 per cent of the net asset value of the Company as calculated at the business day prior to such termination becoming effective reduced pro rata in respect of any period of notice actually given from the date of receipt by the Manager of such notice to the effective date of termination.

During the year the Manager, also received a secretarial and administrative fee of £142,000 (2017: £140,000), which is subject to increases in line with the Consumer Price Index.



#### 4 Other expenses

	2018 £'000	2017 £'000
Auditor's remuneration for:		
– statutory audit of the financial statements	34	33
Directors' fees	200	198
Legal fees	17	11
Printing and postage	30	29
Registrars fees	20	19
Secretarial and administrative fee	142	140
Irrecoverable VAT	70	75
Other	247	325
	<b>760</b>	<b>830</b>

#### 5 Finance costs

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Interest payable on bank loans	428	1,286	1,714	428	1,283	1,711

#### 6 Taxation on ordinary activities

##### (a) Analysis of charge for the year

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
UK corporation tax	(109)	109	–	–	–	–

##### (b) Reconciliation of taxation for the year

The taxation charge for the year is 19.00 per cent (2017: 19.25 per cent). The table below provides a reconciliation of the respective charges.

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
(Loss)/profit before tax	573	31,458	32,031	(426)	14,955	14,529
Corporation tax at standard rate of 19.00 per cent (2017: 19.25 per cent)	109	5,977	6,086	(82)	2,879	2,797
Effects of:						
Non taxable capital gains	–	(7,030)	(7,030)	–	(3,888)	(3,888)
Non taxable dividend income	(37)	–	(37)	(39)	–	(39)
Non deductible expenditure	–	–	–	11	–	11
Unutilised expenses	(181)	1,162	981	110	1,009	1,119
	<b>(109)</b>	<b>109</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

At 31 December 2018, there was an unrecognised deferred tax asset of £4,559,000 in respect of unutilised losses carried forward (2017: £3,723,000).

## 7 Dividends

	2018 £'000	2017 £'000
<b>Amounts recognised as distributions to shareholders in the year:</b>		
Final Ordinary Share dividend of 6.48p for the year ended 31 December 2016	-	4,791
Interim Ordinary Share dividend of 6.92p for the year ended 31 December 2017	-	5,117
Quarterly Ordinary Share dividend of 3.55p per share for the quarter ended 30 September 2017	2,624	-
Quarterly Ordinary Share dividend of 3.57p per share for the quarter ended 31 December 2017	2,640	-
Quarterly Ordinary Share dividend of 3.57p per share for the quarter ended 31 March 2018	2,640	-
Quarterly Ordinary Share dividend of 3.57p per share for the quarter ended 30 June 2018	2,640	-
	<b>10,544</b>	9,908
<b>Amounts relating to the year but not paid at the year end:</b>		
Interim Ordinary Share dividend of 3.55p for the year ended 31 December 2017	-	2,625
Interim Ordinary Share dividend of 3.57p for the year ended 31 December 2017	-	2,640
Quarterly Ordinary Share dividend of 3.58p per share for the quarter ended 30 September 2018	2,647	-
Quarterly Ordinary Share dividend of 3.65p per share for the quarter ended 31 December 2018*	2,699	-
	<b>5,346</b>	5,265

The third and fourth quarterly dividends were paid from the Company's revenue and capital reserves.

\* Based on 73,941,429 Ordinary Shares in issue at 5 April 2019.

### Special dividends

There were no special dividends paid during the year ended 31 December 2018 and 31 December 2017.

## 8 Returns and net asset values

	2018	2017
The returns and net asset values per share are based on the following figures:		
Revenue return	£464,000	(£426,000)
Capital return	£31,567,000	£14,955,000
Net assets attributable to shareholders	£285,631,000	£264,144,000
Number of shares in issue at end of year	73,941,429	73,941,429
Weighted average number of shares in issue during year – Basic	73,941,429	73,941,429
Weighted average number of shares in issue during year – Fully diluted	73,941,429	73,941,429

	Revenue	Capital	2018 Total	Revenue	Capital	2017 Total
Return per Ordinary Share – Basic	0.63p	42.69p	43.32p	(0.58)p	20.23p	19.65p
Return per Ordinary Share – Fully diluted	0.63p	42.69p	43.32p	(0.58)p	20.23p	(0.58)p

	2018	2017
Net asset value per Ordinary Share – Basic	386.29p	357.23p

Returns per share are calculated on the weighted average number of shares in each class in issue during the year. Net asset values per share are calculated on the number of shares in each class in issue at the year end. During the year ended 31 December 2018, the Company issued nil Ordinary Shares (31 December 2017: nil).

## 9 Investments

	Listed £'000	Unlisted £'000	2018 Total £'000	Listed £'000	Unlisted £'000	2017 Total £'000
Cost at beginning of year	2,316	216,399	218,715	1,746	178,061	179,807
Movements during the year:						
Purchases	-	71,794	71,794	-	69,339	69,339
Sales	-	(80,054)	(80,054)	-	(63,068)	(63,068)
Gains on investments sold	-	41,549	41,549	-	32,637	32,637
In specie distribution	-	-	-	570	(570)	-
Cost at end of the year	2,316	249,688	252,004	2,316	216,399	218,715
Holding (losses)/gains	(1,687)	44,925	43,238	(1,360)	49,181	47,821
Valuation at end of year	629	294,613	295,242	956	265,580	266,536
			2018 £'000			2017 £'000
Gains on investments sold			41,549			32,637
Decrease in holding gains			(4,583)			(11,421)
Gains on investments			36,966			21,216

Unlisted investments are valued in accordance with the policies set out in note 1(e). It is in the nature of Private Equity and similar unquoted investments that they may be loss making, with no certainty of survival, and that they may prove difficult to realise. The concept of "fair value" as applied to such investments is not precise and their ultimate realisation may be at a value materially different from that reflected in the accounts. Further details on the valuation process in respect of Private Equity investments can be found in note 10.

