

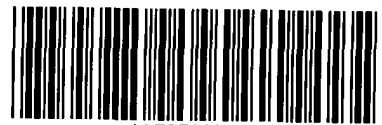
Company Registration Number 02007985

**Sumitomo Mitsui Trust International
Limited**

Annual Report and Financial Statements

31 December 2017

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Sumitomo Mitsui Trust International Limited

Annual report and financial statements 2017

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Sumitomo Mitsui Trust International Limited

Report and financial statements 2017

Officers and statutory auditor

Directors

K Wakao
M Furukawa
R Sato
Y Murota
T Koike

Registered Office

155 Bishopsgate
London
EC2M 3XU

Statutory Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

Sumitomo Mitsui Trust International Limited

Strategic report

The directors present their reports and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of the company are the provision of securities lending services, undertaken as agent to affiliated companies and conducted with market counterparties, and of investment management services undertaken for institutional customers and affiliated companies.

The company is authorised and regulated by the Financial Conduct Authority (“FCA”).

Review of the business

The loss for the year before tax was £182,000 (2016 - profit £28,000) and the loss for the year after tax was £182,000 (2016 - loss £110,000).

Securities lending income of £750,000 fell to 67% of previous year level. Investment management fee income of £2,374,000 increased to 154% and related intra-group fee income of £3,119,000 rose to 128% of previous year level. Interest income of £91,000 was 71% of previous year level. General and administrative expenses of £4,185,000 were 112% of previous year level.

Regarding working capital current receivables less payables of £2,027,000 (2016 - £1,538,000) are comfortably managed in terms of liquidity by maintaining demand deposits of £944,000 (2016 - £607,000) and term deposits with appropriate maturities of £16,500,000 (2016- £17,500,000), which represent a substantial buffer.

Key performance indicators

The key target set by the directors for the company is to achieve an operating profit of income less expenses excluding interest income. On this basis the result for the year was a loss of £273,000 (2016 - loss of £100,000).

The target for capital ratios is to achieve positive values. Return on capital is -1% (2016 - 0%) and return on total assets is -1% (2016 - 0%).

Principal risks and uncertainties

In the course of conducting business operations, the company is exposed to risks as noted below. The directors seek to identify, assess and monitor each risk in accordance with defined policies and procedures.

General market conditions

The current market environment is challenging with changing demands of borrowers in the securities lending business, and investors’ scepticism towards the Japanese equity market in the investment management business.

Company specific risks

The principal risks and uncertainties identified by the directors are capital risk, market risk (comprising price risk, interest rate risk and exchange rate risk), credit risk, liquidity risk, concentration risk and operational risk. These are described in more detail in note 2 to the financial statements.

Future prospects

The company will continue its efforts to enhance profitability. In the securities lending business, it is exploring ways to meet changing demands from borrowers and in the investment management business it intends to expand the group product line and sales and distribution channels. Principal relationships with group companies are with Japan Trustee Services Bank Limited and Sumitomo Mitsui Trust Bank (U.S.A) Limited for securities lending business and with Sumitomo Mitsui Trust Bank, Limited for investment management business.

While the actual impact of the UK leaving the EU is still unclear, the company’s main sources of income are currently outside continental Europe, so from a financial point of view there is no immediate impact to the company. However as the company is in the process of cultivating new clients in continental Europe for investment management business, there would be an impact to the structure of our future business, if UK financial institutions were to face restrictions on conducting investment business within the EU.

Sumitomo Mitsui Trust International Limited

Strategic report

Approved by the Board of Directors and signed on behalf of the Board.



T Koike
Director
28 March 2018

Sumitomo Mitsui Trust International Limited

Directors' report

Summary

The company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report on page 2. The financial position of the company, performance and cash flows are shown on pages 8 to 11. In addition, note 2 to the financial statements includes the company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to market risk, credit risk and liquidity risk.

Going concern basis

The company's forecasts and projections, taking into account possible changes in trading performance, show the company maintaining adequate resources for the foreseeable future.

