Company Registration Number 02007985

Sumitomo Mitsui Trust International Limited

Annual Report and Financial Statements

31 December 2019

Sumitomo Mitsui Trust International Limited

Annual report and financial statements 2019

Contents

Sumitomo Mitsui Trust International Limited

Report and financial statements 2019

Officers and statutory auditor

Directors

N Kamitsubo
K Suzuki
A Matsuo
Y Murota
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 2019.

Principal activities

The principal activities of Sumitomo Mitsui Trust International Limited ("the company") are the provision of investment management services undertaken for institutional customers, through individual investment management agreements ("IMA") and as distributor for SuMi Trust collective investment funds, and for affiliated companies by providing sales, marketing and support services outside Japan.

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, within the Sumitomo Mitsui Trust Holdings ("SMTH") 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 £823,000 (2018: £16,000) and the loss for the year before tax on discontinued activities was £nil (2018: £710,000).

The provision of securities lending services, undertaken as agent to affiliated companies and conducted with market counterparties was discontinued as at 30 September 2018.

Investment management fees, other than intra-group service fees, of £3,231,000 rose to 115% of the previous year level, attributable to increased funds under management for IMA and UCITS business. Investment management intra-group service fees of £5,514,000 rose to 120% of the previous year level, attributable to an increase in the scope and amount of the cost base. Interest income of £136,000 was 124% of the previous year level. General and administrative expenses relating to continuing operations of £4,393,000 were 113% of the previous year level.

Working capital, defined as current receivables less payables, was £2,730,000 (2018: £2,568,000). Liquidity is managed by maintaining demand deposits of £890,000 (2018: £1,234,000) and longer dated term deposits of £16,000,000 (2018: £15,000,000). 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 2019 was £823,000 (2018: £16,000).

The directors also target positive net assets. Return on capital for 2019 was 3.5% (2018: -2.0%) and return on total assets for 2019 was 3.2% (2018: -2.0%).

Principal risks and uncertainties

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

General market conditions

In Q1 2019 the market recovered from the sharp plunge in Q4 2018 although it lost steam in Q2 2019 due to the US-China trade dialogue not reaching a deal. The market gained momentum again in Q4 2019 since investors expected a deal between US and China and anticipated recovery in manufacturing activities. Investors did not indicate strong interests in the Japanese equity and some reduced exposure to the market.

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 17 to the financial statements.

Strategic report

Exceptional risks and uncertainties

The outcome of the negotiations between the United Kingdom and the European Union concerning the future trading relationship after 31 December 2020, following the departure of the United Kingdom from the European Union on 31 January 2020, is still unclear. In common with many other banking and financial services businesses, the SMTH group faces uncertainties and challenges, which are considered in the next section, Future Prospects.

The ultimate impact of the COVID-19 coronavirus pandemic both in the short and longer term is far from clear. In common with many other businesses of all types, the SMTH group faces additional uncertainties and challenges, which are considered in the next section, Future Prospects.

Future prospects

The company concentrates its resources on its investment management activities. On the basis of the established business model for the company within the strategic plans of the SMTH group, it is anticipated that the company will deliver profits on its continuing investment management activities as the company is supported by a cost plus service fee arrangement with SMTAM.

While the outcome of the negotiations between the United Kingdom and the European Union concerning the future trading relationship after 31 December 2020, following the departure of the United Kingdom from the European Union on 31 January 2020, 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 departure of the United Kingdom from the European Union. Furthermore since the international business of SMTAM, that is a key focus area for the business development within the SMTH group, is still a relatively small percentage of assets under management, the impact on SMTAM would be minimal.

While the ultimate impact of the COVID-19 coronavirus pandemic both in the short and longer term is far from clear, there appears to be no direct threat to the survival of the company or the broader group of companies. The company is participating successfully in implementation of the business continuity plan both internationally and at the local level. Although there is currently widespread disruption to business activity with consequential effects on market prices and business development opportunities, it is not anticipated any major changes to business strategy will be necessitated over at least the medium term.