During the year the Company incurred transaction costs on purchases and sales of investments of £nil (2017: £nil).

## 10 Fair value of assets and liabilities

### Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2017 Total £'000
<b>Financial assets</b>								
Investments	629	-	294,613	295,242	956	-	265,580	266,536
<b>Financial liabilities</b>								
Interest-bearing bank loan	-	(26,932)	-	(26,932)	-	(26,643)	-	(26,643)

There were no transfers between levels in the fair value hierarchy in the year ended 31 December 2018 (2017: none).

### Valuation techniques and processes

#### Listed equity investments

Quoted fixed asset investments held are valued at bid prices which equate to their fair values. When fair values of publicly traded equities are based on quoted market prices in an active market without any adjustments, the investments are included within Level 1 of the hierarchy.

## 10 Fair value of assets and liabilities (continued)

### Unlisted equity investments

The Company invests primarily in private equity funds and co-investments via limited partnerships or similar fund structures. Such vehicles are mostly unquoted and in turn invest in unquoted securities. The fair value of a holding is based on the Company's share of the total net asset value of the fund or share of the valuation of the co-investment calculated by the lead private equity manager on a quarterly basis.

The lead private equity manager derives the net asset value of a fund from the fair value of underlying investments. The fair value of these underlying investments and the Company's co-investments is calculated using methodology which is consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEG'). In accordance with IPEG these investments are generally valued using an appropriate multiple of maintainable earnings, which has been derived from comparable multiples of quoted companies or recent transactions. The BMO private equity team has access to the underlying valuations used by the lead private equity managers including multiples and any adjustments. The BMO private equity team generally values the Company's holdings in line with the lead managers but may make adjustments where they do not believe the underlying managers' valuations represent fair value.

On a quarterly basis, the BMO private equity team present the valuations to the Board. This includes a discussion of the major assumptions used in the valuations, which focuses on significant investments and significant changes in the fair value of investments. If considered appropriate, the Board will approve the valuations.

### Interest-bearing bank loan

The interest-bearing bank loan is recognised in the Balance Sheet at amortised cost in accordance with IFRS. The fair value of the loan, on a marked to market basis was £26,931,615 at 31 December 2018 (2017: £26,643,000). The fair value is calculated using a discounted cash flow technique based on relevant current interest rates.

### Significant unobservable inputs for Level 3 valuations

The Company's unlisted investments are all classified as Level 3 investments. The fair values of the unlisted investments have been determined principally by reference to earnings multiples, with adjustments made as appropriate to reflect matters such as the sizes of the holdings and liquidity. The weighted average earnings multiple for the portfolio as at 31 December 2018 was 8.9 times EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) (2017: 8.7 times EBITDA).

The significant unobservable input used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are shown below:

Input	Sensitivity used*	Effect on fair value £'000
<b>31 December 2018</b>		
Weighted average earnings multiple	1x	47,620
<b>31 December 2017</b>		
Weighted average earnings multiple	1x	48,287

\*The sensitivity analysis refers to an amount added or deducted from the input and the effect this has on the fair value of the Company's direct and indirect unlisted investments.

The fair value of the Company's unlisted investments is sensitive to changes in the assumed earnings multiples. The managers of the underlying funds assume an earnings multiple for each holding. An increase in the weighted average earnings multiple would lead to an increase in the fair value of the investment portfolio and a decrease in this multiple would lead to a decrease in the fair value.

### Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the year:

	2018 £'000	2017 £'000
Balance at beginning of year	265,580	238,505
Purchases	71,794	69,339
Sales	(80,054)	(63,068)
Gains on disposal	41,549	32,637
In specie distribution	-	(570)
Holding losses	(4,256)	(11,263)
Balance at end of year	294,613	265,580

The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet.

**11 Other receivables**

	<b>2018</b> <b>£'000</b>	2017 £'000
Investment debtors	<b>115</b>	207
Other debtors	<b>27</b>	25
	<b>142</b>	232

**12 Cash and cash equivalents**

	<b>2018</b> <b>£'000</b>	2017 £'000
Cash at banks and on hand	<b>425</b>	815
Short-term deposits	<b>20,910</b>	25,950
	<b>21,335</b>	26,765

**13 Current liabilities**

<b>Other payables</b>	<b>2018</b> <b>£'000</b>	2017 £'000
Interest accrued	<b>430</b>	243
Due to Manager	<b>3,642</b>	2,683
Accrued expenses	<b>195</b>	155
	<b>4,267</b>	3,081

**14 Interest-bearing bank loan**

On 30 June 2014 the Company entered into a five year €30 million term loan agreement and a £45 million multi-currency revolving credit facility agreement ('RCF'). The €30 million term loan was fully drawn throughout the year. The current borrowing facility will mature on 30 June 2019.

None of the RCF was drawn down at 31 December 2018 (31 December 2017: £nil drawdown). The amount of undrawn RCF at 31 December 2018 which is available for future operating activities and settling capital commitments is £45 million.

Interest rate margins on the amount drawn down are variable and are dependent upon commercial terms agreed with the bank. Commitment commissions are payable on undrawn amounts at commercial rates.