The company has considerable financial resources with which to support the development of its business activities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividends

The directors do not recommend payment of a dividend for the year (2016 - £nil).

Directors

The directors of the company during the year were as follows:

K Wakao	(Non-executive director)
M Furukawa	(Non-executive Director)
A Ueda	(Chairman, Non-executive Director, resigned 31 March 2017)
R Sato	(Chairman, Non-executive Director, appointed 1 April 2017)
Y Murota	(Managing Director, Executive Director)
T Koike	(Executive Director)

Directors' indemnities

The directors benefited from qualifying third-party indemnity provision in that the company maintained Directors' and Officers' liability insurance cover for itself and its directors throughout the financial year.

Disclosure of information

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

Auditor

KPMG LLP has expressed willingness to continue in office as statutory auditor and a resolution for re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



T Koike
Director
28 March 2018

Sumitomo Mitsui Trust International Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMITOMO MITSUI TRUST INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Sumitomo Mitsui Trust International Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as

applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

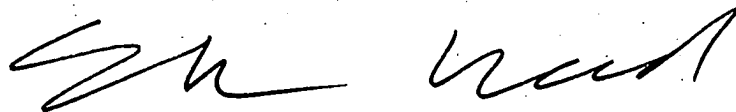
Auditor's responsibilities

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

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

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

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



Sarah Ward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
28 March 2018

Sumitomo Mitsui Trust International Limited

Statement of comprehensive income Year ended 31 December 2017

	Note	2017 £000	2016 £000
Continuing operations:			
Fees and commissions income	3	6,248	5,109
Other operating income	4	-	21
Interest income		91	128
Total income		6,339	5,258
Fees and commissions expense	3	(2,311)	(1,481)
Other operating expense	4	(25)	(20)
General and administrative expenses		(4,185)	(3,729)
Total expenses		(6,521)	(5,230)
(Loss)/profit before taxation	5	(182)	28
Taxation	8	-	(138)
Loss for the year		(182)	(110)

The items dealt with in arriving at the results for the financial year and the corresponding year relate to continuing business.

The company made no recognised gains or losses other than the loss for the above two years.

The notes on pages 12 to 24 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of financial position As at 31 December 2017

	Note	2017 £000	2016 £000
Assets:			
Cash and cash equivalents		944	607
Term deposits with banks		16,500	17,500
Trade debtors and other receivables	9	2,902	2,223
Equipment	10	-	4
Intangible assets	11	22	26
Current tax assets		7	7
Deferred tax assets	12	-	-
Total assets		20,375	20,367
Liabilities and Equity:			
Liabilities:			
Trade creditors and other payables	13	875	685
Current tax liabilities		-	-
Total liabilities		875	685
Equity:			
Called up share capital	14	20,000	20,000
Accumulated losses		(500)	(318)
Total equity		19,500	19,682
Total liabilities and equity		20,375	20,367

The notes on pages 12 to 24 form an integral part of the Financial Statements.

The financial statements of Sumitomo Mitsui Trust International Limited (registered number 02007985) were approved by the Board of Directors and authorised for issue on 28 March 2018.

Signed on behalf of the Board of Directors


Y Murota
Director
28 March 2018

Sumitomo Mitsui Trust International Limited

Statement of changes in equity

Year ended 31 December 2017

	Share capital	Accumulated losses	Total
	£000	£000	£000
Balance at 1 January 2016	20,000	(208)	19,792
Profit for the year	-	(110)	(110)
Balance at 31 December 2016	20,000	(318)	19,682
Loss for the year	-	(182)	(182)
Balance at 31 December 2017	20,000	(500)	19,500

The notes on pages 12 to 24 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of cash flows

