Asset Management One International Ltd.

Report and Financial Statements for the year ended

31 December 2018

Corporate information

Directors

Mr H Yanagihara	Chief Executive Officer
Mr J Weber	Chief Financial Officer
Mr E Watatani	Chief Investment Officer
Mr S Aizawa	Non Executive (appointed on 1 April 2018)
Mr A Masuda	Non Executive
Mr H Fukuzawa	Non Executive (resigned on 1 April 2018)

Secretary

Mr J Weber

Auditors

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

Registered Office

Mizuho House, 30 Old Bailey,
London, EC4M 7AU
Registered in England and Wales
Company Number: 3472865

Contents **Page**

Asset Management One International Ltd
Mizuho House, 30 Old Bailey, London EC4M 7AU
Registered in England and Wales, Company Number 3472865

The directors present their strategic report of Asset Management One International Ltd., (the "Company") for the year ended 31 December 2018. Asset Management One International Ltd. is a private company limited by shares and incorporated in England and Wales.

Ownership structure

Asset Management One Co., Ltd. ("Asset Management One") was formed on 1 October 2016 as a result of the integration of DIAM Co., Ltd. (the Company's former parent), Mizuho Asset Management Co., Ltd. (MHAM), Shinko Asset Management Co., Ltd., and the Asset Management Division of Mizuho Trust & Banking Co. (TB), Ltd.

Asset Management One is owned jointly by Mizuho Financial Group Inc (51%) and the Dai-ichi Life Holdings Inc. (49%) which provides a strong base that is long-term in outlook and financially able to support Asset Management One's long-term business strategy.

Principal Activity

Asset Management One International Ltd is the London based subsidiary of Asset Management One Co., Ltd, and is authorised and regulated by the Financial Conduct Authority (FCA) to carry out global investment management business.

The Company has been structured to meet the specific investment requirements of clients in Europe, the Middle East and Africa (EMEA). The Company has capitalised on its closer ties with the Mizuho Financial Group with several new projects in the pipeline.

Review of the business

	2018	*2017*	
	£000	*£000*	*Change*
Net fee and commission income	9,624	9,496	+1%
Pre-tax profit/ (loss) from continuing operations	420	(8)	+5,625%
Funds under Management	4,443,000	4,930,000	-10%
Current assets as % of current liabilities	384%	329%	
Number of new client accounts	8	10	
Number of closed client accounts	(8)	(13)	

Net fee and commission income grew by 1%, despite falling NAVs, mostly as a result of the weakening of Sterling against most major currencies. The latter part of 2018 proved challenging for Japanese equities and Funds under Management decreased by 10% compared to 2017. The company continued with its UCITS programme and added a further three new AMO UCITS accounts as well as five further accounts, totalling eight new accounts. Continuing the rationalisation program it was decided to close a number of small accounts. In total eight accounts were closed resulting in no change in the number of funds.

The Company has returned to profitability and as a result achieved the goal of the 2015 Head Office initiative, termed the Revival Plan, which sought to provide the necessary support, financial and other resources, to improve the performance of the Company and return the company to profitability by 2018.

The profit for the year is set out in the statement of comprehensive income on page 14. The directors do not recommend the payment of a dividend (2017: £nil). A profit of £420,187 (2017: £7,562 loss) has been transferred to reserves.

The Company forms part of the Mizuho Financial group and is the European arm of the Asset Management One group, the largest Asset manager in Asia, who have global ambitions and are committed to increasing their presence and investment in the EMEA region.

Business Strategy

Asset Management One International Ltd. is committed to implementing and evolving our approach to responsible investment to incorporate improvements to the environment, community and workforce

Asset Management One International Ltd intends to achieve this strategy through following specific lines of business:-

- Investment management for institutional clients through segregated mandates;
- Expand AMO UCITS product range in Japanese and Asia equities for European and Middle Eastern clients; and
- Diversification of product range, strategies and vehicles providing corporate and institutional investors with bespoke investment portfolios

In addition to these activities the Company also provides operational and middle office support for the other subsidiaries within the Asset Management One group namely Asset Management One Singapore PTE Ltd and Asset Management One USA Inc.

Material Risks

The Asset Management One International Ltd. Board consider it paramount that management processes clearly ensure adequate controls are in place to manage the risk as per the client mandate and to communicate the level of risk to the client.

The Company does not hold client money or client assets nor has any fund accounting responsibilities and hence these operational risks are not material and procedures and controls are in place to prevent this situation occurring.

Asset Management One International Ltd. provides a group service by supporting the administration of accounts for the other group subsidiaries, namely Asset Management One USA Inc. and Asset Management Singapore PTE. Ltd. This operation is clearly defined by a service level agreement and management have not identified key operational risks within this area.