	<b>31 December</b> <b>2018</b> <b>£'000</b>	31 December 2017 £'000
Opening balance	<b>26,308</b>	25,070
Amortisation of set up costs	<b>215</b>	215
Non-cash foreign currency movements	<b>298</b>	1,023
Closing balance	<b>26,821</b>	26,308

Interest payable on bank loans is shown in note 5 and loan interest accrued in note 13.

Under the covenants which relate to the facility, the Company is required to ensure that at all times:

- the total borrowings of the Company do not exceed 25 per cent of the adjusted portfolio value;
- outstanding uncalled commitments expressed as a percentage of net asset value do not exceed 70 per cent;
- outstanding uncalled commitments forecast to be called during the three month period following a covenant test date do not exceed the available funds; and
- the net asset value is not less than £140 million.

The Company met all covenant conditions during the year.

### 15 Share capital

#### Equity share capital

	31 December 2018 £'000	31 December 2017 £'000
Equity share capital:		
Opening balance of Ordinary Shares of 1p each in issue	739	739
Issue of Ordinary Shares of 1p each	-	-
73,941,429 Ordinary Shares of 1p each in issue	739	739

During the year ended 31 December 2018, the Company issued nil Ordinary Shares (2017: nil).

#### Capital management

The Company's capital is represented by its issued share capital, share premium account, special distributable capital reserve, special distributable revenue reserve, capital redemption reserve, capital reserve and revenue reserve.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Business Model, Strategy and Policies.

### 16 Financial instruments

The Company's financial instruments comprise equity investments, cash balances, a bank loan and liquid resources including debtors and creditors. As an investment trust, the Company holds a portfolio of financial assets in pursuit of its investment objective. From time to time the Company may make use of borrowings to fund outstanding commitments and achieve improved performance in rising markets. The downside risk of borrowings may be reduced by raising the level of cash balances held.

The sensitivity calculations given in this note are based on positions at the respective balance sheet dates and are not representative of the year as a whole.

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market price risk, interest rate risk, liquidity and funding risk, credit risk and foreign currency risk.

#### Market price risk

The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined on page 9. The management of market price risk is part of the investment management process and is typical of private equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 19 to 23. Investments in unquoted stocks, by their nature, involve a higher degree of risk than investments in the listed market. Some of that risk can be, and is, mitigated by diversifying the portfolio across geographies, business sectors and asset classes, and by having a variety of underlying private equity managers. New private equity managers are only chosen following a rigorous due diligence process. The Company's overall market positions are monitored by the Board on a quarterly basis. The effect on the portfolio of a 10% increase or decrease in the GBP denominated portfolio as at the year-end would have resulted in an increase or decrease of £29,524,200.

#### Interest rate risk

Some of the Company's financial assets are interest bearing and, as a result, the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

When the Company retains cash balances the majority of the cash is held in deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency.

## 16 Financial instruments (continued)

### Interest rate risk (continued)

The Company held the following floating rate instruments at the year-end:

	2018 £'000	2018 average interest rate	2018 average period until maturity	2017 £'000	2017 average interest rate	2017 average period until maturity
Cash and cash equivalents	21,335	0.6%	n/a	26,765	0.3%	n/a
Interest-bearing bank loan	(26,821)	2.9%	0.5 years	(26,308)	2.9%	1.50 years

An increase of 25 basis points in interest rates as at 31 December 2018 would have increased loan interest payable, increased interest income receivable and decreased the total profit for the year by £13,982 (2017: increased loan interest payable, increased interest income receivable and increased the total profit by £335). A decrease of 25 basis points would have had an equal but opposite effect.

### Liquidity and funding risk

The Company's financial instruments include investments in unlisted equity investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, including the need to meet outstanding undrawn commitments or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

Capital commitments in respect of outstanding calls on investments at 31 December 2018 amounted to £130,928,000 (2017: £123,389,000). Of these outstanding commitments, at least £16 million (2017: £18 million) is to funds where the investment period has ended and the Manager would expect very little of this to be drawn. The outstanding undrawn commitments remaining within their investment periods are regularly monitored by the Manager using a cashflow model and will be funded using cash, the revolving credit facility and realised capital gains from more mature funds which are distributing cash back to the Company.

The Company's listed securities are considered to be readily realisable.

The Company's liquidity risk is managed on an ongoing basis by the Manager in accordance with policies and procedures in place as described on pages 9 and 10. The Company's overall liquidity risks are currently monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses.

### Contractual maturity analysis for financial liabilities

#### As at 31 December 2018

	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
<b>Liabilities</b>					
Other creditors	1,923	67	2,277	-	4,267
Interest-bearing bank loan	-	120	27,168	-	27,288
Total liabilities	1,923	187	29,445	-	31,555

#### As at 31 December 2017

	One month £'000	Between one and three months £'000	Between three and twelve months £'000	Between one and five years £'000	Total £'000
<b>Liabilities</b>					
Other creditors	333	65	2,683	-	3,081
Interest-bearing bank loan	-	123	600	26,991	27,714
Total liabilities	333	188	3,283	26,991	30,795

## 16 Financial instruments (continued)

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date, hence no separate disclosure is required.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	<b>2018</b> <b>£'000</b>	2017 £'000
Cash and cash equivalents	<b>21,335</b>	26,765
Interest and other receivables	<b>27</b>	25
	<b>21,362</b>	26,790

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Manager monitors the quality of service provided by the brokers used to further mitigate this risk.

