

MFS International Holdings Pty Ltd
ACN 601 210 575

Annual Report

For the financial period ended
31 December 2015

MFS INTERNATIONAL HOLDINGS PTY LTD

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MFS INTERNATIONAL HOLDINGS PTY LTD

DIRECTORS' REPORT

The Directors of MFS International Holdings Pty Ltd (the "Company") submit herewith the annual report of the Company for the financial period ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Names of Directors

The names of the Directors of the Company during or since the end of the financial period are:

Richard A. Drage	(appointed 16 October 2014)
Patrick J. Hehir	(appointed 16 October 2014)
Marian J. Poirier	(appointed 16 October 2014)

The above named Directors held office during the whole of the financial period and since the end of the financial period.

Principal activities

The Company was incorporated and registered as a proprietary company with the Australian Securities and Investments Commission ("ASIC") under the Corporations Act 2001 on 16 October 2014 and is managed and maintained in the United Kingdom. The Company is a wholly-owned subsidiary of MFS International Ltd. ("MIL"), a limited company incorporated in Bermuda. MIL is a wholly-owned subsidiary of Massachusetts Financial Services Company ("MFS") which is headquartered in Boston, Massachusetts, United States of America ("U.S."). The ultimate parent company of MFS and the Company is Sun Life Financial Inc. ("Sun Life"), a company headquartered in Toronto, Canada.

MFS provides investment management, distribution, transfer agency and other services for sponsored mutual funds, undertakings for collective investment in transferrable securities, and certain of these services for institutional clients and annuity products. One of MFS's key strategic objectives is to grow its business outside of the U.S. To achieve the aforementioned objective, MFS implemented a reorganisation plan effective 1 October 2015 (the "MFS Reorganisation") whereby certain of its wholly-owned subsidiaries, namely, MFS International (U.K.) Limited ("MIL U.K."), MFS International Management K.K. ("MFS Japan"), MFS International Singapore Pte. Ltd. ("MFS Singapore"), and MFS Investment Management Company (Lux) S.à r.l. ("MFS Luxembourg"), were transferred to the Company. As a result of the MFS Reorganisation, the Company is positioned to perform its principal activity; namely, to enable efficient and economical management and funding of the aforementioned MFS subsidiaries domiciled outside of the U.S. and facilitate the growth of those subsidiaries and MFS's overall business outside the U.S. Specifically, the Company is positioned to redeploy earnings from the aforementioned wholly-owned subsidiaries to perform activities including, but not limited to, the expansion of MFS's core business of investment management through the establishment of new offices and expansion of existing offices outside of the U.S. The MFS Reorganisation is described further in Note 5 to the Company's financial statements.

The Company is regulated by ASIC.

Review of operations

Results of operations reflect the performance of the Company for the period commencing on 16 October 2014 (the date the Company was incorporated, as noted above) and ending on 31 December 2015. The Company did not commence its principal activities until 1 October 2015 (the date of the MFS Reorganisation).

The Company has no employees.

During the period ended 31 December 2015, the Company earned a profit before tax of \$11,286k.

The results for the year are shown in the statement of profit or loss and other comprehensive income on page 9.

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Changes in state of affairs

Since the date of the MFS Reorganisation, there was no significant change in the state of affairs of the Company during the financial period.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Future developments

In 2015, the Company established MFS International Australia Pty Ltd, a newly formed wholly-owned subsidiary. As of the date of this Directors' report, this entity is in the process of obtaining an Australian Financial Services Licence from ASIC. Subsequent to obtaining the licence, the operations of the Australian branch of MFS Institutional Advisors, Inc., a wholly-owned subsidiary of MFS, will be transferred to MFS International Australia Pty Ltd.

There are no other significant likely developments in the operations of the entity in future financial periods.

Dividends

In respect to the financial period ended 31 December 2015, the Directors approved the payment of dividends in the amount of \$11,286k. These dividends were paid during the period.

Share options

There are no options over unissued shares or interests of the Company for the financial period ended 31 December 2015.