The principal risks and uncertainties facing the Company are identified as follows:

Operational risk – The risk of loss or negative impact resulting from inadequate or failed processes, people and systems or from external events including legal and financial crime risks. The Company has extensive operational controls and checks in place, including dedicated risk management and operational risk functions. The Company also has professional indemnity insurance and actively strives to embed a risk culture throughout the Company. Rigorous procedures have been implemented with committee oversight to ensure wider awareness and critical evaluation of the strategic risks the Company faces.

The business continuity and disaster recovery plan is frequently tested and amended to consider wide ranging factors ensuring that in the case of a severe business disruption, the firm is able to operate on an ongoing basis and any losses are limited.

Political risk – The Company has considered the implications on its current business model of the United Kingdom (UK) people's vote to leave the European Union (EU). The Company has assessed its business connections and feels that it has made the necessary preparations to ensure a smooth transistion post Brexit. During the year the Company established three additional AMO UCITS funds in Luxembourg with plans for further expansion in 2019.

All uncertain periods bring volatility particularly with regard to currency. Currently the majority of the Company's income is in Japanese Yen however most of this exchange risk is dissipated by our transfer pricing arrangement with Head office which is paid in local currency (GBP).

Regulatory risk – The volume of regulatory change continues to drive the requirement for the Company to increase knowledge and capacity in the area of compliance to counteract the increased risk. The enhanced compliance team has increased staff numbers and introduced a range of complimentary information systems. The compliance team reports and regularly updates members on all significant regulatory changes both proposed and in the pipeline.

- Speed and intensity of new regulation has demanded additional resources which are being implemented to develop new processes and systems to ensure that new requirements are enacted correctly within appropriate timescales;
- Regulatory changes are not correctly understood such that strategic changes are not sufficiently addressed within appropriate timescales for the business model;
- Regulatory Breaches may occur in AMO UCITS funds where regulatory requirements vary between funds depending on the country where the fund is located. Asset Management One International Ltd. manages funds in Luxembourg and Ireland;
- As part of a banking group with an SEC registered entity, Asset Management One International Ltd. may be exposed to more far reaching regulatory requirements.

To mitigate the occurrence of any of these risks the Company's Management Committee will review management and risk information on a monthly basis. In addition, the regulatory environment is continually monitored and regularly reported on, both internally and externally.

Market risk – Systematic risk is the risk that Asset Management One International Ltd. incurs losses due to factors that affect the overall performance of the financial markets. A downturn can impact assets under management with implications for the Company's profitability. The Company performs stress tests of the business model at different levels of assets under management, however Asset Management One International Ltd. has one main client, their parent, Asset Management One Co. Ltd. This is a theoretical risk however in reality it is a great benefit particularly in light of becoming a member of a vastly increased group.

Recent trends highlight increasing pressure to reduce fees, the move towards internalising asset management and the growth of 'Robo-advisers' and passive funds. To mitigate this trend the Company continues to provide a close bespoke service to its clients focusing on longer term relationships which enable changes in outlook to be accommodated more consensually.

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Business risk – Is the risk that the current business strategy may not be appropriate for the current conditions which could result in losing clients and failure to attract new clients.

By order of the Board

Date: 11 March 2019

The Directors submit their report and the financial statements for the year ended 31 December 2018.

Directors of the Company

The current directors are shown on page 1.

None of the Directors held any beneficial interest in the share capital of Asset Management One International Ltd. at 31 December 2018 or at any time during the year then ended.

Future Developments

Asset Management One International will continue to broaden and enhance its investment capabilities. We are expanding the AMO UCITS product range and will continue to offer our flagship Japanese Equity strategies to investors in EMEA. Another key strategic goal is to continue expanding the Investment Solutions business in EMEA, and continue providing corporate and institutional investors with bespoke investment portfolios, which address specific portfolio liabilities or invest in targeted asset portfolios. Overall, Asset Management One International continues to expand its specialist reach globally, and plans to continue its brand recognition.

Business Objectives

Meeting the following objectives is key to achieving the financial and non-financial measures that increase shareholder value:

- Maximising returns on investment;
- Delivering best service to clients;
- Improving operational efficiency; and
- Securing employee health and safety.

Business Overview

As part of the vastly larger Asset Management One Group, the Company has benefited from greater access to resources, networks and expertise. The Revival Plan, initiated by the parent company, Asset Management One Co., Ltd., has over a three year period achieved the goal of returning the Company to profitability. The Asset Management One Group continues to plan for improved global integration and connectivity and will work to advance global infrastructure improvements over the coming years. Once implemented in the overseas office, the new global network will not only increase collaboration throughout the group but will strategically place Asset Management One International Ltd in an important position. Development of the overseas offices is seen as a major strategic goal of Asset Management One Group and so encourage future growth they are committed to continued financial and organisational support.

