

Company Registration Number 02007985

**Sumitomo Mitsui Trust International
Limited**

Annual Report and Financial Statements

31 December 2018



Sumitomo Mitsui Trust International Limited

Annual report and financial statements 2018

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Sumitomo Mitsui Trust International Limited

Report and financial statements 2018

Officers and statutory auditor

Directors

K Suzuki
A Matsuo
R Sato
Y Murota
T Koike
S Mikihara

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 2018.

Principal activities

The principal activities of Sumitomo Mitsui Trust International Limited (“the company”) were the provision of securities lending services, undertaken as agent to affiliated companies and conducted with market counterparties, and the provision of investment management services undertaken for institutional customers, through individual investment management agreements and as distributor for SuMi Trust collective investment funds, and for affiliated companies by providing sales, marketing and support services outside Japan.

However the company has taken the decision to close down the securities lending services having concluded that it would be extremely difficult to regain profitability, and the business was eventually closed as at 30th September.

As a consequence, the company concentrates on investment management activities in cooperation with Sumitomo Mitsui Trust Asset Management Co. Ltd. (“SMTAM”), its parent company from 1 October 2018.

The global strategy of the SMTAM group envisages steady expansion of assets under management for individual investment management portfolios and collective investment schemes. The company is expected to play a key part as the principal sales and marketing entity of the group outside Japan.

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

Review of the business

The profit for the year before tax on continuing activities was £0.016m (2017 – loss on continuing activities £0.072m) and the loss for the year before tax on discontinued activities was £0.710m (2017 - loss on discontinued activities £0.110m).

Securities lending income of £0.354m fell to 50% of the previous year level. Investment management fee income of £2.777m rose to 117% of the previous year level and related intra-group fee income of £4.606m rose to 148% of the previous year level. The increase was largely attributable to change in proportion of costs covered by the intra-group agreements. Interest income of £0.110m was 121% of the previous year level. General and administrative expenses of £4.962m were 119% of the previous year level. The increase was largely attributable to one-off costs of closure of the securities lending business.

Working capital, defined as current receivables less payables, was £2.568m (2017: £2.027m). Liquidity is managed by maintaining demand deposits of £1.234m (2017: £0.944m) and longer dated term deposits of £15.000m (2017: £16.500m). The Directors consider these buffers to be substantial.

Key performance indicators

The directors’ key target is to generate a profit for the shareholder. Profit before tax on continuing activities for 2018 was £0.016m (2017: loss on continuing activities £0.072m).

The directors also target positive net assets. Return on capital for 2018 is -2% (2017 -1%) and return on total assets for 2018 is -2% (2017 -1%).

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

In the first half of the year investors showed some interest in the equity market despite volatility in the market in the first quarter and we experienced an inflow of new funds, however, in the latter half of the year, investors appeared to draw back from and defer new investment in the equities market; the trend is continuing and we face challenges in winning new investments.

Sumitomo Mitsui Trust International Limited

Strategic report

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 3 to the financial statements.

Future prospects

As the company has closed down the securities lending services, the company concentrates its resources on its investment management activities. In addition, following the closure the securities lending services, it is anticipated that the company will deliver profits on the continuing investment management activities as the business of the company is covered by a cost plus arrangement with SMTAM.

The change in parent company from Sumitomo Mitsui Trust Bank Limited to Sumitomo Mitsui Trust Asset Management Co. Ltd. has no impact to the company's business.

While the outcome of the negotiations of the United Kingdom leaving the European Union is still unclear, the company's main sources of income are currently outside the European Union, and the revenue of the company is secured by the service agreement with the parent company, so it is considered that there will be no material impact to the company from the outcome of the United Kingdom leaving the European Union.

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



S Mikiyama
Director
18 April 2019

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 9 to 12. In addition, note 3 to the financial statements includes the company's objectives, policies and processes for managing its capital, its financial risk management including its treatment of financial instruments and its exposures to the various types of 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 company's recent history of operational losses and the current uncertain economic outlook, including the risks associated with the departure of the United Kingdom from the European Union.

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 (2017 - £nil).