Engagement with employees, clients, suppliers and others in a business relationship with the company

The directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the company for the benefit of its shareholder, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the company’s employees;
- the need to foster the company's business relationships with suppliers, clients and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The directors also have considered the views and interests of a wider set of stakeholders, including the company’s regulators, the Government and non-governmental organisations, employees, clients and suppliers. Considering this broad range of interest is an important part of the way the Board makes decisions. The Board must also give consideration to the legitimate interests held by the stakeholders. In that regard, the Board takes a forward looking perspective, anticipating changes in business conditions.

In 2019, the company set out “SMTIL Core Values” in the company’s Quality Policy as detailed below:
1. Integrity - unity of purpose and management style
2. Transparency - honesty and openness in dealing with regulators, clients, counterparties and affiliated group companies

Strategic report

3. Quality ethos - commitment to quality outcomes for all parties internally and externally
4. Expertise - business specialisation in investment management
5. Fairness - fair treatment of customers that is a key imperative to our business operation

The Senior Managers & Certification Regime (SM&CR), which was introduced from December 2019, aims to reduce harm to consumers and strengthen market integrity by supporting the spirit of regulation by making individuals more accountable for their conduct and competence. The FCA's individual conduct rules (COCON), which are at the heart of the SM&CR, apply to all staff and directors of the company.

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

Satoshi Mikihara

S Mikihara
Director
23 April 2020

155 Bishopsgate
London
EC2M 3XU

Registered number: 02007985
(registered in England and Wales)

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 10 to 13. In addition, note 17 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

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 and the COVID-19 Coronavirus pandemic.

The directors have prepared business plan forecasts and projections for a period of two to three years from the date of approval of these financial statements, taking into account reasonably possible downsides in trading performance. The company has considerable financial resources with which to support the development of its business activities, and these forecasts show the company maintaining adequate resources to meet its liabilities as they fall due for the forecast period.

In reaching their conclusion the directors recognise that the company acts as the international sales and marketing arm for the asset management activities of the group through a cost plus service fee business model with Sumitomo Mitsui Trust Asset Management Co., Ltd ("SMTAM"). The company is therefore dependent on the intent and ability of SMTAM to provide continuing support through the established model to allow the company to continue to trade. At the date of approval of these financial statements, the directors have no reason to believe that this support will not continue although there can be no absolute certainty that it will continue as with any company placing reliance on other group entities for financial support.

The going concern basis is restated in note 1 to the financial statements.

Dividends

The directors do not recommend payment of a dividend for the year (2018 - £nil).

Directors

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

R Sato	(Chairman, Non-executive Director, resigned 26 September 2019)
N Kamitsubo	(Chairman, Non-executive Director, appointed 26 September 2019)
K Suzuki	(Non-executive Director)
A Matsuo	(Non-executive Director)
Y Murota	(Managing Director, Executive Director)
T Koike	(Executive Director, resigned 29 November 2019)
S Mikihara	(Executive Director)

Directors' indemnities

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

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.

Sumitomo Mitsui Trust International Limited

Directors' report

Statement on Directors' relationships with employees, clients, suppliers and others

Information in relation to engagement with employees, clients, suppliers and other stakeholders can be found in the section "Engagement with employees, clients, suppliers and others in a business relationship with the Company" in the Strategic Report.

Political and charitable donations

The company made no political or charitable donations in the year (2018: nil)

Disclosure of information

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

Auditor

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

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

Satoshi Mikihara

S Mikihara
Director
23 April 2020

155 Bishopsgate
London
EC2M 3XU

Registered number: 02007985

(registered in England and Wales)

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.

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

Satoshi Mikihara

S Mikihara
Director
23 April 2020

155 Bishopsgate
London
EC2M 3XU

Registered number: 02007985
(registered in England and Wales)

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 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of change in equity, the Statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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, 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 7, 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.