All the listed assets of the Company (which are traded on a recognised exchange) are held by JPMorgan Chase Bank, the Company's custodian. The Company has an ongoing contract with the Custodian for the provision of custody services. The contract was reviewed and updated in 2014. Details of securities held in custody on behalf of the Company are received and reconciled monthly. The Depository has regulatory responsibilities relating to segregation and safe keeping of the Company's financial assets, amongst other duties, as set out in the Directors' Report. The Board has direct access to the Depository and receives regular reports from it via the Manager.

To the extent that the Manager carries out management and administrative duties (or causes similar duties to be carried out by third parties) on the Company's behalf, the Company is exposed to counterparty risk. The Board assesses this risk continuously through regular meetings with the management of BMO (including the Fund Manager) and with BMO's Risk Management function. In reaching its conclusions, the Board also reviews BMO's annual Audit and Assurance Faculty Report.

The Company's cash balances are held by a number of counterparties. Bankruptcy or insolvency of these counterparties may cause the Company's rights with respect to the cash balances to be delayed or limited. The Manager monitors the credit quality of the relevant counterparties and should the credit quality or the financial position of these counterparties deteriorate significantly the Manager would move the cash holdings to another bank.

### Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. It is not the Company's policy to hedge this risk on a continuing basis but it may do so from time to time. There were no currency forwards open at the year end.

Foreign currency exposure at the year end is:

	<b>2018</b> <b>Investments</b> <b>£'000</b>	<b>2018</b> <b>Cash</b> <b>£'000</b>	<b>2018</b> <b>Borrowings</b> <b>£'000</b>	2017 Investments £'000	2017 Cash £'000	2017 Borrowings £'000
US Dollar	<b>42,978</b>	-	-	45,286	-	-
Euro	<b>108,386</b>	<b>413</b>	<b>(26,928)</b>	100,293	146	(26,631)
Norwegian Krone	<b>8,506</b>	-	-	6,881	-	-
Swedish Krona	<b>2,643</b>	-	-	1,166	-	-
Swiss Franc	<b>1,516</b>	-	-	957	-	-
Total	<b>164,029</b>	<b>413</b>	<b>(26,928)</b>	154,583	146	(26,631)

To highlight the sensitivity to currency movements, if the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent at 31 December 2018, the capital gain would have increased for the year by £7.2 million (2017: positive £6.7 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 5 per cent, the capital gain would have decreased for the year by £6.5 million (2017: negative £6.1 million). The calculations are based on the portfolio valuation and cash and loan balances as at the respective balance sheet dates and are not representative of the year as a whole.



## 17 Related Parties and Transactions with the Manager

The Directors are considered to be related parties. There are no transactions with the Directors other than aggregated remuneration for services as Directors and Directors' shareholding as disclosed in the Directors' Remuneration Report on page 34 and set out in note 4 to the accounts. There are no outstanding balances with the Directors at year end.

The amounts paid and due to the Manager, together with the details of the Investment Management Agreement, are disclosed in note 3 and note 13. The existence of an Independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

## 18 Securities financing transactions ('SFT')

The Company has not, in the year to 31 December 2018 (2017: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU regulations on transparency of SFT, issued in November 2015.

# AIFM Disclosures

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## Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, BMO Investment Business Limited, is required to be made available to investors.

The Company's maximum and average actual leverage levels at 31 December 2018 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	200%	200%
Actual	103%	111%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the Company's website or from BMO on request.

An Investor Disclosure Document for the Company is available on the Company's website [bmoprivateequitytrust.com](http://bmoprivateequitytrust.com).

# Notice of Annual General Meeting

Notice is hereby given that the twentieth Annual General Meeting of BMO Private Equity Trust PLC (in this notice, the "Company") will be held on Thursday, 23 May 2019 commencing at 12 noon at Exchange House, Primrose Street, London EC2A 2NY, to transact the following business:

## Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. That the Report of the Directors, the Auditor's Report and the financial statements for the year ended 31 December 2018 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 31 December 2018 be approved.
3. To approve the Company's dividend policy as set out on page 9 of the 2018 annual report.
4. That Mark Tennant, who retires annually, be re-elected as a Director.
5. That Elizabeth Kennedy, who retires annually, be re-elected as a Director.
6. That David Shaw, who retires annually, be re-elected as a Director.
7. That Swantje Conrad, who retires annually, be re-elected as a Director.
8. That Richard Gray, who retires annually, be re-elected as a Director.
9. That Ernst & Young LLP be re-appointed as auditor.
10. That the Directors be authorised to determine the remuneration of the auditor for the year ending 31 December 2019.
11. That, in accordance with Section 551 of the Companies Act 2006 (the "Act"), the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £73,941 (being an amount equal to 10 per cent of the total issued ordinary share capital of the Company (excluding shares held in treasury) as at 5 April 2019, being the latest practicable date before the publication of this notice). Unless previously varied, revoked or renewed, this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2020, save that the Company may, before the expiry of any authority contained in this resolution, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or Section 551 of the Act.

To consider and, if thought fit, pass the following as a special resolution:

12. That the directors be empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the general authority conferred on them by resolution 11 and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:
  - a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having an aggregate nominal value not exceeding the sum of £36,970 (being an amount equal to 5 per cent of the total issued ordinary share capital of the Company as at 5 April 2019, being the latest practicable date before the publication of this notice).