Year ended 31 December 2017

	2017 £000	2016 £000
Operating activities:		
(Loss)/profit before tax	(182)	28
Depreciation of premises and equipment	4	12
Amortisation of intangible assets	16	20
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(162)	60
Decrease in term deposits	1,000	-
Increase in trade and other receivables	(679)	(305)
Increase in trade and other payables	190	270
	<hr/>	<hr/>
Cash generated by operations	349	25
Corporation tax paid	-	(14)
	<hr/>	<hr/>
Net cash flows from operating activities	349	11
Investing activities:		
Purchase of equipment	-	-
Purchase of intangible assets	(12)	(22)
	<hr/>	<hr/>
Net cash used in investing activities	(12)	(22)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	337	(11)
Cash and cash equivalents at beginning of year	607	618
	<hr/>	<hr/>
Cash and cash equivalents at end of year	944	607
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 24 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

1. Accounting policies

Accounting standards

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

Going concern

The directors have considered the financial, operating and other business risks that could individually or collectively impact the going concern assumption on which the financial statements are prepared. The company’s forecasts and projections, taking into account possible changes in trading performance, show the company maintaining adequate resources for the foreseeable future. In view of these factors, the directors conclude that there should not be any material uncertainty that casts significant doubt on the ability of the company to continue as a going concern. As a result, the directors have prepared the financial statements on a going concern basis.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Revenue recognition

Fees and commissions income, which are not considered integral to the effective interest rate, are recognised on an accrual basis when the service has been provided. Fees and commissions income is earned as agent under securities lending contracts and as principal under investment management contracts.

Interest income is recognised in the statement of comprehensive income using the effective interest rate method.

Foreign currencies

The financial statements of the company are presented in pounds sterling which is also the functional currency of the company.

Transactions denominated in foreign currency have been translated at the rate of exchange prevailing at the end of each month. Foreign currency balances have been translated using the rate of exchange prevailing at the balance sheet date.

All exchange differences are recognised in the income statement.

Pension costs

The company operates a defined contribution personal pension scheme for the locally appointed staff.

The parent company operates a defined contribution scheme for staff appointed in Japan and is responsible for employer’s pension contributions for the executive directors and other senior managers.

The amounts charged to the income statement represent the employer’s pension contributions payable to the defined contribution scheme for the locally appointed staff in respect of the accounting period.

Leases

Operating leases are charged to the income statement on a straight line basis over the life of the lease.

Taxation

Provision is made for taxation at current enacted rates on taxable profits.

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.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

1. Accounting policies (continued)

Financial assets

Trade debtors, cash and cash equivalents, term deposits, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to its initial carrying value, less any impairment, except for short-term receivables when the recognition of interest would be immaterial. All the financial assets are short term, and the carrying amount is considered to approximate fair value.

Financial liabilities

Trade creditors and other payables that have fixed or determinable payments that are not quoted on an active market are classified as other financial liabilities. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, except for short term or sundry payables when the recognition of interest would not be material. All the financial liabilities are short term, and the carrying amount is considered to approximate fair value.

Transactions excluded from financial statements

The company acts as an agent for securities lending transactions on behalf of fellow group companies and in other fiduciary capacities in the investment management business that result in the holding or placing of assets on behalf of other institutions. These assets and liabilities and income and expense arising thereon are excluded from these financial statements, as they are not assets and liabilities of the company.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

Equipment

Equipment is stated at cost, net of depreciation and any provisions for impairment. Depreciation is provided by the company to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful economic lives of 3 to 5 years.

Intangible assets

Intangible assets are stated at cost, net of amortisation and any provisions for impairment. Amortisation is provided by the company to write off the cost of intangible assets on a straight-line basis over their estimated useful economic lives of 3 to 5 years.

Impairment

The carrying amounts of financial assets and non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. Any impairment losses are recognised in profit and loss within the statement of comprehensive income.

Adoption of new and revised standards

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

IFRS 9 Financial Instruments (effective date 1 January 2018)

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 16 Leases (effective date 1 January 2019)

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

2. Financial risk management

The company's activities expose it to a variety of risks. These are considered to include capital risk, market risk (comprising price risk, interest rate risk and exchange rate risk), credit risk, liquidity risk, concentration risk and operational risk. The directors seek to identify, assess and monitor each class of risk in accordance with defined policies and procedures.