Directors

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

M Furukawa	(Non-executive Director, resigned 23 May 2018)
K Wakao	(Non-executive director, resigned 4 December 2018)
M Ono	(Non-executive Director, appointed 23 May 2018, resigned 4 December 2018)
K Suzuki	(Non-executive Director, appointed 4 December 2018)
A Matsuo	(Non-executive Director, appointed 4 December 2018)
R Sato	(Chairman, Non-executive Director)
Y Murota	(Managing Director, Executive Director)
T Koike	(Executive Director)
S Mikiyara	(Executive Director, appointed 23 May 2018)

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.

Management of liquidity

The company monitors rolling forecasts of liquidity on the basis of expected cash flow. Typical settlement periods for debtors are within one month of issue of invoice and for creditors within one month of receipt of invoice. The company manages liquidity by depositing excess funds available for periods of up to one 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.

Sumitomo Mitsui Trust International Limited

Directors' report

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

A handwritten signature in black ink, reading "Satoshi Mikiyama". The signature is written in a cursive style with a large initial 'S'.

S Mikiyama
Director
18 April 2019

Registered office address:
155 Bishopsgate
London
EC2M 3XU

Registered in England and Wales:
Registered number 02007985

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 as adopted by the European Union (IFRSs as adopted by the 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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 2018 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 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of deferred tax asset and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.

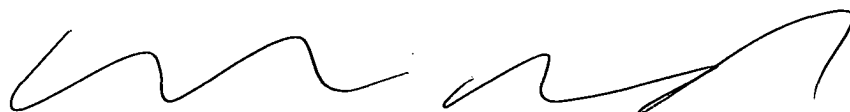
Auditor's responsibilities

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

18 April 2019

Sumitomo Mitsui Trust International Limited

Statement of comprehensive income Year ended 31 December 2018

	Note	2018 £000	2017 £000
Continuing operations:			
Fees and commissions income	5	7,413	5,528
Other operating income		-	-
Interest income		110	91
Total income		7,523	5,619
Fees and commissions expense	6	(3,534)	(2,311)
Other operating expense		(75)	(25)
General and administrative expenses	7	(3,898)	(3,355)
Total expenses		(7,507)	(5,691)
Profit/(loss) on ordinary operations before taxation	10	16	(72)
Taxation	11	275	-
Profit/(loss) on ordinary operations after taxation		291	(72)
Loss on discontinued operations	4	(710)	(110)
Loss for the year		(419)	(182)

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

The notes on pages 13 to 28 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of financial position As at 31 December 2018

	Note	2018 £000	2017 £000
Assets:			
Cash and cash equivalents		1,234	944
Term deposits with banks		15,000	16,500
Trade debtors and other receivables	12	4,100	2,902
Equipment	13	-	-
Intangible assets	14	4	22
Current tax assets		-	7
Deferred tax assets	15	275	-
Total assets		20,613	20,375
Liabilities and Equity:			
Liabilities:			
Trade creditors and other payables	16	1,532	875
Current tax liabilities		-	-
Total liabilities		1,532	875
Equity:			
Called up share capital	17	20,000	20,000
Accumulated losses		(919)	(500)
Total equity		19,081	19,500
Total liabilities and equity		20,613	20,375

The notes on pages 13 to 28 form an integral part of the Financial Statements.

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2019.

Signed on behalf of the Board of Directors


 Y. Murota
 Director
 18 April 2019

Sumitomo Mitsui Trust International Limited

Statement of changes in equity

Year ended 31 December 2018

	Share capital	Accumulated losses	Total
	£000	£000	£000
Balance at 1 January 2017	20,000	(318)	19,682
Loss for the year	-	(182)	(182)
Balance at 31 December 2017	20,000	(500)	19,500
Loss for the year	-	(419)	(419)
Balance at 31 December 2018	20,000	(919)	19,081

The notes on pages 13 to 28 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of cash flows

Year ended 31 December 2018

	2018 £000	2017 £000
Operating activities:		
Loss for the period	(419)	(182)
Depreciation of premises and equipment	-	4
Amortisation of intangible assets	7	16
Loss on disposal of intangible assets	14	-
Deferred tax credit	(275)	-
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(673)	(162)
Decrease in term deposits	1,500	1,000
Increase in trade and other receivables	(1,198)	(679)
Increase in trade and other payables	657	190
	<hr/>	<hr/>
Cash generated by operations	286	349
Corporation tax paid	7	-
	<hr/>	<hr/>
Net cash flows from operating activities	293	349
Investing activities:		
Purchase of equipment	-	-
Purchase of intangible assets	(3)	(12)
	<hr/>	<hr/>
Net cash used in investing activities	(3)	(12)
Net increase/(decrease) in cash and cash equivalents	<hr/> 290	<hr/> 337
Cash and cash equivalents at beginning of year	944	607
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>1,234</u>	<u>944</u>

The notes on pages 13 to 28 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

1. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Details of the company’s accounting policies are included in Note 2.