This authority shall expire, unless previously varied, revoked or renewed by the Company in general meeting at the conclusion of the Annual General Meeting of the Company in 2020, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

### Special Business

To consider and, if thought fit, pass the following as a special resolution:

13. That the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares in the capital of the Company provided that:
  - (i) the maximum number of Ordinary Shares authorised to be purchased shall be 11,083,820, (being 14.99 per cent of the number of the Ordinary Shares in issue at the date on which this resolution is passed);
  - (ii) the minimum price which may be paid for an Ordinary Share shall be 1p;
  - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not be more than the higher of:
    - (a) 5 per cent above the average of the middle market quotations of Ordinary Shares as derived from the Daily Official List for the five business days immediately preceding the date of purchase;
    - (b) the price of the last independent trade on the trading venue where the purchase is carried out; and
    - (c) the highest current independent purchase bid on that venue.
  - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2020, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

BMO Asset Management (Holdings) PLC, Secretary  
6th Floor  
Quatermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG  
5 April 2019

### Notes

#### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

##### 1. Website Giving Information Regarding the AGM

Information regarding the AGM, including the information required by Section 311A of the Companies Act 2006, is available from [bmoprivateequitytrust.com](http://bmoprivateequitytrust.com).

##### 2. Entitlement to Attend and Vote

Only Ordinary Shareholders registered in the Company's register of members at close of business on 21 May 2019 (or, if the AGM is adjourned, at close of business on the day two business days prior to the adjourned meeting) shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after close of business on 21 May 2019 (or, if the AGM is adjourned, at close of business on the day two business days prior to the date of the adjourned meeting) shall be disregarded in determining the rights of any person to attend, speak and vote at the AGM. If you have sold or otherwise transferred all your shares in the Company please forward this document, together with the Form of Proxy enclosed at once to the purchaser or transferee, or to the stockbroker, bank, or other agent, through whom the sale of transfer was effected, from transmission to the purchaser or transferee. If you have sold or otherwise transferred only a part of your holding of shares, you should retain these documents.

### 3. Attending the AGM in Person

An Ordinary Shareholder who wishes to attend the AGM in person should arrive at the venue for the AGM in good time to allow their attendance to be registered. As they may be asked to provide evidence of their identity prior to being admitted to the AGM, it is advisable for Ordinary Shareholders to have some form of identification with them.

### 4. Appointment and Revocation of Proxies

- 4.1 An Ordinary Shareholder at the time set out in note 2 above is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy does not need to be a member of the Company but must attend the AGM to represent the Ordinary Shareholder. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.
- 4.2 An Ordinary Shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. An Ordinary Shareholder cannot appoint more than one proxy to exercise rights attached to the same Ordinary Shares. If an Ordinary Shareholder wishes to appoint more than one proxy, they should contact the Company's registrar, Link Asset Services (the "Registrar"), on 0871 664 0300. Calls to this number cost 12p per minute plus network extras (excluding VAT). Lines open 9.00 a.m. to 5.30 p.m., Monday to Friday. Overseas Ordinary Shareholders should call +44 (0) 20 8639 3399.
- 4.3 If an Ordinary Shareholder wishes a proxy to speak on their behalf at the AGM, the Ordinary Shareholder will need to appoint their own choice of proxy (not the chairman of the AGM) and give their instructions directly to them. Such an appointment can be made using the Form of Proxy or through CREST.
- 4.4 An Ordinary Shareholder may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Vote Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" that particular resolution.
- 4.5 An Ordinary Shareholder who wishes to change their proxy instruction must submit a new appointment of proxy in accordance with notes 5-7 (as appropriate) below. If an Ordinary Shareholder requires another hard-copy Form of Proxy to enable them to change their proxy instruction, they should contact the Registrar on either of the telephone numbers set out in note 4.2 above.
- 4.6 In order to revoke a proxy instruction, an Ordinary Shareholder must inform the Company by sending a hard-copy notice clearly stating their revocation of their proxy instruction to Link Asset Services PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of an Ordinary Shareholder that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The revocation notice must be received by the Registrar not later than 12 noon on 21 May 2019.
- 4.7 Appointment of a proxy will not preclude an Ordinary Shareholder from attending the AGM and voting in person.
- 4.8 A person who is not an Ordinary Shareholder but has been nominated by an Ordinary Shareholder to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 9 below.

### 5. Appointment of Proxy using Hard-copy Form of Proxy

The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the resolution. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed and signed and sent or delivered to Link Asset Services PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by the Registrar by not later than 12 noon on 21 May 2019. In the case of an Ordinary Shareholder which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

### 6. Appointment of Proxy through CREST

- 6.1 CREST members who wish to appoint a proxy or proxies for the AGM by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
- 6.2 In order for a proxy appointment made via CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Registrar (RA10) by not later than 12 noon on 21 May 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

- 6.3 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 6.4 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### 7. Appointment of Proxy by Joint Members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### 8. Corporate Representatives

Any corporation which is an Ordinary Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as an Ordinary Shareholder provided that no more than one corporate representative exercises powers over the same Ordinary Share(s).

### 9. Nominated Persons

A person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person"):

- (i) may have a right under an agreement between the Nominated Person and the Ordinary Shareholder who has nominated them to have information rights (the "Relevant Member") to be appointed or to have someone else appointed as a proxy for the AGM; and
- (ii) if they either do not have such a right or if they have such a right but do not wish to exercise it, may have a right under an agreement between them and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

A Nominated Person's main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, their custodian or broker) and they should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.

### 10. Website Publication of Audit Concerns

Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (Sections 527 to 531), where requested by (an) Ordinary Shareholder(s) meeting the qualification criteria set out in note 11 below, the Company must publish on its website a statement setting out any matter that such Ordinary Shareholder(s) propose(s) to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM. Where the Company is required to publish such a statement:

- (i) it may not require the Ordinary Shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request;
- (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- (iii) the statement may be dealt with as part of the business of the AGM. The request:
  - (a) may be in hard copy form or in electronic form (see note 12 below);
  - (b) either set out the statement in full or, if supporting a statement sent by another Ordinary Shareholder, clearly identify the statement which is being supported;
  - (c) must be authenticated by the person or persons making it (see note 12 below); and
  - (d) be received by the Company at least one week before the AGM.