Capital risk

The company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the company consists of equity attributable to equity holders, comprising issued capital and retained earnings, represented substantially by demand and term deposits.

The company is subject to externally imposed capital requirements as a company authorised and regulated by the Financial Conduct Authority ("FCA"). The directors review the capital structure as part of the annual Internal Capital Adequacy Assessment Process ("ICAAP") and confirm continuing substantial excess of shareholders' funds over the needs of the business for working capital and regulatory capital. The company is in compliance with the regulations applicable to the business.

Market risk

Price risk

Although price risk is a secondary risk for the company, income from securities lending business is sensitive to market conditions and price movements, income from investment management business is sensitive to market conditions and price movements through portfolio valuations, and the resulting income is also sensitive to exchange rate movements. The risk is mitigated by diversifying the type and range of activities.

Interest rate risk

The company's interest rate risk arises from cash and cash equivalents and term deposits. Term deposits with banks are for fixed rates for the period of the deposit, all with a maturity of less than one year.

A ½% increase or decrease in interest rates would lead to an increase or decrease of approximately £85,000 in profit before tax for the year.

Exchange rate risk

The company's exposure to exchange rate movements is limited. Fees are invoiced to securities lending customers monthly. Fees are invoiced to investment management customers quarterly. The risk is managed by converting mid-month settled net currency positions promptly to the functional currency.

An 8% movement in exchange rates would result in a balance sheet adjustment of £8,000 (2016: £9,000).

Credit risk

Credit risk is the risk that counterparties and customers of the company will be unable to meet their obligations to the company either in part or in full. It arises from cash and cash equivalents, term deposits and credit exposures to customers, including outstanding debtors.

Term deposits comprise 81% of total assets (2016: 86%).

Credit risk is managed through established credit policies. The parent company assesses the quality of the banks with which deposits are placed and sets credit limits throughout the group. The company has placed all deposits in accordance with approved policies and limits. Funds were placed in the year with financial institutions with a credit rating of at least 'A' using Standard & Poor's categorisation.

The table below sets out the credit quality of cash and cash equivalents, term deposits, trade debtors and other receivables at the balance sheet date.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

2. Financial risk management (continued)

	2017 £000	2016 £000
External credit ratings of at least A from Standard & Poors	19,450	19,617
Trade debtors - four or more years trading history	641	130
Trade debtors - less than four years trading history	2	379
Other receivables	253	204
	<u>20,346</u>	<u>20,330</u>

Liquidity risk

The company is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations as and when they fall due. It monitors rolling forecasts of liquidity on the basis of expected cash flow. It manages liquidity risk by depositing funds available for investment for periods of up to one year.

The table below sets out the contractual cash flows in respect of financial assets and financial liabilities by maturities at the balance sheet date.

	Due within 3 months £000	Due within 3- 6 months £000	Due within 6- 12 months £000	Due over 1 year £000	Total £000
As at 31 December 2017					
Assets					
Cash and cash equivalents	944	-	-	-	944
Term deposits with banks	6,500	-	10,000	-	16,500
Trade debtors	2,353	-	-	-	2,353
Other receivables	439	45	50	15	549
	<u>10,236</u>	<u>45</u>	<u>10,050</u>	<u>15</u>	<u>20,346</u>
Liabilities					
Trade creditors	613	-	-	-	613
Other payables	262	-	-	-	262
	<u>875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875</u>
As at 31 December 2016					
Assets					
Cash and cash equivalents	607	-	-	-	607
Term deposits with banks	7,500	-	10,000	-	17,500
Trade debtors	1,986	-	-	-	1,986
Other receivables	159	28	50	-	237
	<u>10,252</u>	<u>28</u>	<u>10,050</u>	<u>-</u>	<u>20,330</u>
Liabilities					
Trade creditors	488	-	-	-	488
Other payables	197	-	-	-	197
	<u>685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685</u>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