This is the first set of the company’s annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 2.

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, including the economic uncertainties associated with the United Kingdom’s departure from the European Union.

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.

Judgements and Estimates

In preparing these financial statements, the directors have made judgements and estimates that affect the application of the company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

A key judgement is the decision to recognise deferred tax assets on the basis of anticipated future profits over the next three years following closure of securities lending.

2. Accounting policies

Adoption of new and revised standards

The company has applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

Standards issued but not yet effective

A number of new standards are effective for the annual periods beginning after 1 January 2018 and earlier adoption is permitted; however the company has not early adopted the new or amended standards in preparing these financial statements. Of those standards that are not yet effective, none is expected to have a material impact on the company’s financial statements in the initial period of application.

The standards are:

IFRS 16 - Leases

IFRS 17 - Insurance Contracts

IFRIC 23 - Uncertainty over Tax Treatments

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Annual Improvements to IFRS Standards 2015-2017 Cycle (Various Standards)

Amendments to References to Conceptual Framework in IFRS Standards

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Changes in significant accounting policies

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when the performance obligation is satisfied. Determining the timing of satisfaction of a performance obligation, at a point of time or over time, requires judgement.

The company has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly the information for 2017 has not been restated. The transition to IFRS 15 has not resulted in any impact on accumulated losses at 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments Recognition and Measurement.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following are the classifications of the categories of financial assets and financial liabilities under IAS 39 and IFRS 9:

Description	IAS39	IFRS 9
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortised cost
Term deposits	Loans and receivables	Amortised cost
Trade debtors	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities:		
Trade creditors	Other financial liabilities	Other financial liabilities
Other creditors	Other financial liabilities	Other financial liabilities

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented as a separate line in the statement of comprehensive income. However, since no impairment losses have been recognised, there is no impact in the financial statements. While changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, there has been no impact on the amounts previously reported.

Until 30 September 2018 the company acted as an agent for securities lending transactions on behalf of fellow group companies which resulted 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.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Foreign currency

The financial statements of the company are presented in pound sterling which is the reporting currency and the functional currency of the company.

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

Foreign currency differences are recognised in the statement of comprehensive income.

Discontinued operation

A discontinued operation is a component of the company's business, the operations and cash flows of which can be clearly distinguished from the rest of the company which represents a separate major line of business.

Classification as a discontinued operation occurs at the time the decision is taken by the directors. The comparative statement of comprehensive income is restated as though the operation had been discontinued from the start of the corresponding period.

Revenue from contracts with customers

The company has applied IFRS 15 from 1 January 2018. Information about the company's accounting policies relating to contracts with customers is provided in note 5. The effect of initially applying IFRS 15 is described above in the section concerning changes in significant accounting policies.

Employee benefits

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

Sumitomo Mitsui Trust Bank Limited, a group company, operates a defined contribution scheme for staff appointed in Japan and assigned to the company and is responsible for employer's pension contributions for the executive directors and other senior managers so assigned.

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.

Finance income and finance cost

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

Taxation

Provision is made for taxation at current enacted rates of corporation tax 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.

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 years (previously 3 to 5 years, but there is no impact from the change of policy).

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 years (previously 3 to 5 years, but there is no impact from the change of policy).

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Financial instruments – Financial assets

Cash and cash equivalents, term deposits, trade debtors and other receivables, that have fixed or determinable payments that are not quoted in an active market, were previously classified as loans and receivables under IAS 39 and are now classified at amortised cost. They are initially recognised at fair value and subsequently measured at amortised cost, less any expected credit loss (“ECL”). The business model for term deposits is to collect contractual cash flows including interest on maturity and for trade receivables is to collect contractual cash flows for services provided and for other receivables to obtain contractual economic benefits. All the financial assets are short term, and the carrying amount is considered to approximate to fair value.

Financial instruments – 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. All the financial liabilities are short term, and the carrying amount is considered to approximate to fair value.