M Green

Matthew Green **(Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

23 April 2020

Sumitomo Mitsui Trust International Limited

Statement of comprehensive income
Year ended 31 December 2019

	Note	2019 £000	2018 £000
Continuing operations:			
Fees and commissions income	4	8,745	7,413
Other operating income		15	-
Interest income		136	110
Total income		**8,896**	**7,523**
Fees and commissions expense	5	(3,602)	(3,534)
Other operating expense		(78)	(75)
General and administrative expenses	6	(4,393)	(3,898)
Total expenses		**(8,073)**	**(7,507)**
Profit on ordinary operations before taxation	9	**823**	**16**
Taxation	10	(154)	275
Profit on ordinary operations after taxation		669	291
Loss on discontinued operations	3	-	(710)
Profit/(loss) for the year		**669**	**(419)**

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

The notes on pages 14 to 31 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of financial position
As at 31 December 2019

	Note	2019 £000	2018 £000
Assets:			
Cash and cash equivalents		890	1,234
Term deposits with banks		16,000	15,000
Trade debtors and other receivables	11	4,095	4,100
Equipment	12	-	-
Intangible assets	13	9	4
Current tax assets		-	-
Deferred tax assets	14	121	275
Total assets		**21,115**	**20,613**
Liabilities and Equity:			
Liabilities:			
Trade creditors and other payables	15	1,365	1,532
Current tax liabilities		-	-
Total liabilities		**1,365**	**1,532**
Equity:			
Called up share capital	16	20,000	20,000
Accumulated losses		(250)	(919)
Total equity		**19,750**	**19,081**
Total liabilities and equity		**21,115**	**20,613**

The notes on pages 14 to 31 form an integral part of the Financial Statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2020.

Signed on behalf of the Board of Directors

Y. Murota.

Y Murota
Director
23 April 2020

Registered number: 02007985
(registered in England and Wales)

Sumitomo Mitsui Trust International Limited

Statement of changes in equity

Year ended 31 December 2019

	Share capital	Accumulated losses	Total
	£000	**£000**	**£000**
Balance at 1 January 2018	**20,000**	**(500)**	**19,500**
Loss for the year	-	(419)	(419)
Balance at 31 December 2018	**20,000**	**(919)**	**19,081**
Profit for the year	-	669	669
Balance at 31 December 2019	**20,000**	**(250)**	**19,750**

The notes on pages 14 to 31 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Statement of cash flows

Year ended 31 December 2019

	2019 £000	2018 £000
Operating activities:		
Profit/(loss) for the period	669	(419)
Depreciation of premises and equipment	-	-
Amortisation of intangible assets	2	7
Loss on disposal of intangible assets	-	14
Deferred tax charge/(credit)	154	(275)
Operating cash flows before movements in working capital	825	(673)
(Increase)/decrease in term deposits	(1,000)	1,500
Decrease/(increase) in trade and other receivables	5	(1,198)
(Decrease)/increase in trade and other payables	(167)	657
Cash generated by operations	(337)	286
Corporation tax paid	-	7
Net cash flows from operating activities	(337)	293
Investing activities:		
Purchase of equipment	-	-
Purchase of intangible assets	(7)	(3)
Net cash used in investing activities	(7)	(3)
Net (decrease)/increase in cash and cash equivalents	(344)	290
Cash and cash equivalents at beginning of year	1,234	944
Cash and cash equivalents at end of year	**890**	**1,234**

The notes on pages 14 to 31 form an integral part of the Financial Statements.

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2019

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.

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 and the COVID-19 Coronavirus pandemic.

The directors have prepared business plan forecasts and projections for a period of two to three years from the date of approval of these financial statements, taking into account reasonably possible downsides in trading performance. The company has considerable financial resources with which to support the development of its business activities, and these forecasts show the company maintaining adequate resources to meet its liabilities as they fall due for the forecast period.