Financial Overview

The Company ended the year in profit, significantly ahead of budgeted target of break-even and is well placed to capitalise on the gains made this year and further planned investment in resources.

Business plans are in place which clearly demonstrate that the Company has made good progress and is increasingly benefiting from the new structure as can be seen by the expansion of the AMO UCITS accounts and increase in resources.

Resources

The Company aims to safeguard the assets that give it competitive advantage, being reputation for quality and reliability, its intellectual capital and its people.

Reputation

Codes of Conduct operate throughout the Company to provide a framework for responsible yet innovative and ethical business practices. The operation of supporting processes and controls are regularly reviewed by the Management Committee headed by the CEO and comprising of the CFO and the Company Executive Directors.

Employees

The Company aims to recruit and retain employees who are valued for their contribution and ability to fulfil their potential in meeting the business objectives. To achieve this, the Company aims to:

- Provide opportunities for its employees to develop their skills and capabilities so they are equipped and ready for the challenges they will face;
- Establish a stimulating and safe working environment;
- Respect diversity and promote a sensible work/life balance; and
- Reward individual and team contributions to the Company's success.

The Company has a strategy for retaining staff, including the provision of competitive terms and conditions, as a result the staff retention levels within the Company remain well above average.

Principal risks and uncertainties

Management meets regularly to identify and assess the impact of risks to the business. For each risk the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results reported. These risks are discussed in detail in note 16 to the financial statements.

Taxation

An analysis of taxation charge is set out in note 5 and 6 to the financial statements.

Cash flow

Operating activities resulted in an inflow of £1,049,847 (2017 inflow: £1,287,993). Investing activities resulted in net inflows of £31,413 (2017: outflow £41,933) which was derived from interest income. The year ended with an increase in cash and cash equivalents of £1,081,260 (2017: £1,246,060) for the year.

Treasury policies

The Company finances its activities with cash and short term deposits as disclosed in note 11. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions principally forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations and its sources of finance. The Company does not trade in financial instruments.

Going concern

The Directors have the full support of the parent company, Asset Management One Co., Ltd, which is part of the Mizuho Financial Group. This has been documented in a board approved Revival Plan. The Company is an integral part of the global strategy of the Asset Management One group and with this considerable backing, the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disabled Employees

Applications for employment by disabled persons are always considered fully, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The Company places considerable value on the involvement of its employees and has a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through regular circulars distributed throughout the Company and through the annual financial statements, which are made available to all employees.

Auditors

In accordance with s485 of the Company's Act 2006 a resolution to reappoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the board at the time of approving the Directors' report are listed under corporate information at the start of this document. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Liabilities

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

The maintenance and integrity of the Asset Management One International Ltd. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Management is in the process of updating Pillar 3 disclosure, which on completion will be made available on the Asset Management One International Ltd. website.

By order of the board

Date: 11 March 2019

The directors are responsible for preparing the Director's Report, the Strategic Report and financial statements in accordance with applicable laws and regulations.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the company for that period. In preparing those financial the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact or particular transactions, other events and conditions on the company's financial position and financial performance; and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASSET MANAGEMENT ONE INTERNATIONAL LTD

Opinion

We have audited the financial statements of Asset Management One International Ltd for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash flow and the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Denise Davidson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 March 2019

	Notes	2018 £000	2017 £000
Revenue			
Management and advisory fees	2	9,123	8,571
Cost Mark-up income		3,485	3,472
Fees and commissions paid		(2,984)	(2,547)
Net fee and commission income		**9,624**	**9,496**
Other income	3	161	248
Administrative expenses	3	(9,396)	(9,762)
Operating Profit/(loss) from continuing operations		**389**	**(18)**
Interest income	3	31	10
Profit/(loss) from continuing operations before taxation		**420**	**(8)**
Tax expense	5	-	-
Profit/(loss) for the year from continuing operations attributable to equity shareholders of the company		**420**	**(8)**

No other comprehensive income was recognised during 2018 or 2017; therefore, the profit/loss for the year is also the total comprehensive income.