Indemnification of officers and auditors

During the financial period, the officers of the Company were indemnified for losses occurring due to their role in the Company. Separately, the Company's officers are covered against any liability incurred acting in the capacity of a director or officer under a corporate directors and officers insurance policy with an unrelated third party that was arranged through Sun Life. This coverage does not extend to any third parties, including, but not limited to the auditors. The Company has not been allocated a premium for access to coverage under this directors and officers insurance policy.

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Auditor's independence declaration

The auditor's independence declaration is included after this report.

Rounding off of amounts

Amounts included in the Directors' report and the financial statements are rounded off to the nearest thousand United States Dollars.

On behalf of the Directors



Richard A. Drage
Director
London, 22 April 2016

The Board of Directors
MFS International Holdings Pty Ltd
One Carter Lane
London EC4V 5ER
United Kingdom

22 April 2016

Dear Board Members

MFS International Holdings Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MFS International Holdings Pty Ltd.

As lead audit partner for the audit of the financial statements of MFS International Holdings Pty Ltd for the period ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Independent Auditor's Report to the Directors of MFS International Holdings Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of MFS International Holdings Pty Ltd, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the directors. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MFS International Holdings Pty Ltd would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of MFS International Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the period ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 22 April 2016

MFS INTERNATIONAL HOLDINGS PTY LTD

DIRECTORS' DECLARATION

As discussed in Note 3 to the annual financial statements, the Company is not a reporting entity because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, the special purpose financial statements have been prepared to satisfy the Directors' reporting requirements under the Corporations Act 2001.

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached annual financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the accounting standards applicable to non-reporting entities that elect to prepare special purpose financial statements, and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Richard A. Drage
Director
London, 22 April 2016

MFS INTERNATIONAL HOLDINGS PTY LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the period ended 31 December 2015

		16 October 2014 (date of incorporation) to 31 December 2015 USD '000
	Note	
Operating revenues		
Dividends from investments in subsidiaries		15,000
Intercompany service fees	5	49
Total operating revenues		<u>15,049</u>
Operating expenses		
Interest on notes payable to Parent	8	3,714
Other operating expenses		49
Total operating expenses		<u>3,763</u>
Profit before income tax		<u>11,286</u>
Income tax benefit / (expense)	11	752
Profit for the period		<u>12,038</u>
Other comprehensive income for the period, net of income tax		<u>-</u>
Total comprehensive income for the period		<u><u>12,038</u></u>

As the Company is a wholly-owned subsidiary, all profits and other comprehensive income for the period are attributable to the Parent.

The accompanying notes are an integral part of these financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	2015 USD '000
Assets		
Current assets		
Cash and cash equivalents		70
Other receivables	7	<u>752</u>
Total current assets		822
Non-current assets		
Investments in subsidiaries	6	<u>1,622,000</u>
Total non-current assets		1,622,000
Total assets		<u>1,622,822</u>
Liabilities and equity		
Current liabilities		
Notes payable to Parent	8	421,000
Due to Parent	5	<u>70</u>
Total current liabilities		421,070
Equity		
Issued capital	9	70
Additional paid-in-capital	5	1,200,930
Retained earnings		<u>752</u>
Total equity attributable to Parent		1,201,752
Total liabilities and equity		<u>1,622,822</u>

The accompanying notes are an integral part of these financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2015

	Note	Issued capital USD '000	Additional paid-in-capital USD '000	Retained earnings USD '000	Total USD '000
Balance at 16 October 2014		-	-	-	-
Impact of MFS Reorganisation	1, 5, 9	70	1,200,930	-	1,201,000
Profit for the period attributable to Parent, representing total comprehensive income for the period		-	-	12,038	12,038
Dividends paid to Parent		-	-	(11,286)	(11,286)
Balance at 31 December 2015		<u>70</u>	<u>1,200,930</u>	<u>752</u>	<u>1,201,752</u>

The accompanying notes are an integral part of these financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