Impairment – Financial assets

The company recognises loss allowances for ECLs on financial assets measured at amortised cost. The company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company’s historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and considers a financial asset to be in default if it is more than 90 days past due.

ECLs are those which may arise from all possible default events over the expected life of a financial instrument. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash-flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Any impairment losses are recognised in the statement of comprehensive income.

Impairment – Non-financial assets

At each reporting date the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment, and if so estimates the asset’s recoverable amount, that is the estimated remaining economic benefit of use of the equipment or software.

Impairment provisions for non-financial assets are deducted from the gross carrying amount of the assets. Any impairment losses are recognised in the statement of comprehensive income.

3. 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.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

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 directors assess that 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 was sensitive to market conditions and price movements and income from investment management business is sensitive to market conditions and price movements through portfolio valuations and resulting net fee income is 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 were invoiced to securities lending customers monthly. The risk was managed by converting mid-month settled net currency positions promptly to the functional currency. Fees are invoiced to investment management customers quarterly. The risks arising from net differences in fees and commissions received and paid are managed by converting net currency positions to or from the functional currency as indicated by regularly updated cash flow projections.

An 8% movement in exchange rates would result in a balance sheet adjustment of £25,000 (2017: £8,000).

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, namely outstanding trade debtors.

Credit risk is managed through established credit policies. Sumitomo Mitsui Trust Bank Limited, a group 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 on deposit for fixed terms of up to one year with financial institutions with a credit rating of at least 'A' using Standard & Poor's categorisation.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on historical experience and informed credit assessment.

As a backstop, the company considers credit risk has increased if it is more than 30 days past due date. Credit losses are measured as the present value of all expected cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

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 2018

	2018 £000	2017 £000
External credit ratings of at least A from Standard & Poors		
Cash and cash equivalents	1,234	944
Term deposits with banks	15,000	16,500
Trade debtors and other receivables	1,683	2,006
Trade debtors - four or more years trading history	559	641
Trade debtors - less than four years trading history	1,582	2
Other receivables	276	253
	<u>20,334</u>	<u>20,346</u>

The company has assessed the credit quality of financial assets individually and in aggregate and considers that all financial assets to be stage 1, where credit risk has not increased significantly. Where an external credit rating is not available, the assessment of probability of default and loss given default is based on history of losses and cash flows received from debtors and counterparties.

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 2018					
Assets					
Cash and cash equivalents	1,234	-	-	-	1,234
Term deposits with banks	6,000	-	9,000	-	15,000
Trade debtors	3,772	-	-	-	3,772
Other receivables	248	32	48	-	328
	<u>11,254</u>	<u>32</u>	<u>9,048</u>	<u>-</u>	<u>20,334</u>
Liabilities					
Trade creditors	1,000	-	-	-	1,000
Other payables	532	-	-	-	532
	<u>1,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532</u>
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>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Liabilities

Trade creditors	613	-	-	-	613
Other payables	262	-	-	-	262
	<u>875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875</u>

Financial instruments measured at fair value

All financial assets and financial liabilities classified as at amortised cost and as other financial liabilities respectively are shown at carrying amount.

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)

	Carrying amount		Fair value		
	Financial assets at amortised cost £000	Other financial liabilities £000	Level 1 £000	Level 2 £000	Level 3 £000
As at 31 December 2018					
Financial assets not measured at fair value					
Cash and cash equivalents	1,234	-	-	-	-
Term deposits with banks	15,000	-	-	-	-
Trade debtors	3,772	-	-	-	-
Other receivables	328	-	-	-	-
	<u>20,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value					
Trade creditors	-	(1,000)	-	-	-
Other payables	-	(532)	-	-	-
	<u>-</u>	<u>(1,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2017					
Financial assets not measured at fair value					
Cash and cash equivalents	944	-	-	-	-
Term deposits with banks	16,500	-	-	-	-
Trade debtors	2,353	-	-	-	-
Other receivables	549	45	-	-	-
	<u>20,346</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value					
Trade creditors	-	(613)	-	-	-
Other payables	-	(262)	-	-	-
	<u>-</u>	<u>(875)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Concentration risk

The company is exposed to concentration risk. During the year net investment management income was received from two related parties 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.

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.

4. Discontinued operations

It was decided on 23 May 2018 that the company would cease securities lending operations and close the securities lending department by 30 September 2018.