In reaching their conclusion the directors recognise that the company acts as the international sales and marketing arm for the asset management activities of the group through a cost plus service fee business model with Sumitomo Mitsui Trust Asset Management Co., Ltd ("SMTAM"). The Company is therefore dependent on the intent and ability of SMTAM to provide continuing support through the established model to allow the Company to continue to trade. At the date of approval of these financial statements, the directors have no reason to believe that this support will not continue although there can be no absolute certainty that it will continue as with any company placing reliance on other group entities for financial support.

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.

2. Accounting policies

New standards or amendments

A number of new standards are effective for the annual periods beginning after 1 January 2019. Of those standards that are effective, none has a material impact on the company's financial statements in the initial period of application.

The standards are:

IFRS 16 Leases

IFRIC 23Uncertainty over Income 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 IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

Standards issued but not yet effective

A number of new standards are effective for the annual periods beginning after 1 January 2020 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 17 - Insurance Contracts

Amendments to References to Conceptual Framework in IFRS Standards

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1and IAS 8)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)

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 operations

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

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.

Classification of revenue from contracts with customers is set out in note 4, Fees and commission income.

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.

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.

Assets and liabilities arising from securities lending

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 were not assets and liabilities of the company.

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

(iii) Impairment

The Company measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are measured at an amount equal to 12-months ECL where credit risk has not increased significantly and lifetime ECL where credit risk has increased significantly since initial recognition.

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.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). 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.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

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. 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.

Notes to the financial statements for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Discontinued operations:			
Fees and commissions income	4	-	354
Total income		**-**	**354**
General and administrative expenses	6	-	(1,064)
Total expenses		**-**	**(1,064)**
Loss on discontinued operations		**-**	**(710)**

4. 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.

	Continuing operations		Discontinued operations	
	2019 £000	2018 £000	2019 £000	2018 £000
Major service categories				
Equities lending fees	-	-	-	354
Foreign exchange fees	90	30	-	-
Investment management fees - IMA	1,847	1,724	-	-
Investment management fees - UCITS	1,294	1,053	-	-
Investment management intra-group service fees	5,514	4,606	-	-
	8,745	7,413	-	354
Geographical distribution				
Japan	5,514	4,606	-	97
Europe (including UK)	2,134	2,029	-	-
Asia (excluding Japan)	1,007	748	-	-
Americas	90	30	-	257
	8,745	7,413	8,745	354

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**
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.
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.

5. Fees and commissions expense

	Continuing operations		**Discontinued operations**	
	2019	**2018**	**2019**	**2018**
	£000	**£000**	**£000**	**£000**
Foreign exchange fees	30	30	-	-
Investment management fees - IMA	1,847	1,724	-	-
Investment management fees - UCITS	1,725	1,780	-	-
	3,602	3,534	-	-

Sumitomo Mitsui Trust International Limited

Notes to the financial statements for the year ended 31 December 2019

6. General and administrative expenses

	Continuing activities		Discontinued activities	
	2019	2018	2019	2018
	£000	£000	£000	£000
Staff costs (note 7)	2,420	2,143	-	905
Other costs	1,973	1,755	-	159
	4,393	3,898	-	1,064

7. Staff costs

The average number of persons employed by the company during the year (including executive directors) was 15 (operational: 9, administrative: 6) (2018 - 20 (operational: 14, administrative: 6)).

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

	Continuing activities		Discontinued activities	
	2019	2018	2019	2018
	£000	£000	£000	£000
Wages and salaries	2,334	2,064	-	776
Social security costs	38	35	-	89
Other pension costs	48	44	-	40
	2,420	2,143	-	905

8. Remuneration of directors

	2019	2018
	£000	£000
Directors' remuneration paid by the company	853	684
Directors' remuneration paid by another group company	-	-
Directors' pension contributions paid by another group company	19	18
	872	702

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

The remuneration of the highest paid director was £325,743 (2018 - £265,238) including pension contributions paid by another group company £6,658 (2018 - £6,498). Remuneration of £319,085 (2018 - £258,740) was borne by the company and the pension contributions were borne by another group company.

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. There were no other transactions with the directors or other connected persons related to them.