The notes on pages 18 to 35 form an integral part of these financial statements

Statement of Financial Position

As at 31 December 2018

		2018	*2017*
ASSETS	*Notes*	*£000*	*£000*
Non-Current Assets			
Property, plant and equipment	7	56	78
Intangible assets – software	8	940	1,531
Total Non-Current Assets		**996**	**1,609**
Current Assets			
Trade and other receivables	10	2,621	2,510
Prepayments		420	337
Cash and cash equivalents	11	7,724	6,643
Total Current Assets		**10,765**	**9,490**
TOTAL ASSETS		**11,761**	**11,099**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Called up share capital	13	9,000	9,000
Retained loss		(369)	(789)
Total Equity		**8,631**	**8,211**
Non-current liabilities			
Other liabilities	17	324	318
Current Liabilities			
Trade and other payables	12	2,806	2,570
Total Current Liabilities		**2,806**	**2,570**
TOTAL EQUITY AND LIABILITES		**11,761**	**11,099**

The notes on pages 18 to 34 form an integral part of these financial statements

Approved by the board of Directors
And signed on its behalf by

J Weber
Secretary
Date: 11 March 2019

Statement of Equity

For the year ended 31 December 2018

	Issued Share capital £000	*Retained earnings £000*	*Total Equity £000*
At 1 January 2017	9,000	(781)	8,219
Change in the year	-	(8)	(8)
At 31 December 2017	9,000	(789)	8,211
At 1 January 2018	9,000	(789)	8,211
Change in the year	-	420	420
At 31 December 2018	9,000	(369)	8,631

Statement of Cash Flow

For the year ended 31 December 2018

	2018	2017
	£ 000	£ 000
Operating Activities		
Profit before tax from continuing operations	420	(8)
Depreciation of Property, Plant and Equipment	22	21
Amortisation of intangible – software	591	680
Interest income	(31)	(10)
Working capital adjustments		
Increase/Decrease in trade and other receivables	(111)	416
Increase/Decrease in prepaid expenses	(83)	73
Decrease in other current financial assets	-	642
Increase in trade and other payables	242	169
Decrease in other current financial liabilities	-	(695)
Net cash flow from operating activities	**1,050**	**1,288**
Investing activities		
Purchase of intangible assets – software	-	(38)
Purchase property, plant and equipment	-	(14)
Interest received	31	10
Net cash flow used in investing activities	**31**	**(42)**
Net cash flow from financing activities	-	-
Net increase in cash and cash equivalents	1,081	1,246
Cash and cash equivalents at 1 January	6,643	5,397
Cash and cash equivalents at 31 December	**7,724**	**6,643**

1. **Authorisation of Financial Statements and statement of compliance with IFRSs**

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue by the board of Directors on 6 March 2019 and the Statement of Financial Position was signed on the board's behalf by Mr H Yanagihara. Asset Management One International Ltd. The registered office of the Company is located at Mizuho House, 30 Old Bailey, London EC4M 7AU.

The principal accounting policies adopted by the Company are set out below.

Accounting Policies

(a) Basis of Preparation

The financial statements, except for cash flow information, are prepared using the accruals basis of accounting. The financial statements are prepared under the historical cost convention modified to include the revaluation of financial instruments. The financial statements are prepared in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Statement of compliance

The financial statements of Asset Management One International Ltd. have been prepared in accordance with International Financial Reporting standards (IFRS) as adopted by the European Union as they apply to the Financial Statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements. This is with the exception of property, plant & equipment from which the Company has segregated its assets in relation to software and presented them separately as intangible assets.

(b) Income and Expenses

(i) Interest receivable is accounted for on an accruals basis.

(ii) Fees receivable and payable are accounted for on an accruals basis.

(iii) On 20 July 2018 a bonus payment was made for services in respect of the period 1 April 2017 until 31 March 2018.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the cost of property, plant and equipment over their estimated useful economic lives on the following basis:

(i) Fixtures and fittings are depreciated over five years on a straight-line basis.

(ii) Office hardware is depreciated over three on a straight line basis.

(d) Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, are not capitalised until they are available for use within the business.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life, currently 7 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

(e) Pension Costs

The Company operates a defined contribution scheme to provide benefits to employees subject to the value of their personal pension accounts. Costs associated with the defined contribution scheme are charged to the Statement of Comprehensive Income to the extent that contributions are payable in respect of the accounting year.

The Company also has a non-contributory defined benefit scheme based on final pensionable earnings. The entity does not have access to information about the plan to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis. Therefore the Company accounts for the plan as if it were a defined contribution plan.

(f) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- deferred income tax assets are recognised only to the extent that it is probable the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

(g) Cash and cash equivalents

Cash amounts represent cash in hand and on-demand deposits. Cash equivalents are short-term highly liquid investments with a maturity of 6 months or less from the date of acquisition. At the year end the longest running cash deposit had less than 1 month to maturity.