Consequently the income and the direct costs of the securities lending department, including closure costs, are shown separately in this note together with corresponding income and direct costs for the previous year.

	Note	2018 £000	2017 £000
Discontinued operations:			
Fees and commissions income	5	354	720
Total income		354	720
General and administrative expenses	7	(1,064)	(830)
Total expenses		(1,064)	(830)
Loss on discontinued activities		(710)	(110)

5. Fees and commissions income

The company generates revenue from the provision of investment management services undertaken for institutional customers and affiliated companies. Until 30 September 2018 the company also generated revenue from the provision of securities lending services, undertaken as agent to affiliated companies and conducted with market counterparties.

Disaggregation of revenue from contracts with customers

In the following table revenue from contracts with customers is disaggregated by major service categories and geographical location of customers.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

	Discontinued operations		Continuing operations	
	2018	2017	2018	2017
	£000	£000	£000	£000
Major service categories				
Equities lending fees	354	720	-	-
Foreign exchange fees	-	-	30	30
Investment management fees - IMA	-	-	1,724	1,421
Investment management fees - UCITS	-	-	1,053	958
Investment management intra-group service fees	-	-	4,606	3,119
	<u>354</u>	<u>720</u>	<u>7,413</u>	<u>5,528</u>
Geographical distribution				
Japan	97	288	4,606	3,119
Europe (including UK)	-	-	2,029	1,755
Asia (excluding Japan)	-	-	748	624
Americas	257	432	30	30
	<u>354</u>	<u>720</u>	<u>7,413</u>	<u>5,528</u>

Contract balances

All contract balances are included in trade and other receivables.

Performance obligations and revenue recognition policies

Type of service	Nature and timing of performance obligation, including significant payment terms	Revenue recognition under IFRS 15 (from 1 January 2018)
Equities lending fees	The customer obtained the service in part from execution date for dealing services, in part over time for administrative services. The services were invoiced monthly in arrears and due for settlement within 15 days. The price was determined at market rates at the time of dealing.	Revenue was initially recognised at trade execution date for dealing but over time for administrative services and accrued over time over the life of the loan.
Foreign exchange fees	The customer obtains the services for administrative services over time. The services are invoiced monthly in arrears and due for settlement within 30 days. The price was negotiated between the parties and the fee is determined based on the NAV of the funds.	Revenue is recognised as arising over time and accrued over time.
Fees arising from IMA portfolio management	The customer obtains the services for portfolio management over time. The services are invoiced quarterly in arrears and due for settlement within 30 days. The fee is determined based on the NAV of the funds.	Revenue is recognised as arising over time and accrued over time.
Fees arising from UCITS distribution	The UCITS fund obtains the services for the introduction of new funds at the time of subscription. The services are invoiced quarterly in arrears and due for settlement within 30 days. The fee is determined based on the NAV of the funds.	Revenue is initially recognised at date of subscription but arises over time for the duration of the subscribers' investment in the UCITS fund.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Investment management intra-group service fees	The parent company obtains the services for sales, marketing and support services outside Japan over time. The services are invoiced half-yearly in arrears and due for settlement within 30 days. The fee is determined on a cost-plus basis calculated on the relevant proportion of the cost-base of the company.	Revenue is recognised as arising over time and accrued over time.
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Revenue recognition under IAS 18 (applicable until 31 December 2017)

Fees and commissions income were recognised on an accruals basis when the service had been provided.

6. Fees and commissions expense

	Discontinued operations		Continuing operations	
	2018 £000	2017 £000	2018 £000	2017 £000
Foreign exchange fees	-	-	(30)	(15)
Investment management fees - IMA	-	-	(1,724)	(1,420)
Investment management fees - UCITS	-	-	(1,780)	(876)
	-	-	(3,534)	(2,311)
	-	-	(3,534)	(2,311)

7. General and administrative expenses

	Discontinued activities		Continuing activities	
	2018 £000	2017 £000	2018 £000	2017 £000
Staff costs (note 8)	905	595	2,143	1,813
Other costs	159	235	1,755	1,542
	1,064	830	3,898	3,355
	1,064	830	3,898	3,355

8. Staff costs

The average number of persons employed by the company during the year (including executive directors) was 20 (operational: 14, administrative: 6) (2017 - 20 (operational: 15, administrative: 5)).