**11. Ordinary Shareholders' Qualification Criteria**

In order to be able to exercise the members' right to require the Company to publish audit concerns (see note 10 above) the relevant request must be made by:

- (i) (an) Ordinary Shareholder(s) having a right to vote at the AGM and holding at least 5 per cent of the total voting rights of the Company; or
- (ii) at least 100 Ordinary Shareholders having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

**12. Submission of Hard Copy and Electronic Requests and Authentication Requirements**

Where (an) Ordinary Shareholder(s) wish(es) to request the Company to publish audit concerns (see note 10 above) such request must be made in accordance with one of the following ways:

- (i) a hard copy request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, BMO Asset Management (Holdings) PLC, 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG;
- (ii) a request which is signed by the Ordinary Shareholder(s), states their full name(s) and address(es) and is sent to the Company Secretary, BMO Asset Management (Holdings) PLC, 6th Floor, Quartermile 4, 7a Nightingale Way, Edinburgh EH3 9EG; or
- (iii) a request which states "BPET - AGM" in the subject line of the e-mail and the full name(s) and address(es) of the Ordinary Shareholder(s) and is sent to investor.enquiries@bmogam.com.

**13. Questions at the AGM**

Under Section 319A of the Companies Act 2006, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by an Ordinary Shareholder attending the AGM unless:

- (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information;
- (ii) the answer has already been given on the Company's website in the form of an answer to a question; or
- (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

**14. Issued Shares and Total Voting Rights**

At 5 April 2019, the Company's issued share capital comprised 73,941,429 Ordinary Shares, none of which were held in treasury. Each Ordinary Share carries the right to one vote, and, therefore, the total number of voting rights in the Company at 5 April 2019 was 73,941,429.

**15. Disclosure Obligations**

Any person holding 3 per cent or more of the total voting rights of the Company who appoints a person other than the chairman of the AGM as their proxy will need to ensure that both they and their proxy comply with their respective disclosure obligations under the FCA's Disclosure and Transparency Rules.

**16. Communication**

Any electronic address provided either in this notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company may not be used for any purposes other than those expressly stated.

# Shareholder Information

## Dividends

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on request. Where dividends are paid to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

## Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Company's Dividend Reinvestment Plan can complete an application form which may be obtained from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU on request.

## Share Price

The Company's shares are listed on the London Stock Exchange. Prices are given daily in the Financial Times and in other newspapers.

## Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Link Asset Services under the signature of the registered holder.

## Website

Additional information regarding the Company may be found at its website address which is: [www.bmoprivateequitytrust.com](http://www.bmoprivateequitytrust.com)

## Financial Calendar 2019/2020

30 April 2019	Payment of final quarterly for 2018
23 May 2019	Annual General Meeting
23 May 2019	Announcement of quarterly results to 31 March 2019
July 2019	Payment of first interim dividend for 2019
August 2019	Announcement of interim results to 30 June 2019
October 2019	Payment of second interim dividend for 2019
November 2019	Announcement of quarterly results to 30 September 2019
January 2020	Payment of third interim dividend for 2019
March 2020	Announcement of annual results to 31 December 2019
April 2020	Payment of fourth interim dividend for 2019

## Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register at [www.fca.org.uk](http://www.fca.org.uk) to see if the person or firm contacting you is authorised by the Financial Conduct Authority ('FCA')
- Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.



# History

## 1999

The Company was launched in March 1999 as part of the reorganisation of The Scottish Eastern Investment Trust plc with the objective of managing the private equity investments formerly held by that company so as to realise those assets and return cash to shareholders.

## 2001

In August 2001, the Company was reorganised and shareholders were given the opportunity to convert all or part of their existing ordinary shares into A Shares (subsequently renamed Restricted Voting Shares) and B Shares (subsequently renamed Ordinary Shares).

## 2005

In August 2005, shareholders approved a change of company name from Martin Currie Capital Return Trust plc to F&C Private Equity Trust plc and the Company issued 49,758,449 C Shares following the acquisition of Discovery Trust plc and a subscription of £20 million by Friends Provident. The C Shares subsequently converted into Ordinary Shares.

## 2009

In December 2009 the Company, through its wholly owned subsidiary F&C Private Equity Zeros plc ('FCPEZ') issued 30,000,000 ZDP Shares at 100 pence per share. The ZDP Shares were designed to have a predetermined capital entitlement at the end of their life, on 15 December 2014, of 152.14 pence per share giving a redemption yield of 8.75 per cent per annum.

## 2012

On 23 May 2012 the Company adopted its current dividend policy, which is designed to provide shareholders with a regular and relatively predictable source of income, and the prospect of income growth over time.

## 2013

On 14 February 2013 the Restricted Voting Shares were converted and redesignated as Deferred Shares and the Deferred Shares were bought back by the Company and cancelled on that date. On 15 February 2013 the admission of the Restricted Voting Shares to the Official List of the UKLA and trading on the London Stock Exchange's Main Market were cancelled.

## 2014

On 15 December 2014, FCPEZ repaid its 30,000,000 ZDP Shares at 152.14 pence per share.

## 2016

During the year, the Company issued 1,959,156 Ordinary Shares of 1p each in the capital of the Company, following the exercise of subscription rights by holders of a corresponding number of management warrants previously issued by the Company in the capital of the Company. No warrants remain in issue.

