MFS International Holdings Pty Ltd
ACN 601 210 575

Annual Report

For the financial year ended
31 December 2018

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DIRECTORS' REPORT

The Directors of MFS International Holdings Pty Ltd (the "Company") submit herewith the annual report of the Company for the financial year ended 31 December 2018. 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 year are:

Richard A. Drage
Patrick J. Hehir
Marian J. Poirier

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

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 (the "2001 Act") 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, and the Company has been positioned to assist MFS in achieving this objective.

The Company has the following wholly owned subsidiaries that are domiciled outside of the US: MFS International (U.K.) Limited ("MIL U.K."), MFS International Management K.K. ("MFS Japan"), MFS International Singapore Pte. Ltd. ("MFS Singapore"), MFS Investment Management Company (Lux) S.à r.l. ("MFS Luxembourg"), MFS International Australia Pty Ltd ("MFS Australia"), and MFS Financial Management (Shanghai) Company Limited ("MFS China"). The Company's principal activity is to enable the efficient and economical management and funding of these subsidiaries that are domiciled outside of the U.S. and to facilitate the growth of those subsidiaries and MFS's overall business outside of the U.S. This is achieved by redeploying 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 Company is regulated by ASIC.

Review of operations

Results of operations reflect the performance of the Company for the years ended 31 December 2018 and 31 December 2017.

The Company has no employees.

During the year ended 31 December 2018, the Company earned a profit before tax of $197,193k (2017: $128,464k). The results for the year are shown in the statement of profit or loss and other comprehensive income on page 9.

Changes in state of affairs

There were no significant changes to the Company's operations during the 2018 financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year 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 years.

Future developments

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

Dividends

The final dividend was approved by the directors on 20 February 2019 and has not been included as a liability in these financial statements. The final dividend is amounted to $224,376,592.00. No dividend payment was made in relation to the 31 December 2017 financial year.

Share options

There are no options over unissued shares or interests of the Company for the financial year ended 31 December 2018.

Indemnification of officers and auditors

During the financial year, 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.

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

Patrick J. Hehir
Director
London, 11 April 2019

Deloitte.

Deloitte Touche Tohmatsu
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11 April 2019

The Board of Directors
MFS International Holdings Pty Ltd
One Carter Lane
London EC4V SER

Dear Board Members,

Auditor's Independence Declaration to 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 report of MFS International Holdings Pty Ltd for the year ended 31 December 2018, 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

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Deloitte.

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

Opinion

We have audited the financial report, being a special purpose financial report, of MFS International Holdings Pty Ltd (the "Company") which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in note 3 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

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. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 11 April 2019

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

Patrick J. Hehir
Director
London, 11 April 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 USD '000	2017 USD '000
Operating revenues			
Dividends from investments in subsidiaries		200,870	149,441
Intercompany service revenue	5	2,209	-
Total operating revenues		203,079	149,441
Operating expenses			
Impairment reversal/(loss) on investments in subsidiaries	3, 6	11,058	(6,243)
Interest on notes payable to Parent	9	(14,735)	(14,735)
Other operating expenses		(46)	(47)
Intercompany service expenses	5	-	(11,220)
Total operating expenses		(3,723)	(32,245)
Operating profit		199,356	117,196
Realised gains on investments		375	1,930
Unrealised (losses) / gains on investments		(6,127)	8,856
Dividend income from investments		622	247
Other income		2,967	235
Profit before income tax		197,193	128,463
Income tax benefit	12	2,800	2,873
Profit for the period		199,993	131,336
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income for the period		199,993	131,336

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

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

STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	2018 USD '000	2017 USD '000
Assets			
Current assets			
Cash and cash equivalents		258,950	91,672
Other receivables	7	24,278	5,775
Investments	5	125,104	122,241
Total current assets		408,332	219,688
Non-current assets			
Investments in subsidiaries	6	1,611,467	1,600,409
Total non-current assets		1,611,467	1,600,409
Total assets		2,019,799	1,820,097
Liabilities and equity			
Current liabilities			
Notes payable to Parent	9	424,593	424,714
Other payables	5, 8	-	1,292
Deferred tax liabilities	12	1,122	-
Total current liabilities		425,715	426,006
Equity			
Issued capital	10	70	70
Additional paid-in-capital	5	1,200,930	1,200,930
Retained earnings		393,084	193,091
Total equity attributable to Parent		1,594,084	1,394,091
Total liabilities and equity		2,019,799	1,820,097