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

	Discontinued activities		Continuing activities	
	2018 £000	2017 £000	2018 £000	2017 £000
Wages and salaries	776	497	2,064	1,736
Social security costs	89	47	35	33
Other pension costs	40	51	44	44
	905	595	2,143	1,813
	905	595	2,143	1,813

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

9. Remuneration of directors

	2018 £000	2017 £000
Directors' remuneration paid by the company	684	476
Directors' remuneration paid by the parent company	-	115
Directors' pension contributions paid by the parent company	18	12
	<u>702</u>	<u>603</u>

Directors' remuneration paid by the company in 2017 included 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 £265,238 (2017 - £294,030) including pension contributions paid by the parent company £6,498 (2017 - £6,260).

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.

10. Profit before taxation

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

	2018 £000	2017 £000
Auditor's remuneration:		
Audit of these financial statements	43	35
Amounts receivable by the company's auditor in respect of:		
Audit-related assurance services	22	20
Information technology services	5	5
Other items:		
Depreciation of equipment	-	4
Amortisation of intangible assets	7	16
Loss on disposal of intangible assets	14	-
Rental of land and buildings	138	138
Foreign exchange losses	8	3
	<u> </u>	<u> </u>

11. Taxation

Tax on profit for the year

	2018 £000	2017 £000
Current tax charge/(credit)	-	-
Deferred tax (note 15)	(275)	-
	<u>(275)</u>	<u> </u>

Factors affecting the tax charge for the year

The tax credit on the loss for the 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 2018

	2018 £000	2017 £000
Profit/(loss) on continuing activities	16	(72)
Loss on discontinued activities	(710)	(110)
	<u>(694)</u>	<u>(182)</u>
Loss before tax		
	<u>(694)</u>	<u>(182)</u>
Loss at standard rate of corporation tax in UK of 19% (2017 - 19¼%)	(132)	(35)
Effect of:		
Disallowable expenses	1	1
Changes in enacted corporation tax rates from 20% to 17%	10	4
Trading losses on which no deferred tax is provided	-	28
Timing differences on which no deferred tax is provided	-	2
Recognition of trading losses brought forward from previous years	(91)	-
Recognition of timing differences on capital expenditure brought forward	(63)	-
	<u>(275)</u>	<u>-</u>

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.

12. Trade debtors and other receivables

	2018 £000	2017 £000
Trade debtors	3,772	2,353
Accrued income	35	27
Prepaid expenses	172	216
Other debtors	121	306
	<u>4,100</u>	<u>2,902</u>

13. Equipment

	Office equipment £000
Cost	
At 1 January 2017	152
Additions	-
Disposals	(15)
	<u>137</u>
At 31 December 2017	137
Additions	-
Disposals	-
	<u>137</u>
At 31 December 2018	137

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Depreciation	
At 1 January 2017	148
Charge for the year	4
Disposals	(15)
	<hr/>
At 31 December 2017	137
Charge for the year	-
Disposals	-
	<hr/>
At 31 December 2018	137
	<hr/>
Net book value	
At 31 December 2018	-
	<hr/> <hr/>
At 31 December 2017	-
	<hr/> <hr/>
At 1 January 2017	4
	<hr/> <hr/>

14. Intangible assets

	Computer software £000
Cost	
At 1 January 2017	310
Additions	12
Disposals	(24)
	<hr/>
At 31 December 2017	298
Additions	3
Disposals	(244)
	<hr/>
At 31 December 2018	57
	<hr/>
Amortisation	
At 1 January 2017	284
Charge for the year	16
Disposals	(24)
	<hr/>
At 31 December 2017	276
Charge for the year	7
Disposals	(230)
	<hr/>
At 31 December 2018	53
	<hr/>
Net book value	
At 31 December 2018	4
	<hr/> <hr/>
At 31 December 2017	22
	<hr/> <hr/>
At 1 January 2017	26
	<hr/> <hr/>

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

15. Deferred taxation

Following the closure of the securities lending department on 30th September 2018 it is anticipated that the company will report profits on the continuing investment management activities under the service agreement with the parent company.

After reviewing prospects for the next three accounting periods appropriate recognition of deferred tax assets was reconsidered. It has been decided to recognise deferred tax assets.