(h) Revenue recognition

Fee and commission income
Fee income includes management charges, transaction fees and performance fees. Annual management charges and transaction fees are recognised in the accounting period in which the associated investment management services are provided. Performance fees are recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will crystallise as a result. No performance fees were recognised in the current year.
Initial fees and commissions are deferred and amortised over the anticipated period in which the services will be provided, determined by reference to the average term of investors in each product on which commissions are earned. Other income is recognised in the accounting period in which services are rendered.

Finance income
Interest income is recognised as it accrues using the effective interest method.

Cost Mark-up income
Cost mark-up income is received quarterly in advance and is recognised in the accounting period in which the client services are received and the related expenses are incurred.

(i) Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Company becomes party to the contractual provisions of the instrument at fair value adjusted for transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the liability is discharged.

Financial assets
Purchases and sales are recognised at the trade date, being the date when the purchase or sale becomes contractually due for settlement. Delivery and settlement terms are usually determined by established practices in the market concerned.

Financial assets at fair value through profit and loss
Assets are carried in the balance sheet at fair value with gains or losses recognised in the Statement of Comprehensive Income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset is impaired. If there is objective evidence that an impairment loss on loans or receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in the Statement of Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(j) Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives during the year are taken to the Statement of Comprehensive Income directly.

(k) Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Statement of Comprehensive Income on a straight line basis over the lease term.

(l) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. Such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining life.

(m) Deferred charges

Deferred charges are to be amortised, on a straight line basis, over the estimated useful life of the asset they relate to. The balances are reviewed annually to assess recoverability and possible impairment.

(n) Foreign currency translation

The financial statements are presented in Sterling, which is the Company's functional and presentational currency. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the balance sheet date. All differences are recorded in the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(o) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. Assumptions made at the reporting date (for example accrued income) are based on best estimates at that date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

(p) Standards and interpretations

The following new or amended standards that have been issued by the IASB or IFRIC are not expected to have a significant impact on the Company:

IFRS 9

(i) Classification and measurement

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be. The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

The change did not have material impact on the Company's statement of cash flows.

(ii) Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the Company's trade receivables and other current receivables which the Company measures at amortised cost are short term (i.e., less than 12 months) and the Company's credit rating and risk management policies are in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

(iii) Hedge accounting

The Company has elected to adopt the new general hedge accounting model in IFRS 9. However, the changes introduced by IFRS 9 relating to hedge accounting currently have no impact, as the Company does not apply hedge accounting.

IFRS 15 Revenue from Contracts with customers

IFRS 15 specifies that an entity must apply to measure and recognise revenue and the related cash flows. The core principle of the standard is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The principle in IFRS 15 is applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies each performance obligation

Implementation of IFRS 15 will have little impact on the Company due to the nature of the business of asset management in that all business is performed under contract with the customer. Investment management agreements are signed in advance of any transactions which specify the terms and obligations for both parties, any deviation may only be permitted by way of a new contractual agreement.

The Company recognises revenue only when it satisfies its performance obligations by transferring control of the service to the customer. Investment management services are satisfied over time because the customer simultaneously receives and consumes the benefits of the fund management service the Company provides and the Company performs the service or performance enhances the assets that the fund controls.

Investment management fees represent variable consideration which is based on each period's NAV. The transaction price includes the amount determined at the end of the period. Performance fees are highly susceptible to market volatility and as such are not recognised until after the end of the reporting period.

In light of the above points we conclude that IFRS 15 will have no impact on revenue recognition within the Company as at 31 December 2018.

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company plans to adopt IFRS 16 using the modified retrospective approach, which means it will apply the standard from 1 January 2019, the cumulative impact of adoption will be recognised as at 1 January 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low-value.

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	£000
Assets	
17 years office lease and fit-out (right-of-use assets)	4.360
Liabilities	
Lease liabilities	(4,360)

Net impact on equity	-

Work completed by the Company to date indicates the new leases standard is expected to have a effect on the Company's financial statements as it will increase the Company's recognised assets and liabilities (as described above).

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. Management is currently assessing the impact to the Company's financial statements.

At the date of authorisation of the financial statements there were a number of other Standards and Interpretations which were in issue but not yet effective. Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

2. Segmental information

Asset Management One International Ltd. is an investment manager located in UK with clients throughout the world. The Company manages a range of investment products for institutional investors across multiple asset classes including equities and fixed income.

Asset Management One International Ltd. is a single segment investment management business and all strategic and financial decisions are determined by the chief operating decision maker.

Geographic information

Revenues from clients	2018 £000	2017 £000
Europe	3,907	3,222
Asia	3,247	3,333
Other countries	1,969	2,016
Total	**9,123**	**8,571**

The geographical revenue information is split according to the region where the invoice is raised and not necessarily where the client is based.