## 2017

During the year the Company amended its dividend policy to introduce the payment of quarterly dividends. The first quarterly dividend was paid in January 2018. Previously the Company paid semi-annual dividends.

## 2018

In November 2018, the Board of Directors approved a change of company name from F&C Private Equity Trust plc to BMO Private Equity Trust PLC.

# Historical Record

(Since reconstruction in 2005)

	Net Asset Value per Ordinary Share#	Ordinary Share Price	Discount	Revenue per Ordinary Share#	Dividends per Ordinary Share	Ongoing Charges
31 December						
2005*	131.40p	107.00p	18.6%	1.96p	1.95p	1.3%
2006	178.10p	161.00p	9.6%	3.20p	2.50p	1.6%
2007	231.08p	187.00p	19.1%	0.60p	0.60p	1.7%
2008	218.74p	75.50p	65.5%	0.64p	0.50p	1.3%
2009	206.84p	107.00p	48.3%	0.58p	0.80p	1.3%
2010	228.02p	129.75p	43.1%	0.96p	0.95p	1.5%
2011	243.54p	146.00p	40.1%	0.78p	0.80p	1.4%
2012	254.38p	185.75p	27.0%	1.76p	10.03p	1.5%
2013	269.07p	207.50p	22.9%	0.94p	10.58p	1.4%Ø
2014	277.55p	217.88p	21.5%	2.62p	10.84p	1.4%Ø
2015	295.74p	241.75p	18.3%	6.78p	11.41p	1.3%Ø
2016	350.98p	295.50p	15.8%	(0.41)p	12.60p	1.3%Ø
2017	357.23p	295.50p	5.1%	(0.58)p	14.04p	1.3%Ø
<b>2018</b>	<b>386.29p</b>	<b>317.00p</b>	<b>17.9%</b>	<b>0.63p</b>	<b>14.37p</b>	<b>1.3%Ø</b>

\* as at 31 July 2005 # fully diluted Ø excluding performance fee

# Alternative Performance Measures

The Company uses the following Alternative Performance Measures (“APMs”):

**Discount (or Premium)** – If the share price of an Investment Trust is less than its Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium.

**Dividend Yield** – The annualised dividend divided by the share price at the year end. An analysis of dividends is contained in note 7 to the accounts.

**Net Asset Value (‘NAV’) per Ordinary Share** – This is calculated as the net assets of an Investment Trust divided by the number of shares in issue, excluding those shares held in treasury.

**Ongoing Charges** – All operating costs expected to be incurred in future and that are payable by the Company expressed as a proportion of the average Net Assets of the Company over the reporting year. The costs of buying and selling investments are excluded, as are interest costs, taxation, performance fees, non-recurring costs and the costs of buying back or issuing Ordinary Shares. Ongoing charges of the Company’s underlying investments are also excluded.

	Year to 31 December 2018	Year to 31 December 2017
Ongoing charges:	3,400	3,393
Ongoing charges as a percentage of average net assets:	1.3%	1.3%
Ongoing charges (including performance fees):	5,677	5,430
Ongoing charges (including performance fees) as a percentage of average net assets:	2.1%	2.1%
Average net assets (£’000)	269,915	263,605

**Total Return** – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

## Glossary of Terms

### Corporate Terms

**AAF** – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

**AIC** – Association of Investment Companies, is the trade body for Closed-end Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

**AIFMD** – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Investment Trusts, must appoint a Depositary and an Alternative Investment Fund Manager. The Board of Directors of an Investment Trust, nevertheless, remains fully responsible for all aspects of the Company’s strategy, operations and compliance with regulations.

**Closed-end Investment Company** – A company, including an Investment Trust, with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.

**Custodian** – A specialised financial institution responsible for safeguarding, worldwide, the listed securities and certain cash assets of the Company, as well as the income arising therefrom, through provision of custodial, settlement and associated services. The Company’s Custodian is JPMorgan Chase Bank.

**Depository** – Under AIFMD rules applying from July 2014, the Company must appoint a Depository, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the Depository has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The Depository's oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company's Depository is JPMorgan Europe Limited.

**Derivative** – A contract between two or more parties, the value of which fluctuates in accordance with the value of an underlying security. The contract is usually short-term (for less than one year). Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. A derivative can be an asset or a liability and is a form of gearing because the fluctuations in its value are usually greater than the fluctuations in the underlying security's value.

**Dividend** – The income from an investment. The Company currently pays dividends to shareholders quarterly.

**GAAP** – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with IFRS.

**Gearing** – Unlike open-ended investment companies, Investment Trusts have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Trust has undertaken (see definition on page 6). The higher the level of borrowings, the higher the gearing ratio.

**Investment Trust** – A Closed-end Investment Company which satisfies the requirements of Section 1158 of the Corporation Tax Act 2010. Companies which meet these criteria are exempt from having to pay tax on the capital gains they realise from sales of the investments within their portfolios.

**Leverage** – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the Net Assets (after taking account of borrowings). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

**Manager** – The Company's investment manager is BMO Investment Business Limited, formerly known as F&C Investment Business Limited, which is part of the BMO Global Asset Management Group. Further details are set out on page 14 and in note 3 to the financial statements.

**Market Capitalisation** – The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

**Net Assets (or Shareholders' Funds)** – This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Trust at a point in time.

**Ordinary Shares** – The main type of equity capital issued by conventional Investment Trusts. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Trust, and any capital growth. As at 31 December 2018 the Company had only Ordinary Shares in issue.

**Share Price** – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

**SORP** – Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

**Total Assets** – This is calculated as the value of the investments and other assets of an Investment Trust, plus cash and debtors.