9. Profit before taxation

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

	2019 £000	2018 £000
Auditor's remuneration:		
Audit of these financial statements	54	43
Amounts receivable by the company's auditor in respect of:		
Audit-related assurance services	19	22
Information technology services	5	5
Other items:		
Depreciation of equipment	-	-
Amortisation of intangible assets	2	7
Loss on disposal of intangible assets	-	14
Rental of land and buildings	138	138
Foreign exchange gains/(losses)	(15)	8

10. Taxation

Tax on profit for the year

	2019 £000	2018 £000
Current tax charge/(credit)	-	-
Deferred tax (note 14)	154	(275)
	154	(275)

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:

	2019 £000	2018 £000
Profit on continuing activities	823	16
Loss on discontinued activities	-	(710)
Profit/(loss) before tax	823	(694)
Profit/(loss) at standard rate of corporation tax in UK of 19% (2018 - 19%)	156	(132)
Effect of:		
Disallowable expenses	1	1
Changes in enacted corporation tax rates from 19% to 17%	(3)	10
Recognition of trading losses brought forward from previous years	-	(91)
Recognition of timing differences on capital expenditure brought forward	-	(63)
	154	(275)

11. Trade debtors and other receivables

	2019 £000	2018 £000
Trade debtors	3,765	3,772
Accrued income	35	35
Prepaid expenses	180	172
Other debtors	115	121
	4,095	4,100

12. Equipment

	Office equipment £000
Cost	
At 1 January 2018	137
Additions	-
Disposals	-
At 31 December 2018	137
Additions	-
Disposals	-
At 31 December 2019	137
Depreciation	
At 1 January 2018	137
Charge for the year	-
Disposals	-
At 31 December 2018	137
Charge for the year	-
Disposals	-
At 31 December 2019	137
Net book value	
At 31 December 2019	-
At 31 December 2018	-
At 1 January 2018	-

13. Intangible assets

	Computer software £000
Cost	
At 1 January 2018	298
Additions	3
Disposals	(244)
At 31 December 2018	57
Additions	7
Disposals	-
At 31 December 2019	64
Amortisation	
At 1 January 2018	276
Charge for the year	7
Disposals	(230)
At 31 December 2018	53
Charge for the year	2
Disposals	-
At 31 December 2019	55
Net book value	
At 31 December 2019	9
At 31 December 2018	4
At 1 January 2018	22

14. 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 was decided to recognise deferred tax assets.

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

	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
Credit/(charge) for the year	(147)	(10)	(157)
Effect of changes in tax rate	3	-	3
At 31 December 2019	79	42	121

A reduction in the UK corporation tax rate from 19% to 17%, effective 1 April, 2020, was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future tax charge accordingly and increase the deferred tax asset by £12,000.

15. Trade creditors and other payables

	2019 £000	2018 £000
Trade creditors	854	1,000
Accrued expenses	489	522
Other creditors	22	10
	1,365	1,532

16. Share capital

	2019 £000	2018 £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.

17. Financial risk management

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

Capital risk

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

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

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 interbank deposit interest rates would lead to an increase or decrease in profit before tax for the year of about £82,000 (2018: £85,000).

Exchange rate risk

The company's exposure to exchange rate movements is limited. Fees were invoiced to securities lending customers monthly. 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 year-end closing exchange rates would result in a balance sheet adjustment of £3,000 (2018: £25,000).

	EUR £000	**JPY £000**	**USD £000**	**Total £000**
Net balance sheet position 31December 2019	8	18	11	37
Net balance sheet position 31December 2018	6	(299)	(12)	(305)

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.

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.

	2019 £000	**2018 £000**
External credit ratings of at least A from Standard & Poors		
Cash and cash equivalents	890	1,234
Term deposits with banks	16,000	15,000
Trade debtors and other receivables	189	1,683
Trade debtors - four or more years trading history	653	559
Trade debtors - less than four years trading history	2,958	1,582
Other receivables	295	276
	20,985	20,334

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.