STATEMENT OF CASH FLOWS
For the period ended 31 December 2015

16 October 2014
(date of incorporation)
to 31 December 2015
USD '000

Cash flows from operating activities

Profit before income tax	11,286
Adjustments for:	
Interest on notes payable to Parent recognised in profit or loss	3,714
Income tax benefit recognised in profit or loss	<u>752</u>
	15,752
Movements in working capital:	
Increase in other receivables	(752)
Increase in due to Parent	<u>70</u>
	(682)
Net cash provided by operating activities	<u>15,070</u>

Cash flows from financing activities

Dividends paid to Parent	(11,286)
Interest on notes paid to Parent	<u>(3,714)</u>
Net cash used in financing activities	<u>(15,000)</u>
Net increase in cash and cash equivalents	70
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u><u>70</u></u>

The accompanying notes are an integral part of these financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

1 GENERAL INFORMATION

MFS International Holdings Pty Ltd (the "Company"), Australian Company Number 601 210 575, was incorporated and registered as a proprietary company with the Australian Securities and Investments Commission ("ASIC") under the Corporations Act 2001 on 16 October 2014 and is managed and maintained in the United Kingdom. The Company's registered office and principal place of business is at 1 Carter Lane, London, EC4V 5ER, United Kingdom ("U.K."). The Company is a wholly-owned subsidiary of MFS International Ltd. ("MIL" or the "Parent"), a limited company incorporated in Bermuda. MIL is a wholly-owned subsidiary of Massachusetts Financial Services Company ("MFS") headquartered in Boston, Massachusetts, United States of America ("U.S."). The ultimate parent company of MFS and the Company is Sun Life Financial Inc. ("Sun Life"), a company headquartered in Toronto, Canada.

MFS provides investment advisory, distribution, transfer agency and other services for sponsored mutual funds, undertakings for collective investment in transferrable securities, and certain of these services for institutional clients and annuity products. One of MFS's key strategic objectives is to grow its business outside of the U.S. To achieve the aforementioned objective, MFS implemented a corporate reorganisation plan effective 1 October 2015 (the "MFS Reorganisation") whereby certain of its wholly-owned subsidiaries, namely, MFS International (U.K.) Limited. ("MIL U.K."), MFS International Management K.K. ("MFS Japan"), MFS International Singapore Pte. Ltd. ("MFS Singapore") and MFS Investment Management Company (Lux) S.à r.l. ("MFS Luxembourg") were transferred to the Company. As a result of the MFS Reorganisation, the Company is positioned to perform its principal activity; namely, to enable efficient and economical management and funding of the aforementioned MFS subsidiaries domiciled outside of the U.S. and facilitate the growth of those subsidiaries and MFS's overall business outside the U.S. Specifically, the Company is positioned to redeploy earnings from the aforementioned wholly-owned subsidiaries to perform activities including, but not limited to, the expansion of MFS's core business of investment management through the establishment of new offices or expansion of existing offices outside of the U.S. The MFS Reorganisation is described further in Note 5.

The Company is regulated by ASIC.

2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Amendments to AASBs and the new Interpretations that are mandatorily effective for the current period

The Company has applied the following amendments to AASBs and the new Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatorily effective for an accounting period that begins on or after 1 July 2014 and therefore relevant to the current period:

AASB 2012-3 Amendments	Offsetting Financial Assets and Liabilities
AASB 2013-5 Amendments	Investment Entities
AASB 2014-1 Amendments	Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles
AASB 1031	Materiality
AASB 2013-9 Amendments	Conceptual Framework, Materiality and Financial Instruments' - Part B: Materiality
AASB 2014-1 Amendments	Part C: Materiality

The application of the amendments to AASBs and the new Interpretations in the current period has had no material impact on the Company's financial performance and position for the current period and/or on the disclosures set out in these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

AASBs and Interpretations in issue not yet adopted

As of the date of these financial statements, the Company has not adopted the following AASBs and Interpretations that were issued but not yet effective:

AASB / Interpretation	Effective / expected to be initially applied for annual reporting periods beginning on or after
AASB 9, Financial Instruments and the relevant amending standards	1 January 2016
AASB 15, Revenue from Contracts with Customers and AASB 2014-5 Amendments arising from AASB 15	1 January 2017
AASB 2014-4 Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
AASB 2014-9 Amendments – Equity Method in Separate Financial Statements	1 January 2016
AASB 2015-1 Amendments – Annual Improvements 2012-2014 Cycle	1 January 2016
AASB 2015-2 Amendments – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments arising from the Withdrawal of AASB 1031 'Materiality'	1 January 2016
AASB 2015-4 Amendments – Financial Reporting Requirements for Australian Groups with a Foreign Parent	1 July 2015
AASB 2015-5 Amendments – Investments Entities: Applying the Consolidation Exemption	1 January 2016

The application of the new and revised AASBs is not expected to have a material impact on the results and the financial position of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

The Company is not a reporting entity as defined in Statement of Accounting Concept ("SAC") 1 because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the Directors' reporting requirements under the Corporations Act 2001.

Statement of compliance

These special purpose financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality*, AASB 1048 *Interpretation of Standards*, and AASB 1054 *Australian Additional Disclosures*.

The Company is exempt from, and therefore has not adopted AASB 10 *Consolidated Financial Statements* in the preparation of its special purpose financial statements. Therefore, these special purpose financial statements are separate financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Basis of preparation

The special purpose financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these special purpose financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment*, leasing transactions that are within the scope of AASB 117 *Leases* and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and,
- Level 3 inputs are unobservable inputs for the asset or liability.

Results of operations reflect the performance of the Company for the period commencing on 16 October 2014 (the date the Company was incorporated) and ending on 31 December 2015.

The principal accounting policies adopted are set out below.

Going concern basis

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 2.

Notes payable to Parent recognised in the statement of financial position consists of the MFS Reorganisation Note Certificates described further in Note 5 and Note 8 that are payable to the Parent. Although these notes are classified as a current liability as a result of the demand feature, at 31 December 2015, the Company does not expect the Parent to require settlement of the notes within twelve months after the reporting period. The Company ultimately expects to have financial resources available to settle the notes through the eventual receipt of dividends from its investments in subsidiaries.

The Directors have a reasonable expectation that the Company and MFS have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing these special purpose financial statements.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Investments in subsidiaries

Investments in subsidiaries are recognised at cost in accordance with AASB 127 *Separate Financial Statements*, and tested for impairment when there is any indication that an impairment exists in accordance with AASB 136 *Impairment of Assets*, by comparing its recoverable amount of each investment (higher of value in use and fair value less costs of disposal) with its carrying amount. If the recoverable amount of an investment in subsidiary is estimated to be less than its carrying amount, the investment is impaired and an impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior periods. Any reversal of that impairment loss is recognised immediately in profit or loss.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable. Revenue may be reduced for allowances.

Intercompany service fees

The Company participates in a transfer pricing agreement with MFS and MFS's affiliates whereby the Company agrees to provide various professional services to MFS and MFS's affiliates at arms-length pricing. The transfer pricing agreement is described further in Note 5. Intercompany service fees are recognised as they are earned over the period in which the services are rendered.

Dividends from investments in subsidiaries

Dividends from subsidiaries are recognised in profit or loss when the Company's right to receive the dividend is established.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued using the effective interest method, as described elsewhere in this note.

Foreign currency transactions

The functional currency of the Company is United States Dollars ("USD"). All amounts are presented in USD, unless otherwise noted.

Transactions in currencies other than the Company's functional currency (foreign currencies), if any, are recognised in profit or loss at the rates of exchange prevailing on the date of the transactions. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For purposes of presenting these special purpose financial statements, the net assets and liabilities of foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from translation, if any, are recognised in other comprehensive income and accumulated in equity.