2. Financial risk management (continued)

Financial instruments measured at fair value - fair value hierarchy

The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
As at 31 December 2017				
Assets				
Cash and cash equivalents	-	944	-	944
Term deposits with banks	-	16,500	-	16,500
	-	17,444	-	17,444
As at 31 December 2016				
Assets				
Cash and cash equivalents	-	607	-	607
Term deposits with banks	-	17,500	-	17,500
	-	18,107	-	18,107

Concentration risk

The company is exposed to concentration risk. During the year most of net investment management income was received from one related party and all securities lending income was received from two related parties. This concentration is unavoidable to the extent that the company's current business is based on supporting affiliated companies' activities outside Japan. Furthermore significant elements of the company's activities are conducted with relatively few market counterparties and institutional customers.

Operational risk

Operational risk is the risk of a loss resulting from inadequate or failed internal processes, staff and systems or from external events, including legal and regulatory risk. The company seeks to limit its operational risks to acceptable levels by maintaining a strong control environment, ensuring that employees have appropriate skills and training and by establishing an effective management structure.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

3. Fees and commissions income/(expense)

All the company's fee and commissions income relates to its principal activities in the United Kingdom as follows:

	2017 £000	2016 £000
Equities lending fees	720	1,113
Foreign exchange fees	30	8
Investment management fees	2,379	1,544
Investment management intra-group service fees	3,119	2,444
	<u>6,248</u>	<u>5,109</u>

All the company's fee and commissions expense relates to its principal activities in the United Kingdom as follows:

	2017 £000	2016 £000
Foreign exchange fees	(15)	(4)
Investment management fees	(2,296)	(1,477)
	<u>(2,311)</u>	<u>(1,481)</u>

4. Other operating income/(expense)

Foreign exchange gains (2016: £21,000) and losses (2017: £3,000) are shown within other operating income and other operating expense respectively.

5. Profit before taxation

The profit before taxation is stated after charging /(crediting):

	2017 £000	2016 £000
Auditor's remuneration:		
Audit of these financial statements	35	35
Amounts receivable by the company's auditor in respect of:		
Audit-related assurance services	20	17
Information technology services	5	5
Other items:		
Depreciation of equipment	4	12
Amortisation of intangible assets	16	20
Rental of land and buildings	138	138
Foreign exchange losses	3	-
Foreign exchange gains	-	(21)
	<u> </u>	<u> </u>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

6. Remuneration of directors

	2017	2016
	£000	£000
Directors' remuneration paid by the company	476	646
Directors' remuneration paid by the parent company	115	31
Directors' pension contributions paid by the parent company	12	16
	<u>603</u>	<u>693</u>

Directors' remuneration paid by the company includes an amount of £17,328 in respect of a former director.

No loans or advances were made to any of the directors.

The remuneration of the highest paid director was £294,030 (2016 - £277,080) including pension contributions paid by the parent company £6,260 (2016 - £6,550).

The remuneration of the executive directors is shown above. The non-executive directors do not receive remuneration for their duties as directors of the company but as senior managers of the parent company.

7. Staff costs

The average number of persons employed by the company during the year (including executive directors) was 20 (operational: 15, administrative: 5) (2016 - 20 (operational: 15, administrative: 5))

The aggregate payroll costs of these persons paid by the company were as follows:

	2017	2016
	£000	£000
Wages and salaries	2,233	2,110
Social security costs	80	79
Other pension costs	95	93
	<u>2,408</u>	<u>2,282</u>

8. Taxation

Tax on profit for the year

	2017	2016
	£000	£000
Current tax charge/(credit)	-	(7)
Deferred tax (note 12)	-	145
	<u>-</u>	<u>138</u>

Factors affecting the tax charge for the year

There is no tax charge or credit for the loss for the year. The tax charge for the profit for the previous year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

8. Taxation (continued)

	2017 £000	2016 £000
(Loss)/profit before tax	(182)	28
(Loss)/profit at standard rate of corporation tax in UK of 19¼% (2016 - 20%)	(35)	6
Effect of:		
Disallowable expenses	1	1
Changes in enacted corporation tax rates from 20% to 17%	4	6
Trading losses on which no deferred tax is provided	28	41
Timing differences on which no deferred tax is provided	2	84
	-	138

The UK corporation tax rate reduced from 20% to 19% from 1 April 2017. Thereafter the UK corporation tax rate will reduce from 19% to 17% from 1 April 2020.