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 2019					
Assets					
Cash and cash equivalents	890	-	-	-	890
Term deposits with banks	7,000	-	9,000	-	16,000
Trade debtors	3,765	-	-	-	3,765
Other receivables	122	-	28	-	150
	11,777	-	9,028	-	20,805
Liabilities					
Trade creditors	854	-	-	-	854
Other payables	511	-	-	-	511
	1,365	-	-	-	1,365

	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	125	-	31	-	156
	11,131	-	9,031	-	20,162
Liabilities					
Trade creditors	1,000	-	-	-	1,000
Other payables	532	-	-	-	532
	1,532	-	-	-	1,532

Comparatives have been restated to exclude prepaid expenses £172,000.

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 2019					
Financial assets not measured at fair value					
Cash and cash equivalents	890	-	-	-	-
Term deposits with banks	16,000	-	-	-	-
Trade debtors	3,765	-	-	-	-
Other receivables	330	-	-	-	-
	20,985	-	-	-	-
Financial liabilities not measured at fair value					
Trade creditors	-	854	-	-	-
Other payables	-	511	-	-	-
	-	1,365	-	-	-

	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	-	-	-	-
	20,334	-	-	-	-
Financial liabilities not measured at fair value					
Trade creditors	-	1,000	-	-	-
Other payables	-	532	-	-	-
	-	1,532	-	-	-

Concentration risk

The company is exposed to concentration risk. During the year net investment management 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.

18. Events after the reporting period

While the ultimate impact of the COVID-19 coronavirus pandemic both in the short and longer term is far from clear, there appears to be no direct threat to the survival of the company or the broader group of companies. The company is participating successfully in implementation of the business continuity plan both internationally and at the local level. Although there is currently widespread disruption to business activity with consequential effects on market prices and business development opportunities, it is not anticipated any major changes to business strategy will be necessitated over at least the medium term. This is considered a non-adjusting subsequent event and there is no change required to the financial statements or additional disclosure, beyond that already disclosed in the Going Concern section of note 1.

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 Asset Management Co., Ltd. or in Sumitomo Mitsui Trust Bank, Limited. All transactions relating to the directors are included in note 8.

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. All related party transactions were made on terms equivalent to those that prevail in arms-length transactions.

The principal related parties are Sumitomo Mitsui Trust Asset Management Co., Ltd., and Sumitomo Mitsui Trust 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, and until 30 September 2018 with Sumitomo Mitsui Trust Bank (U.S.A.) Limited and Japan Trustee Services Bank, 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 2019			
Fees and commissions income	5,214	1,453	6,667
Interest income	-	6	6
Fees and commissions expense	(2,194)	(34)	(2,228)
Other operating expenses	-	(1)	(1)
General and administrative expenses	(841)	(224)	(1,065)
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)

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

Statement of financial position	With parent company £000	With other related parties £000	Total £000
As at 31 December 2019			
Cash and cash equivalents	-	16	16
Term deposits	-	2,000	2,000
Trade debtors	2,752	442	3,194
Accrued income	-	4	4
Prepaid expenses	-	60	60
Other debtors	-	49	49
Trade creditors	(596)	(5)	(601)
Accrued expenses	-	(372)	(372)
Other creditors	-	-	-
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	-	-	-

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.smth.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 2019

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

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

The company'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

The company 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 2019: name, nature of activities, geographical location, number of employees, turnover, profit or loss before tax, tax on profit or loss and public subsidies received.

The company 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 investment management services, and until 30 September 2018 securities lending services, all of which were undertaken from the United Kingdom.

The company received no public subsidies in the year or in the previous year.

The average number of persons employed by the company during the year was 15 (2018 - 20).

	2019 **£000**	**2018** **£000**
Turnover	8,745	7,767
Profit/(loss) before tax	823	(694)
Tax charge/(credit) for the year	154	(275)
Effect of deferred tax (charge)/credit	(154)	275
Timing differences between period of tax charge/(credit) and tax received	-	(7)
Tax received during the year	-	(7)