Revenues by product	2018 £000	2017 £000
Equity	6,002	5,288
Fixed Income	3,092	3,252
Operational support fees	29	31
Cost mark-up income	3,485	3,472
Total	**12,608**	**12,043**

3. Other Income and Expenses

3.1 Other income

	2018	*2017*
	£000	*£000*
Other income	15	91
Fees for providing operational support to other subsidiaries	146	157
	161	248

3.2 Interest Income

	2018	*2017*
	£000	*£000*
Cash deposit interest income	31	10
	31	10

3.3 Administration expenses

	2018	*2017*
	£000	*£000*
Included in Administration expenses		
Travel and Entertainment	120	161
Information and Communications	1,098	968
Premises and Property Management	1,710	1,881
Marketing and Professional services	258	261
Other expenses	73	61
Depreciation (Note 7)	22	21
Amortisation (Note 8)	591	680
Net foreign exchange differences	(105)	70
	3,767	4,103

3.4 Staff Cost

	2018	*2017*
	£000	*£000*
Wages & Salaries	4,771	4,680
Redundancy	-	130
Social Security costs	447	450
Defined Benefit Scheme (Note 9)	128	128
Defined Contribution Scheme (Note 9)	283	271
	5,629	5,659

3.5 Auditors' remuneration

The Company paid the following amounts to its auditors:

	2018 £000	2017 £000
Audit of financial statements	47	47
Audit related assurance services	54	55
Other assurance services	15	16
Other non-audit services	-	-
	116	118

4. Directors and Employee Information

The average number of persons, excluding Directors, employed by the Company during the year was as follows:

	2018	2017
Officers	30	29
Clerical	6	5
	36	34

	2018 £ 000	2017 £ 000
Directors' emoluments, include pension contributions	837	839
Pension contributions	12	-
Highest paid Director of the Company	284	290

There are no compensation schemes in operation for key management personnel.

5. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the Statement of Comprehensive Income

	2018 £000	2017 £000
Statement of Comprehensive Income		
Current corporation tax charge	-	-
Corporation Tax expense reported in the Statement of Comprehensive Income	-	-

(b) Reconciliation of the total tax charge

Accounting profit before tax from continuing operations	420	(8)
At statutory income tax rate of 19% (2017: 19.25%)	80	(2)
Non-deductible expenses	1	-
Deferred tax not recognized on accelerated capital allowances	71	2
Tax losses utilized on which no deferred tax was recognized	(152)	-
At the effective corporation tax rate of 0% (2017: 0%)	-	-

6. Deferred Taxation

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the Balance Sheet date. The Finance (No. 2) Act 2016 reduced the tax rate to 19% (effective from 1 April 2017) and the Finance Act 2017 further reduced the tax rate to 17% (effective from 1 April 2020).

The Company has trading losses carried forward at 31 December 2018 of £1,205,594 (2017: £1,294,223) that is available indefinitely against future trading income arising in the Company. The Company also has temporary differences in relation to accelerated capital allowances of £15,823 (2017: £47,809). Deferred tax has not been recognised in relation to these amounts as it is the opinion of the directors that it is more likely than not that there will be insufficient trading income in future periods against which these amounts may be relieved.

7. Property, Plant and Equipment

	Fixtures & Fittings	*Total*
Cost:	*£000*	*£000*
At 1 January 2018	110	110
Additions	0	0
At 31 December 2018	110	110
Accumulated depreciation		
At 1 January 2018	32	32
Charge for year	22	22
At 31 December 2018	54	54
Net book value		
At 31 December 2017	78	78
At 31 December 2018	56	56

8. Intangible assets - software

Cost:	*Computer Software £000*	*Total £000*
At 1 January 2018	4,459	4,459
Additions	0	0
Fully amortised during the year	(505)	(505)
At 31 December 2018	3,954	3,954
Accumulated amortisation		
At 1 January 2018	2,928	2,928
Charge for year	591	591
Fully amortised during the year	(505)	(505)
At 31 December 2018	3,014	3,014
Net book value		
At 31 December 2017	1,531	1,531
At 31 December 2018	940	940

9. Pension Costs

Defined contribution scheme and arrangements

The defined contribution schemes and arrangements provide benefits for employees subject to the value of their personal pension accounts. Contributions are made by the Company as a percentage of salary and are age related. The assets of these schemes are held separately from those of the Company in independently administered funds. During the year ended 31 December 2018 the Company made contributions of £285,513 (2017; £270,716) to the defined contribution schemes and Company personal pension arrangements.