Income tax

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

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Current tax

The tax currently payable / recoverable is based on a taxable profit / loss for the period. Taxable profit / loss differs from profit / loss before income tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the special purpose financial statements and the corresponding tax bases used in the computation of taxable profit / loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income from financial assets and expense from financial liabilities is recognised on an effective interest basis.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and other receivables) are measured at amortised cost using the effective interest method less impairment. The carrying amounts of loans and receivables approximate their fair value due to the relatively short-term maturity of these financial instruments.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Since the Company does not have any trade receivables, any impairment loss is recognised as a direct reduction to the carrying amount of the impaired financial asset (as opposed to being written off against an allowance account) with an offsetting amount recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" ("FVTPL") or other financial liabilities. The Company classifies its financial liabilities as other financial liabilities.

Other financial liabilities (including amounts due to Parent, and notes payable to Parent) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, as applicable based on the terms of the arrangement. The carrying amounts of other financial liabilities approximate their fair value.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at bank with original maturities of three months or less and are subject to an insignificant risk of changes in value. The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of this financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2015

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The accounting policies set out in Note 3 have been consistently applied in the preparation of these special purpose financial statements. AASB requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on these special purpose financial statements in the period the assumptions changes. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these special purpose financial statements are disclosed below.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The critical judgements, apart from those involving estimations (described elsewhere in this note) that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in these special purpose financial statements are discussed immediately below.

As discussed in Note 3, investments in subsidiaries are accounted for at cost in the Company's separate special purpose financial statements in accordance with AASB 127. Since AASB 127 does not prescribe how to measure the initial "cost" of an investment in subsidiary acquired through reorganisation, the Company elected to measure the initial cost of each investment in subsidiary equal to its estimated fair value as of the date of the MFS Reorganisation.

Separately, as part of the MFS Reorganisation described further in Notes 1 and 5, the Company issued fully paid ordinary shares to MIL in exchange for the entire balance of MIL U.K.'s fully paid issued capital. The initial carrying amount of the investment in MIL U.K., measured equal to its estimated fair value as of the date of the MFS Reorganisation as discussed above (refer to Note 6 for additional details regarding the amount of the investment MIL U.K. initially recognised in the statement of financial position) was in excess of the carrying amount of the ordinary shares issued to MIL (refer to Note 9 for additional details regarding the amount issued capital recognised in the statement of financial position). Since AASB's do not prescribe how to account for such excess in common control reorganisation transaction, the Company elected to recognise this amount as a component of additional paid-in-capital in the statement of financial position.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed immediately below.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2015

For purposes of measuring the initial "cost" of each investment in subsidiary as of the date of the MFS Reorganisation and subsequently testing such investments for impairment in accordance with AASB 136, the fair value of each investment in subsidiary is estimated using an allocated formula market value methodology. The value of MFS is measured equal to the estimated fair market value of MFS's common shares multiplied by the number of MFS shares available for issuance as of that same date. The methodology used to estimate the fair market value of MFS common shares as well as the number of MFS shares available for issuance is specified under the governing documents of the MFS share-based compensation plan. With respect to the estimating the fair market value of MFS's common shares, this amount is determined using a formula market value methodology based on a weighting of MFS's advisory revenue, assets under management, and pretax financial statement earnings. The value of MFS is then proportionally allocated to each MFS subsidiary, including the Company's subsidiaries, based on the relative contribution of each MFS subsidiary's to pretax income (as impacted by the transfer pricing agreement described further in Note 5) in relation to MFS's total pretax income.

5 RELATED PARTY TRANSACTIONS

MFS Reorganization

The MFS Reorganisation transaction described in Note 1 constitutes a common control reorganisation transaction. In summary, the MFS Reorganisation transaction involved the following steps, all of which occurred sequentially on 1 October 2015:

- The Company's purchase of MFS Singapore from MFS Institutional Advisors, Inc. ("MFSI"), a wholly-owned subsidiary of MFS, in exchange for a note payable (the "MFS Singapore Operating Subsidiary Note"). The effects of this step, which constitutes a non-cash investing and financing activity, are recognised in these special purpose financial statements;
- MFSI's declaration of a dividend to MFS in the form of and in the amount of the MFS Singapore Operating Subsidiary Note;
- MFS's contribution of the MFS Singapore Operating Subsidiary Note to MIL, representing additional contributed surplus by MFS in MIL;
- MFS's contribution MFS Japan and MFS Luxembourg to MIL, representing additional contributed surplus by MFS in MIL;
- MIL's contribution of the fully paid issued capital of MFS Japan and MFS Luxembourg to the Company in exchange for a note payable (the "MFS Japan and MFS Luxembourg Operating Subsidiaries Note"). The effects of this step, which constitutes a non-cash investing and financing activity, are recognised in these special purpose financial statements; and
- MIL's contribution of the fully paid issued capital of MIL U.K. to the Company in exchange for fully paid ordinary shares of the Company. The effects of this step, which constitutes non-cash investing and financing activity, are recognised in these special purpose financial statements. Refer to Note 9 for details of capital issued as a result of the MFS Reorganisation.

Additional information regarding the MFS Reorganisation necessary to understand the effects of this transaction on the amounts recognised in these special purpose financial statements is included immediately below.

Investments in subsidiaries

Investments in subsidiaries recognised in the statement of financial position are comprised of the Company's investment in MFS Singapore, MFS Japan, MFS Luxembourg, and MIL U.K. As discussed in Note 3, investments in subsidiaries are accounted for at cost in accordance with AASB 127. In addition, the Company elected to measure the initial carrying amount of each investment is subsidiary equal to their estimated fair value as of the date of the MFS Reorganisation as determined using an allocated formula market value methodology described in Note 4. Refer to Note 6 for additional details regarding the amount of investments in subsidiaries recognised in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

Notes payable to Parent

Notes payable to Parent recognised in the statement of financial position consist of the MFS Singapore Operating Subsidiary Note and the MFS Japan and MFS Luxembourg Operating Subsidiaries Note (collectively referred to as the "MFS Reorganisation Note Certificates"). As discussed in Note 3, the initial carrying amount of the notes was measured at fair value, net of transaction costs. The fair value of the notes represents the issued or face amount of the notes, which was set equal to the estimated fair values of MFS Singapore, MFS Japan, and MFS Luxembourg as of the date of the MFS Reorganisation, as determined using an allocated formula market value methodology described in Note 4. Therefore, upon initial recognition on 1 October 2015, the carrying amounts of the investments in subsidiaries attributable to the aforementioned entities were equal to the initial carrying amounts of the notes payable to Parent. Refer to Note 8 for additional details regarding the amount of notes payable to Parent recognised in the statement of financial position.

Additional paid-in-capital

As discussed in Note 4, the excess of the initial carrying amount of the investment in MIL U.K. over the carrying amount of the ordinary shares issued to MIL was recognised as a component of addition paid-in-capital in the statement of financial position. Refer to Note 6 for additional details regarding the amount of the investment MIL U.K. initially recognised in the statement of financial position and Note 9 for additional details regarding the amount issued capital also recognised in the statement of financial position.

Due to Parent

The amount due to Parent recognised in the statement of financial position consists of amounts due to the Parent used to fund other operating expenses of the Company incurred during the period. These amounts are unsecured, interest-free and due to be settled within twelve months after the reporting period.

Transfer pricing agreement

The Company participates in a transfer pricing agreement with MFS and MFS's affiliates whereby the Company agrees to provide various professional services to MFS and MFS's affiliates at arms-length pricing. The terms of the transfer pricing agreement allow for the Company to earn intercompany service fees from MFS and MFS's affiliates that are based on the costs incurred by the Company to provide the professional services plus a reasonable mark-up of such costs, as applicable. The transfer pricing agreement has no set expiration. During 2015, the Company recognised revenue of \$49k under this agreement that is reported in intercompany service fees. At 31 December 2015, the Company has no amounts receivable from MFS and MFS's affiliates related to the agreement. There is no contractual due date for any intercompany balances under this agreement, although the Company generally settles these balances with MFS and MFS's affiliates on a monthly basis.