**Zero Dividend Preference Shares ('ZDP Shares')** – An additional share class issued by some Investment Trusts. Their aim is to give investors back a certain amount of money, which is set in advance – called the redemption value.

## Private Equity Terms

**Carried Interest** – The share in the proceeds of a sale of an investee company or fund that is retained by the private equity fund manager as a performance fee if the investment has performed well.

**Co-investment** – An investment made directly into a company alongside a financial sponsor or other private equity investors.

**Deal Flow** – The rate at which investment proposals come to a private equity fund manager.

**Drawdown** – When a private equity firm has decided where it would like to invest, it will approach its investor to drawdown the money already committed to the fund.

**General Partner ('GP')** – The manager of a limited partnership private equity fund.

**Internal Rate of Return ('IRR')** – Generally, the term refers to the annual compound rate of return to an investor over a given period. Returns normally include dividend and interest distributions and proceeds from disposals or a fair valuation of the company if unrealised.

**Lead Investor** – A private equity investor who either wins the mandate for, or invests the most in, a syndicated investment.

**Limited Partnership** – The legal structure of most private equity funds, comprising a fixed-life investment vehicle managed by General Partners with the Limited Partners being the investors. Limited Partners have limited liability and are not involved in the day-to-day management of the fund but receive regular and detailed reports on the holdings in the fund.

**Management Buy-in ('MBI')** – The purchase of a business by private equity investors together with one or more outside managers. The managers sometimes put up some of the finance and gain a share of the equity.

**Management Buy-out ('MBO')** – The purchase of a business by private equity investors with some or all of the existing management. The managers put up some of the finance and gain a share of the equity.

**Mezzanine Finance/Debt** – Loans, usually unsecured, which rank after secured or senior debt but before equity in the event of the company defaulting. To compensate for the greater risk, these loans usually carry interest at a higher rate than on a secured loan and an element of equity.

**Secondaries Transaction** – This is where an institutional, corporate or fund-of-funds investor in a private equity fund sells part or all of their portfolio of individual fund holdings to another institutional or corporate investor or fund-of-funds.

**Senior Debt** – Secured debt which ranks first in terms of repayment in the event of default.

**Syndicated Investment** – An investment which is too large to be undertaken by one fund on its own and which is therefore shared among several private equity funds.

**Trade Sale** – The sale of an investee company to another company in the same sector as opposed to a financial institution.

# How to Invest

One of the most convenient ways to invest in BMO Private Equity Trust PLC is through one of the savings plans run by BMO.

## BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2018/19 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

## BMO Junior ISA (JISA)\*

You can invest up to £4,260 for the tax year 2018/19 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA

## BMO Child Trust Fund (CTF)\*

If your child has a CTF you can invest up to £4,260 for the 2018/19 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

## BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

## BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

## Charges

Annual management charges and other charges apply according to the type of plan.

## Annual account charge

**ISA:** £60+VAT

**GIA:** £40+VAT

**JISA/JIA/CTF:** £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

## Dealing charges

**ISA:** 0.2%

**GIA/JIA/JISA:** postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

## How to Invest

To open a new BMO plan, apply online at [bmogam.com/apply](https://bmogam.com/apply)

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

## New Customers

Call: **0800 136 420\*\*** (8.30am – 5.30pm, weekdays)

Email: [info@bmogam.com](mailto:info@bmogam.com)

## Existing Plan Holders

Call: **0345 600 3030\*\*** (9.00am – 5.00pm, weekdays)

Email: [investor.enquiries@bmogam.com](mailto:investor.enquiries@bmogam.com)

By post: BMO Administration Centre  
PO Box 11114  
Chelmsford  
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre**

\*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. \*\*Calls may be recorded or monitored for training and quality purposes.



# Corporate Information

## Directors

Mark Tennant (Chairman)\*  
 Elizabeth Kennedy†  
 Swantje Conrad  
 Richard Gray  
 Douglas Kinloch Anderson, OBE  
 David Shaw

## Company Secretary

BMO Asset Management plc  
 Quatermile 4  
 7a Nightingale Way  
 Edinburgh EH3 9EG  
 Tel: 0207 628 8000

## Alternative Investment Fund Manager ('AIFM') and Investment Manager

BMO Investment Business Limited  
 Quatermile 4  
 7a Nightingale Way  
 Edinburgh EH3 9EG  
 Tel: 0207 628 8000

## Auditor

Ernst & Young LLP  
 25 Churchill Place  
 Canary Wharf  
 London E14 5EY

## Broker and Financial Adviser

Cantor Fitzgerald Europe  
 One Churchill Place  
 Canary Wharf  
 London E14 5RB

## Solicitors

CMS Cameron McKenna LLP  
 Saltire Court  
 20 Castle Terrace  
 Edinburgh EH1 2EN

## Depository

JPMorgan Europe Limited  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

## Bankers

JPMorgan Chase Bank  
 25 Bank Street  
 Canary Wharf  
 London E14 5JP

The Royal Bank of Scotland International Limited  
 1 Princes Street  
 London EC2R 8BP

## Company Number

Registered in Scotland No: SC179412

\* Chairman of the Management Engagement Committee and the Nomination Committee

† Chairman of the Audit Committee



# BMO Private Equity Trust PLC

Report and Accounts 31 December 2018

## Registered office:



Quartermile 4  
7a Nightingale Way  
Edinburgh EH3 9EG



0207 628 8000

## Registrars:



Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU



0871 664 0300\*



[www.linkassetservices.com](http://www.linkassetservices.com)

\* Calls to this number cost 12p per minute plus network extras. Callers from outside the UK: +44(0) 208 639 3399