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Note	Issued capital USD '000	Additional paid-in-capital USD '000	Retained earnings USD '000	Total USD '000
Balance at 31 December 2016		70	1,200,930	61,755	1,262,755
Total comprehensive income for the period		-	-	131,336	131,336
Dividends paid to Parent		-	-	-	-
Balance at 31 December 2017		70	1,200,930	193,091	1,394,091
Total comprehensive income for the period		-	-	199,993	199,993
Dividends paid to Parent		-	-	-	-
Balance at 31 December 2018		70	1,200,930	393,084	1,594,084

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 USD '000	2017 USD '000
Cash flows from operating activities		
Profit before income tax	197,193	128,463
Adjustments for:		
Interest on notes payable to Parent recognised in profit or loss	14,735	14,735
Income tax benefit recognised in profit or loss	2,800	2,873
Realised and unrealised losses / (gains) from investments	5,752	(10,786)
Dividend income from investments	(622)	(247)
Foreign exchange gain	(11)	(173)
Impairment (reversal)/ loss on investments in subsidiaries	(11,058)	6,243
	208,789	141,108
Movements in working capital:		
Increase in other receivables	(18,492)	(2,818)
(Decrease) / Increase in other payables	(1,292)	(4,015)
Increase in deferred tax liability	1,122	-
	(18,662)	(6,833)
Net cash provided by operating activities	190,127	134,275
Cash flows from investing activities		
Purchases of investments	(17,549)	(58,626)
Sales of investments	9,556	-
Investment in subsidiary	-	(100)
Net cash used in investing activities	(7,993)	(58,726)
Cash flows from financing activities		
Interest on notes paid to Parent	(14,856)	(14,735)
Net cash used in financing activities	(14,856)	(14,735)
Net increase in cash and cash equivalents	167,278	60,814
Cash and cash equivalents at the beginning of the period	91,672	30,858
Cash and cash equivalents at the end of the period	258,950	91,672

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

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 (the "2001 Act") 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 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, and the Company has been positioned to assist MFS in achieving this objective.

The Company has the following wholly owned subsidiaries that are domiciled outside of the US: MFS International (U.K.) Limited ("MIL U.K."), MFS International Management K.K. ("MFS Japan"), MFS International Singapore Pte. Ltd. ("MFS Singapore"), MFS Investment Management Company (Lux) S.à r.l. ("MFS Luxembourg"), MFS International Australia Pty Ltd ("MFS Australia"), and MFS Financial Management (Shanghai) Company Limited ("MFS China"). The Company's principal activity is to enable the efficient and economical management and funding of these subsidiaries that are domiciled outside of the U.S. and to facilitate the growth of those subsidiaries and MFS's overall business outside of the U.S. This is achieved by redeploying 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 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 year

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 January 2018 and therefore relevant to the current period:

AASB 9	Financial Instruments and the relevant amending standards
AASB 15	Revenue from Contracts with Customers
AASB 2014-5	Amendments arising from AASB 15

AASBs and Interpretations in issue adopted in 2018

AASB 9 – Financial Instruments:

AASB 9 is effective for annual periods beginning on or after 1 January 2018. AASB 9 replaces the classification and measurement models for financial instruments with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. Under AASB 9, the Company's business model and the contractual cash flows arising from its investments in financial instruments determine the appropriate classification. The Company has assessed its balance sheet assets in accordance with the new classification requirements. As a result financial assets classified as Loans and receivables in prior years are now classified as Amortised cost. The reclassification has been applied retrospectively. There is no change to the valuation of the assets. There have been no other changes in the classification and measurement for any of the Company's financial assets or liabilities.

In addition, AASB 9 introduces an 'expected loss' model for the assessment of impairment of financial assets. The 'incurred loss' model under IAS 39 required the Company to recognise impairment losses when there was objective evidence that an asset was impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. This model is not applicable for investments held at fair value through profit or loss or investments in associates. We have determined that under the expected loss model there is no material change to the carrying values of the Company's assets.

AASB 15 Revenue from Contracts with Customers

AASB 15 is effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Specifically, AASB 15 introduces a five-step approach to revenue recognition:
(1) identify the contract with the customer;
(2) identify the performance obligations in the contract;
(3) determine the transaction price;
(4) allocate the transaction price to the performance obligations in the contract; and
(5) recognise revenue when or as the entity satisfies a performance obligation.