6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries presented in the statement of financial position are comprised of the Company's investments in MFS Investment Management Company (Lux) S.à r.l., MFS International (U.K.) Limited, MFS International Singapore Pte. Ltd., and MFS International Management K.K. that were initially recognised on 1 October 2015 as a result of the MFS Reorganisation described further in Notes 1 and 5.

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NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

The following is a reconciliation of the carrying amount of investments in subsidiaries presented in the statement of financial position at the beginning and end of the period ended 31 December 2015:

	MFS Investment Management Company (Lux) S.à r.l. USD '000	MFS International (U.K.) Limited USD '000	MFS International Singapore Pte. Ltd. USD '000	MFS International Management K.K. USD '000	Total USD '000
Cost					
Balance at 16 October 2014	-	-	-	-	-
Additions - MFS Reorganisation (refer to notes 1 and 4)	61,000	1,201,000	274,000	86,000	1,622,000
Balance at 31 December 2015	61,000	1,201,000	274,000	86,000	1,622,000
Impairment					
Balance at 16 October 2014	-	-	-	-	-
Impairment loss (reversal of impairment) on investments in subsidiaries	-	-	-	-	-
Balance at 31 December 2015	-	-	-	-	-
Carrying Amount					
Balance at 31 December 2015	61,000	1,201,000	274,000	86,000	1,622,000

The principal activities of MFS Investment Management Company (Lux) S.à r.l., incorporated 20 June 2000 under the laws of Luxembourg), primarily consist of the management, administration (including transfer agency services) and implementation of the distribution and administration of the MFS Investment Funds and the MFS Meridian Funds. The principal activities of MFS International (U.K.) Limited, incorporated on 24 May 1995 as a private limited liability company under the laws of England and Wales, primarily consist of promotion and marketing services in the U.K. and Europe of the MFS Investment Funds, MFS Meridian Funds and institutional accounts, the provision of investment research and analysis to MFS and its subsidiaries, and the provision of investment management services to institutional accounts. The principal activities of MFS International Singapore Pte. Ltd., incorporated 23 November 2012 under the laws of Singapore, primarily consist of the provision of investment management services to institutional customers as well as the provision of investment research and analysis to MFS and its subsidiaries. Finally, the principal activities of MFS International Management K.K., incorporated on 17 October 1998 under the laws of Japan, primarily consist of the provision of investment management and investment advisory services to MFS sponsored funds in Japan as well as the provision of investment research and analysis to MFS and its subsidiaries.

The principal activities of each of the aforementioned entities were not impacted by the MFS Reorganisation.

7 OTHER RECEIVABLES

Other receivables presented in the statement of financial position are comprised of the following:

	2015 USD '000
Other receivables:	
Income tax recoverable from MFS and its affiliates	752
	752

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

8 NOTES PAYABLE TO PARENT

Notes payable to Parent presented in the statement of financial position is comprised of the following MFS Reorganisation Note Certificates issued by the Company on 1 October 2015 and held by MIL as of 31 December 2015 as a result of the MFS Reorganisation described further in Notes 1 and 5:

2015
USD '000

Unsecured current- at amortised cost

MFS Reorganisation Note Certificates:

MFS Singapore Operating Subsidiary Note	274,000
MFS Japan and MFS Luxembourg Operating Subsidiaries Note	147,000
	<u>421,000</u>

The MFS Reorganisation Note Certificates were issued by the Company under a single note instrument governed and construed in accordance with the laws of England and Wales under which the Board of Directors has authorised borrowings up to an aggregate maximum principal amount of USD \$750,000k. The MFS Reorganisation Note Certificates are unsecured, accrue interest daily at a fixed rate of 3.5% per annum, and are transferable at the option of the note holder. Interest is generally payable quarterly. The MFS Reorganisation Note Certificates form a single series under the note instrument and rank pari passu equally and ratably without discrimination or preference as an unsecured debt obligation of the Company. In the event that the Company becomes insolvent, the MFS Reorganisation Note Certificates rank pari passu with other unsecured creditors of the Company, however, the notes rank ahead of any claims by holders of issued capital. The MFS Reorganisation Note Certificates are redeemable on demand at the option of the note holder. In addition, the Company may redeem or repay all or a portion of the outstanding notes at any time without penalty. Unless previously repaid, redeemed or purchased and cancelled, the MFS Reorganisation Note Certificates are redeemable on 1 October 2025 in full at par along with any outstanding accrued interest.