9. Trade debtors and other receivables

	2017 £000	2016 £000
Trade debtors	2,353	1,986
Accrued income	27	34
Prepaid expenses	216	171
Other debtors	306	32
	2,902	2,223

10. Equipment

	Office equipment £000
Cost	
At 1 January 2016	183
Additions	-
Disposals	(31)
At 31 December 2016	152
Additions	-
Disposals	(15)
At 31 December 2017	137

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

10. Equipment (continued)

	Office equipment £000
Depreciation	
At 1 January 2016	167
Charge for the year	12
Disposals	(31)
	<hr/>
At 31 December 2016	148
Charge for the year	4
Disposals	(15)
	<hr/>
At 31 December 2017	137
	<hr/>
Net book value	
At 31 December 2017	-
	<hr/> <hr/>
At 31 December 2016	4
	<hr/> <hr/>
At 1 January 2016	16
	<hr/> <hr/>

11. Intangible assets

	Computer software £000
Cost	
At 1 January 2016	288
Additions	22
Disposals	-
	<hr/>
At 31 December 2016	310
Additions	12
Disposals	(24)
	<hr/>
At 31 December 2017	298
	<hr/>
Amortisation	
At 1 January 2016	264
Charge for the year	20
Disposals	-
	<hr/>
At 31 December 2016	284
Charge for the year	16
Disposals	(24)
	<hr/>
At 31 December 2017	276
	<hr/>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

11. Intangible assets (continued)

	Computer software £000
Net book value	
At 31 December 2017	22
At 31 December 2016	26
At 1 January 2016	24

12. Deferred taxation

After reviewing the results for the previous accounting period and prospects for the following accounting period appropriate recognition of deferred tax assets was reconsidered. In view of the loss reported for the current accounting period and after considering the prospects for the next accounting period, it has been decided not to recognise deferred tax assets.

Deferred tax assets of the company and movements during the current and previous reporting periods are:

	Trading losses £000	Depreciation and capital allowances £000	Contributions to unapproved pension scheme £000	Total £000
At 1 January 2016	43	94	14	145
(Charge)/credit for the year	-	(14)	-	(14)
Effect of changes in tax rate	(2)	(3)	(1)	(6)
Not recognised at end of period	41	(71)	(13)	(125)
At 31 December 2016	-	-	-	-

At the balance sheet date there were unused trading losses of £283,000 available to offset against future trading profits and unused trading losses of £125,000 available to offset against all future profits. No deferred tax asset has been recognised in respect of these losses as it is not considered probable that there will be future taxable profits available in the next few years. The losses may be carried forward without limit of time.

At the balance sheet date there were temporary differences of £427,000 arising from depreciation in excess of capital allowances. No deferred tax asset has been recognised in respect of these timing differences as it is not considered probable that there will be future unrelieved taxable profits available in the next few years.

13. Trade creditors and other payables

	2017 £000	2016 £000
Trade creditors	613	488
Accrued expenses	146	75
Other creditors	116	122
	<u>875</u>	<u>685</u>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

14. Share capital

	2017 £000	2016 £000
Authorised, issued and fully paid: 20 million ordinary shares of £1 each	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

15. Events after the reporting period

There have been no significant events between the reporting date and the date of the approval of the financial statements which would require changes or additional disclosure in the financial statements.

16. Related party transactions

There are no key management personnel other than the directors listed in the Directors' Report. The non-executive directors all hold senior management positions in Sumitomo Mitsui Trust Bank, Limited. All transactions relating to directors are included in note 6.