Defined benefit scheme

The Company is part of the Mizuho International Plc Retirement Benefits Scheme ("Scheme"). There is no contractual agreement or policy for charging the net defined benefit cost amongst the member companies of the Scheme. Contributions made by the Company are as advised by the scheme Trustee. As this is scheme where entities under common controls share risk, the Company is unable to individually identify its share of assets and liabilities on a consistent and reasonable basis. Therefore the Company accounts for the plan as if it were a defined contribution plan. The total agreed pension cost in respect of the plan recognised in the statement of comprehensive income of the Company for the year to 31 December 2018 was £128,000 (2017: £128,000). To the best of our knowledge there are no outstanding contributions at the balance sheet date. At the date of the last valuation the scheme had a restricted surplus of £3m (2017: £3m).

The defined benefit scheme provides benefits for employees based on final pensionable earnings. At 31 March 2017 there were, 204 members with preserved benefits and 33 pensioner members. The funds of the scheme are administered by Trustees and are separate from the Company. A formal valuation of the defined benefit scheme is undertaken by independent qualified actuaries on a regular basis. The most recent actuarial valuation of the defined benefit scheme was undertaken by the Scheme actuary, as at 31 March 2017.

Details of the valuation of the plan are available in the accounts of Mizuho International plc. which are available from Companies House.

10. Trade and Other Receivables

	2018	*2017*
	£000	*£000*
Trade receivables	1,391	1,171
Other receivables	106	207
Receivables from related parties	1,124	1,132
	2,621	2,510

For details relating to related party receivables refer to Note 14.
Trade receivables are non-interest bearing and generally on 30 days terms.

11. Cash and Cash Equivalents

	2018	*2017*
	£000	*£000*
Cash at banks and on hand	1,924	1,243
Short term deposits	5,800	5,400
	7,724	6,643

Cash at banks earns interest at floating rates based on the daily bank deposit rates. Short term deposits are made for varying periods of between one day and 6 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

12. Trade and Other Payables

	2018	*2017*
	£000	*£000*
Other payables including social security	1,397	1,567
Payables to related parties	1,255	1,168
Contribution to MHI DB scheme deficit	96	96
Income tax payable	58	57
	2,806	2,888

For details relating to Related Party Payables refer to Note 14.
Note 14 includes current payables to related party as well as non-current liabilities of 324k (Note 17).

Trade payables are non-interest bearing and generally on 30 days' terms.

13. Called Up Share Capital

	2018	2017
	£ 000	£ 000
Issued, allotted and fully paid		
9,000,000 ordinary shares of £1 each	9,000	9,000

Asset Management One Co., Ltd. holds 100% of the voting rights of the Company. The Company may by Ordinary Resolution declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution. No dividends were paid for year ended 31 December 2018 (2017; £nil). Capital management policies and procedures are set out in the Pillar 3 disclosure available from the Company website.

14. Related Party Disclosures

	Fees earned on rendering of services to Related parties £000	*Fees paid on rendering of services from Related parties £000*	*Amounts owed by related parties £000*	*Amounts owed to related parties £000*
Rendering of services to/from related party				
Parent company				
Asset Management One Co., Ltd.				
2018	6,068	2,381	855	1,065
2017	6,198	2,316	901	585
Related companies				
Mizuho International plc				
2018	-	337	-	161
2017	-	313	-	191
Contribution to MHI DB scheme deficit		128	-	96
Mizuho Bank Ltd London branch				
2018	-	394	3	331
2017	-	282	1	375
Japan Fund Management Luxembourg				
2018	649	-	106	-
2017	673	-	109	-
Mizuho Trust & Banking Co. USA				
2018	303	34	67	21
2017	326	34	72	16
Fellow subsidiaries of Asset Management One				
Asset Management One USA Inc.				
2018	147	1	86	0
2017	157	64	42	1

Asset Management One Singapore Pte Ltd				
2018	29	-	8	1
2017	31	5	7	-

Asset Management One Co., Ltd is jointly owned by Mizuho Financial Group (51%) and Dai-ichi Life Holdings (49%).

Mizuho Trust & Banking Co. USA is a 100% subsidiary of Mizuho Financial Group.

Asset Management One USA Inc. is a 100% subsidiary of Asset Management One Co, Ltd.

Asset Management One (HK) Ltd is a 100% subsidiary of Asset Management One Co, Ltd.

Asset Management One Singapore Pte Ltd is a 100% subsidiary of Asset Management One Co, Ltd.

Mizuho-DL Financial Technology is a 60/30/10 joint venture between the Dai-ichi Life Insurance Company and the Mizuho Financial Group.