9 ISSUED CAPITAL

2015
USD '000

Authorised, issued and fully paid

100,100 ordinary shares of AUD \$1.00 each	<u>70</u>
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Issued capital consists of fully paid ordinary shares, which have AUD \$1.00 par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

At incorporation, the Parent subscribed for 100 fully paid ordinary shares of AUD \$1.00 each in the Company. In conjunction with the MFS Reorganisation, the Company issued 100,000 fully paid ordinary shares to the Parent in exchange for the entire balance of MIL U.K.'s fully paid issued capital.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

10 DIVIDENDS

Payment of dividends to Parent presented in the statement of changes in equity is comprised of the following:

	2015 USD '000
Dividend for the period ended 31 December 2015 of \$112.75 per share	<u>11,286</u>

11 INCOME TAX

For corporate income tax purposes, the Company is tax resident in the U.K. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, of 20.25% for the period ended 31 December 2015.

Income tax recognised in profit or loss

	2015 USD '000
Total current income tax benefit	752
Total deferred income tax benefit	<u>-</u>
Total income tax benefit recognised in the current period	<u>752</u>

It is expected that the tax benefit will be recognised in the current period when the Company's losses are surrendered to an affiliate in the U.K. under allowable Group Relief provisions.

The income tax benefit (expense) for the period can be reconciled to the profit before income tax in the statement of profit or loss and other comprehensive income as follows:

	2015 USD '000
Profit before income tax	11,286
Income tax expense calculated at standard rate of corporation tax in the U.K. of 20.25%	(2,285)
Adjustment for non-taxable dividends from investments in subsidiaries	<u>3,038</u>
Total income tax benefit recognised in the current period	<u>752</u>

12 AUDITOR'S REMUNERATION

During the period ended 31 December 2015, Company incurred USD \$11k of professional service fees payable to Deloitte Touche Tohmatsu related to the audit of the Company's special purpose financial statements. These fees are reported as a component of other operating expenses presented in the statement of profit or loss and other comprehensive income. Also, during that same period, fees for permitted non-audit services rendered in relation to the MFS Reorganisation were paid by MFS to Deloitte & Touche LLP, a network firm of the Company's independent auditors.

MFS INTERNATIONAL HOLDINGS PTY LTD

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 December 2015

13 IMMEDIATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is MFS International Ltd., a company incorporated in Bermuda.

The ultimate parent company and controlling party is Sun Life Financial Inc., registered in Toronto, Canada, and is the parent of the largest group in which the results of the Company are consolidated. The consolidated financial statements for Sun Life Financial Inc. are available to the public and may be obtained from:

Corporate Affairs Department
Sun Life Financial Inc.
Sun Life Centre
150 King Street West
Toronto, Ontario
Canada M5H 1J9

14 COMMITMENTS AND CONTINGENCIES

At 31 December 2015, the Company has no commitments to any of its affiliates or third parties, including, but not limited to, commitments to provide financial support or other support to any of its subsidiaries, including commitments or intentions to assist its subsidiaries in obtaining financial support. As of that same date, there are no possible or present obligations arising from past events or circumstances giving rise to any contingent liabilities that require disclosure in these special purpose financial statements.

15 EVENTS AFTER THE REPORTING PERIOD

The Company evaluated events and transactions subsequent to 31 December 2015, and through 22 April 2016, the date these special purpose financial statements were available to be issued, and determined that there are no material events or transactions which require adjustment to, or disclosure in these special purpose financial statements.