AASB 15 is more prescriptive in terms of its recognition criteria, with certain specific requirements in respect of variable fee income such that it is only recognised where the amount of revenue would not be subject to significant future reversals. New disclosure requirements in the annual financial statements are also introduced. The adoption of the standard did not have a material impact on the financial statements.

The application of 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.

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 16	Leases	1 January 2019

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. For lessees, AASB 16 removes the classification of leases as either operating or financing and requires that all leases be recognised on the statement of financial position, with certain exemptions that include leases of 12 months or less. The accounting for lessors is substantially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, to be applied retrospectively, or on a modified retrospective basis.

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 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.

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 year ended 31 December 2018 and for the prior year ended 31 December 2017.

The principal accounting policies adopted are set out below.

Going concern basis

There are no significant likely developments in the operations of the entity in future financial years that will have an impact on the entity's ability to continue as going concern.

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 9 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 2018, 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.

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 the carrying amount of the investment is reduced to its recoverable amount with an offsetting impairment loss 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.

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 general purpose financial statements and the corresponding tax bases used in the computation of taxable profit. 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

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

Financial assets are classified into the following specified categories: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Investments, which consist of investments in MFS mutual fund securities, have been classified as fair value through profit or loss, therefore, these assets are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on these financial assets and reported in investment and other expense. MFS mutual fund securities are valued at their published net asset values and are therefore categorised as Level 1 of the fair value hierarchy.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Finanical assets at amortised cost (including cash and cash equivalents and other receivables) are measured at amortised cost less any 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 an expectation of credit losses, even in the absence of a default event. The assets on the Company's balance sheet to which the expected loss model applies are other receivables, which do not have a history of credit risk or expected future recoverability issues. Therefore management have determined that no charge should be held against the carrying values of its financial assets.

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.

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 notes payable to Parent and other payables) 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.

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 acquired equal to its estimated fair value as of the date of acquisition.

Separately, 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 acquisition 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 10 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.

For purposes of measuring the initial "cost" of each investment in subsidiary as of the date of acquisition 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.

For purposes of subsequently testing each investment in subsidiary for impairment in accordance with AASB 136, the value in use of each investment in subsidiary is estimated using a discounted cash flow methodology that converts estimated future profit amounts to single current amount that is discounted. As described further in Note 6, during the year ended 31 December 2018, the Company recognised an impairment reversal related to its investment in MFS Luxembourg where the recoverable amount represents value in use.

5 RELATED PARTY TRANSACTIONS

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, MIL U.K, MFS Australia and MFS China. 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 of the aforementioned investments is subsidiaries equal to their estimated fair value as of the date of acquisition 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.

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 acquisition of these subsidiaries, 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 9 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 10 for additional details regarding the amount issued capital also recognised in the statement of financial position.

Loans to subsidiaries

The Company has agreed to make loans available to MFS International Management K.K. in the amount of JPY 6 billion. Interest will be charged at a rate equal to LIBOR plus 0.2%, and interest is due and payable on the first day of each calendar quarter. The principal amount or such portion as may remain outstanding will be due on 29 September 2020. As at 31 December 2018 and 2017, no amounts are due to the Company in terms of this agreement.

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 2018, the Company recognised revenue of $2,022k (prior period: expense $11,220k) under this agreement that is reported in intercompany service fees. At 31 December 2018, 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.

Investments in MFS Mutual funds

The Company seeds new MFS mutual funds on a regular basis in order to build a performance track record for the new funds. The Company does not earn any fees from the seeding of these investments.

Other transactions with related parties

During the year ended 31 December 2017, the Company purchased investments of $58,627k from MFS Bermuda Holdings Ltd., a wholly-owned subsidiary of MFS and affiliate of the Company. No purchases were made during the current financial year.

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 , as well as the Company's investment in MFS International Australia Pty Ltd and MFS Financial Management (Shanghai) Company Limited.

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 2017 and at the beginning and end of the year ended 31 December 2018:

	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	MFS International Australia Pty Ltd USD '000	MFS Financial Management (Shanghai) Company Limited USD '000	Total USD '000
Cost							
Balance at 1 January 2018	61,000	1,201,000	274,000	86,000	767	100	1,622,867
Additions	-	-	-	-	-	-	-
Balance at 31 December 2018	61,000	1,201,000	274,000	86,000	767	100	1,622,867
Impairment							
Balance at 1 January 2018	22,458	-	-	-	-	-	22,458
Impairment reversal	(11,058)	-	-	-	-	-	(11,058)
Balance at 31 December 2018	11,400	-	-	-	-	-	11,400
Carrying Amount							
Balance at 31 December 2018	49,600	1,201,000	274,000	86,000	767	100	1,611,467
Balance at 31 December 2017	38,542	1,201,000	274,000	86,000	767	100	1,600,409

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 affiliates, 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 affiliates. 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 affiliates.