The Company is part of the Mizuho International Plc Retirement Benefits Scheme. The Company makes an annual contribution of £128k (2017: £128k) of which £96k (2017: £96k) was outstanding at the year end.

Terms and conditions with related parties

The rendering of services to and from related parties were made on terms equivalent to those that prevail in arms-length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil).

Key Management remuneration

No other remuneration for key management exists, other than that stated in Note 4.

15. Fair value of financial instruments

Fair Value Hierarchy

Asset Management One International Ltd. uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2018 and 2017 the Company did not hold any financial instruments.

16. Financial Risk Management Objectives and Policies

Asset Management One International Ltd. has various financial assets such as trade receivables and cash and short term deposits which arise directly from its operations.

The Company enters into forward currency contracts to manage the currency risks arising from the Company's operations.

The main risks arising from the Company's financial instruments are operational risk, credit risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Foreign currency risk

The Company has transactional currency exposure arising from trade receivables and payables in currencies other than the functional currency. Approximately, 63% of the Company's income is denominated in currencies other than the functional currency, whilst 87% of costs are denominated in the functional currency. Currently 80% of the Yen exposure is offset by the cost mark-up payment from Head office which translates the Yen income into Sterling, nets it against the margin inflated costs and pays the resultant amount in Sterling, thereby removing risk.

The following table demonstrates the sensitivity to a reasonably possible change in the JPY exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in fair value of monetary assets and liabilities) and the Company equity changes (due to changes in the fair value of forward exchange contracts).

	Increase/ Decrease in JPY rate	*Effect on profit before tax £000*	*Effect on Equity £000*
2018	+5%	147	45
	-5%	(163)	(50)
2017	+5%	154	63
	-5%	(170)	(70)

Credit risk

The Company only trades with recognised creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Generally, the Company's counterparties are major banks. The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Company's balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect Company's counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

The Company's cash balances are primarily with high-credit, quality, well-established financial institutions. Cash balances at year end were held with the following entities:

HSBC International plc	Moody's rating Aa3
Mizuho Bank Ltd	Moody's rating A1

Operational Risk

Operational risk is the risk of potential losses, which arise as a result of the Company's business and include losses attributable to human error, systems failure, fraud and legal exposure. The Company mitigates such risks through the maintenance of a comprehensive system of internal controls, which incorporate the strict segregation of duties between front and back office functions. Controls procedures are reviewed on a regular basis by an independent internal audit function.

Cyber Security Risk

'Cyber risk' means any risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its information technology systems. Cyber security risk is seen as the industry's main risk. AMOI has taken steps to ensure that the necessary controls and defences are in place to mitigate this risk as much as possible.

If a breach should occur there is an Effective Security Incident Management (ESIM) procedure, to ensure that we are able to provide an appropriate response to instances of an attack or a security breach from both external and internal security threats. In addition management combat this threat by creating a cyber risk aware workplace via staff training and updates.

Liquidity Risk

This is the risk that adequate liquid funds are not available to settle planned liabilities and unexpected cash flows as they become payable.

Asset Management One International Ltd.'s main categories of foreseeable liabilities are:-

- payroll and associated expenses
- rent
- pension liabilities – addressed separately within this report
- other ad hoc expenses

There are no significant client liabilities given that client's contract directly with the Custodians.

Asset Management One International Ltd. has significant cash holdings which are held on short term deposit and available a short notice and has demonstrated that cash holdings exceed liabilities as they fall due.

17. Obligations under leases and hire purchase contracts

The Company entered into a group share agreement with Mizuho Bank Ltd, who have a 20 year lease beginning April 2016 with a rent free incentive until February 2018. Asset Management One International Ltd. also receives this incentive and has spread the accrued benefit over the remaining lease period.

Future minimum rentals payable under non-cancellable leases are;

	2018	2017
	£000	£000
Not later than one year	279	274
Later than one year but not more than five years	1,113	1,204
Later than five years	2,968	3,257
	4,360	4,734

We recognised remaining rent free period incentive as payable to related parties under current liabilities (21k) and non-current liabilities (324k).

18. Subsequent Events

There have been no significant events since the year end that impact the Company and require a disclosure in the financial statements.

19. Ultimate Parent Undertaking

The Ultimate parent undertaking is Mizuho Financial Group Inc. The immediate parent undertaking is Asset Management One Co., Ltd. which is incorporated in Japan and prepares Group accounts, a copy of which can be obtained from:

Administration Group
Corporate Planning Department
Asset Management One Co., Ltd.
1-8-2 Marunouchi 1-Chome
Chiyoda-ku
Tokyo 100