During the year in the normal course of business the company entered into transactions with related parties who are members of the same group of companies or with customers managed by related parties who are members of the same group of companies. The principal related parties are Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Trust Bank (U.S.A.) Limited and Japan Trustee Services Bank, Limited. There were also transactions with SuMi TRUST Japan Small Cap Fund and SuMi TRUST Japan Quality Growth Fund, group-sponsored collective investment schemes managed by SMT Funds Services (Ireland) Limited, and with GAS Cayman Limited and Sumitomo Mitsui Trust (UK) Limited.

The descriptions in the financial statements include the following amounts attributable to related parties:

Statement of comprehensive income	With parent company £000	With other related parties £000	Total £000
For the year to 31 December 2017			
Fees and commissions income	3,119	1,708	4,827
Interest income	11	-	11
Fees and commissions expense	(1,421)	(15)	(1,436)
Other operating expenses	(1)	-	(1)
General and administrative expenses	(330)	-	(330)
	<u> </u>	<u> </u>	<u> </u>
For the year to 31 December 2016			
Fees and commissions income	2,444	1,416	3,860
Interest income	13	-	13
Fees and commissions expense	(1,249)	(4)	(1,253)
Other operating expenses	(1)	-	(1)
General and administrative expenses	(595)	(10)	(605)
	<u> </u>	<u> </u>	<u> </u>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

16. Related party transactions (continued)

The descriptions in the financial statements include the following amounts attributable to related parties:

Statement of financial position	With parent company £000	With other related parties £000	Total £000
As at 31 December 2017			
Cash and cash equivalents	24	-	24
Term deposits	2,500	-	2,500
Trade debtors	1,663	317	1,980
Accrued income	3	-	3
Prepaid expenses	58	-	58
Other debtors	275	-	275
Trade creditors	(373)	(1)	(374)
Accrued expenses	(3)	-	(3)
Other creditors	-	-	-
	<hr/>	<hr/>	<hr/>
As at 31 December 2016			
Cash and cash equivalents	4	-	4
Term deposits	2,500	-	2,500
Trade debtors	1,401	250	1,651
Accrued income	4	-	4
Prepaid expenses	55	-	55
Other debtors	-	-	-
Trade creditors	(336)	-	(336)
Accrued expenses	(23)	-	(23)
Other creditors	(3)	-	(3)
	<hr/>	<hr/>	<hr/>

17. Ultimate parent company and parent undertaking of the larger group of which the company is a member

The company is a subsidiary undertaking of Sumitomo Mitsui Trust Bank, Limited, a company incorporated in Japan. This is the smallest group within which the results of the company are consolidated.

The ultimate parent company and controlling party is Sumitomo Mitsui Trust Holdings, Inc., a company incorporated in Japan. This is the largest group within which the results of the company are consolidated.

The results of Sumitomo Mitsui Trust International Limited are included in the consolidated financial statements of both Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Holdings, Inc.

Copies of the financial statements of both the parent company and the ultimate parent company can be obtained from the web-site of the ultimate parent company at smth.jp or from:

Sumitomo Mitsui Trust Holdings, Inc.
1-4-1 Marunouchi
Chiyoda-ku
Tokyo 100-8233
Japan

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2017

18. Annex - CRD IV Article 89 - Country-by-Country Disclosure

Article 89 of the Capital Requirements Directive IV (“CRD IV”) requires credit institutions and investment firms in the EU to disclose annually, specifying by Member State and by third country in which it has an establishment, the following information for the year ended 31 December 2017: name, nature of activities, geographical location, number of employees, turnover, profit or loss before tax, tax on profit or loss and public subsidies received.

Sumitomo Mitsui Trust International Limited is an IFPRU limited licence investment firm located in the United Kingdom. The principal activities of the company are the provision of securities lending and investment management services, which are undertaken from the United Kingdom.

The company received no public subsidies in either of the above two years.

The average number of persons employed by the company during the year was 20 (2016 - 20)

	2017 £000	2016 £000
Turnover	6,248	5,109
(Loss)/profit before tax	(182)	28
Tax charge for the year	-	138
Effect of deferred tax charge	-	(145)
Timing differences between period of tax charge and tax paid	-	21
Tax paid during the year	-	14