On 25 August 2015 (the date of incorporation of MFS Australia), the Company subscribed for 100 fully paid ordinary shares of Australian Dollars ("AUD") $1.00 each in MFS Australia. The principal activities of MFS Australia, consists primarily of conducting MFS's investment management and research services in Australia The Company also subscribed for an additional 999,900 fully paid ordinary shares of AUD $1.00 each in MFS Australia.

MFS Luxembourg is a party to the transfer pricing agreement, as described further in Note 5. Among other things, MFS Luxembourg provides investment management services to both the MFS Investment Funds and the MFS Meridian Funds and is compensated for such services under the transfer pricing agreement. During 2016, the transfer pricing agreement was amended with respect to how MFS Luxembourg is compensated for investment management services provided to the MFS Investment Funds to align with how it is compensated for similar services provided to the MFS Meridian Funds. MFS Luxembourg is valued at $49.6k as at year ended 31 December 2018 using a discount rate of 11.7% and as a result the Company recognised an impairment reversal of £11,058k in 2018.

7 OTHER RECEIVABLES

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

	2018 USD '000	2017 USD '000
Other receivables:		
Income tax recoverable from MFS and its affiliates	2,763	5,775
Amounts due from MFS and its affiliates	19,558	-
Other	1,957	-
	24,278	5,775

8 OTHER PAYABLES

	2018 USD '000	2017 USD '000
Other payables:		
Amounts due to MFS and its affiliates	-	1,292
	-	1,292

9 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 2018:

	2018 USD '000	2017 USD '000
Unsecured current- at amortised cost		
MFS Reorganisation Note Certificates:		
MFS Singapore Operating Subsidiary Note	276,338	276,417
MFS Japan and MFS Luxembourg Operating Subsidiaries Note	148,255	148,297
	424,593	424,714

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.

10 ISSUED CAPITAL

	2018 USD '000	2017 USD '000
Authorised, issued and fully paid		
100,100 ordinary shares of AUD $1.00 each	70	70

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.

11 DIVIDENDS

The final dividend was approved by shareholders on 20 February 2019 and has not been included as a liability in these financial statements. The final dividend is amounted to $224,376,592.00. The payment of this dividend will not have any tax consequences for the Company. No dividend payment was made in relation to the 31 December 2017 financial year.

12 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 19.00% for the year ended 31 December 2018 (2017: 19.25%).

Income tax recognised in profit or loss

	2018 USD '000	2017 USD '000
Total current income tax benefit	3,922	2,881
Total deferred income tax expense	(1,122)	(8)
Total income tax benefit recognised in the current period	2,800	2,873

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

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

	2018 USD '000	2017 USD '000
Profit before income tax	197,193	128,463
Income tax benefit calculated at standard rate of corporation tax in the U.K. of 19.00% (2017: 19.25%)	(37,467)	(24,729)
Prior period adjustment		37
Adjustment for impairment of investments	2,101	(1,202)
Adjustment for non-taxable dividends from investments in subsidiaries	38,166	28,767
Total income tax benefit recognised in the current period	2,800	2,873

Deferred tax balances

The Company recognised a deferred tax liability in 2018 of $1,122k (2017: nil). The deferred tax liability relates to realised gains and dividends on equity funds which will be taxable in the future.

13 AUDITOR'S REMUNERATION

During the year ended 31 December 2018, Company incurred USD $14k (2017: $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 the prior 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.

14 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.
1 York Street
Toronto, Ontario
M5J 0B6
Canada

15 COMMITMENTS AND CONTINGENCIES

At 31 December 2018, 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.

16 EVENTS AFTER THE REPORTING PERIOD

The Company evaluated events and transactions subsequent to 31 December 2018, and through 11 April 2019, the date these special purpose financial statements were available to be issued, and determined that the only material event which required disclosure was the payment of a dividend by the Company on 20 February 2019 for $224,376,592 to its sole shareholder MFS International Ltd.