The following are the deferred tax assets recognised by the company and movements thereon during the current reporting period:

	Trading losses £000	Depreciation and capital allowances £000	Total £000
At 1 January 2018	-	-	-
Recognition of trading losses and timing differences on which deferred tax was not provided in previous years	91	63	154
Credit/(charge) for the year	142	(11)	131
Effect of changes in tax rate	(10)	-	(10)
At 31 December 2018	223	52	275

16. Trade creditors and other payables

	2018 £000	2017 £000
Trade creditors	1,000	613
Accrued expenses	522	146
Other creditors	10	116
	1,532	875

17. Share capital

	2018 £000	2017 £000
Authorised, issued and fully paid: 20 million ordinary shares of £1 each	20,000	20,000
	20,000	20,000

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

The sole shareholder is Sumitomo Mitsui Trust Asset Management Co. Ltd.

18. 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.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

19. Related party transactions

There are no key management personnel other than the directors listed in the Directors' Report. The non-executive directors hold senior management positions in Sumitomo Mitsui Trust Bank, Limited or in Sumitomo Mitsui Trust Asset Management Co. Ltd. All transactions relating to the 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 Asset Management Co. Ltd., 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 Investment Funds, group-sponsored collective investment schemes managed by SMT Funds Services (Ireland) Limited, and with GAS Cayman Limited and Sumitomo Mitsui Trust (UK) Limited.

Until 30 September 2018 the company was a wholly-owned subsidiary of Sumitomo Mitsui Trust Bank, Limited. Since 1 October 2018 the company has been a wholly-owned subsidiary of Sumitomo Mitsui Trust Asset Management Co. Ltd.

Amounts for income and expenses disclosed in the column for parent company are those with Sumitomo Mitsui Trust Bank, Limited for periods to 30 September 2018 and Sumitomo Mitsui Trust Asset Management Co. Ltd for the period from 1 October 2018.

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 2018			
Fees and commissions income	4,606	1,397	6,003
Interest income	13	-	13
Fees and commissions expense	(2,082)	(15)	(2,097)
Other operating expenses	-	-	-
General and administrative expenses	(549)	(382)	(931)
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)

Amounts for assets and liabilities disclosed in the column for parent company are those with Sumitomo Mitsui Trust Bank, Limited as at 31 December 2017 and Sumitomo Mitsui Trust Asset Management Co. Ltd as at 31 December 2018.

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

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2018

Statement of financial position	With parent company £000	With other related parties £000	Total £000
As at 31 December 2018			
Cash and cash equivalents	-	5	5
Term deposits	-	-	-
Trade debtors	1,423	1,863	3,286
Accrued income	-	-	-
Prepaid expenses	-	58	58
Other debtors	-	16	16
Trade creditors	(549)	(280)	(829)
Accrued expenses	-	(174)	(174)
Other creditors	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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/> <hr/>	<hr/> <hr/>

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

The company is a wholly-owned subsidiary undertaking of Sumitomo Mitsui Trust Asset Management Co. Ltd., a company incorporated in Japan.

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

Copies of the financial statements of the ultimate parent company can be obtained from the web-site of the ultimate parent company at <https://www.smtl.jp/en/> or from:

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

Sumitomo Mitsui Trust International Limited

Annexes to the financial statements for the year ended 31 December 2018

21. Annex required under EU575/2013 – CRR - Capital Management

As an FCA authorised and regulated investment firm Sumitomo Mitsui Trust International Limited is subject to the requirements of the Capital Requirements Regulation EU 575/2013 (CRR) and the FCA Handbook.

Sumitomo Mitsui Trust International Limited's policy is to manage capital in order to:

- support its business objectives
- allow it to operate as a going concern and to meet its financial obligations as they fall due
- protect it in periods of stress through the absorption of unanticipated losses
- satisfy its regulatory capital requirements
- protect the Sumitomo Mitsui Trust Holdings Inc. group reputation

Sumitomo Mitsui trust International Limited manages its capital adequacy through a series of limits that consider its regulatory minimums, the three-year strategic plan and the results of its Internal Capital Adequacy Assessment Process (ICAAP).

22. Annex required under 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 2018: 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 in the year were the provision of securities lending and investment management services, which were 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 (2017 - 20)

	2018 £000	2017 £000
Turnover	7,767	6,248
Loss before tax	(694)	(182)
Tax credit for the year	(275)	-
Effect of deferred tax credit	275	-
Timing differences between period of tax credit and tax received	(7)	-
Tax received during the year	(7)	-