

Company Registration No. 2522419

SHINKIN INTERNATIONAL LTD

**Annual report and financial statements for the year ended
31 December 2016**

SHINKIN INTERNATIONAL LTD

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SHINKIN INTERNATIONAL LTD

Officers and professional advisers

Directors

Mr Hajime Hioki
Mr Koichi Kawashima
Mr Koichi Onso

Secretary

TMF Corporate Administration Services Limited
5th Floor
6 St Andrew Street
London EC4A 3AE

Registered office

1st Floor
85 London Wall
London
EC2M 7AD

Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3P 3AH

Bank of Tokyo-Mitsubishi UFJ
Ropemaker Place
25 Ropemaker Street,
London
EC2Y 9AN

Solicitor

TFC Legal
City Tower
40 Basinghall Street
London
EC2V 5DE

Auditor

Deloitte LLP
Hill House,
1 Little New Street,
London
EC4A 3TR

SHINKIN INTERNATIONAL LTD

Directors' report

The directors present their annual report on the affairs of Shinkin International Ltd (the "Company"), together with the financial statements and auditor's report, for the year ended 31 December 2016.

Principal activities

The Company's main activity is trading in Eurobonds. It is the directors' intention that the Company will continue this activity during the forthcoming year.

The Company is regulated by The Financial Conduct Authority.

The Company is taking the small company exemption and is therefore not preparing a strategic report.

Business review

During the year under review, though it was a challenging environment such as a continuation of low-interest rate in European countries, the Company increased trade volume and profit, by capturing customers' needs and providing competitive products.

The results for the year, set out on page 7, show a profit after taxation of **£1,069,868** (2015: £817,148). The directors regard the results for the year as satisfactory. The directors are expecting a similar performance in 2017.

The Company does not have any other gains and losses during the year and therefore has not produced a separate statement of other comprehensive income.

The Shinkin Central Bank manages its European operations on a regional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European region, which includes the Company, is discussed in the Group's Annual Report, which does not form part of this Report.

Dividends and transfer to reserves

The directors do not recommend the payment of a dividend for the year (2015: £nil). The retained profit for the year of **£1,069,868** (2015: £817,148) has been transferred to reserves.

Financial Risk Management

Shinkin International Ltd aims to maintain a low risk profile. The Company's activities expose it to the following key risks: credit risk, liquidity risk and cash flow risk. In managing its risk, a distinction is made between credit, liquidity and foreign currency risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Foreign currency transactions arise when the Company buys and immediately sells Eurobonds whose prices are denominated in a foreign currency and when the Company receives the arrangement fee in a foreign currency. Foreign currency transactions comprise transactions in Euro, USD and JPY. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

Credit Risk

The Company's financial assets are bank balances, receivables and investments. Receivables are held with group companies. Quoted investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

Liquidity risk

In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations, the Company uses a mixture of long-term and short-term investment in liquid assets.

Pillar 3 Disclosures

Disclosure information under the Financial Conduct Authority regulations (General Prudential Sourcebook and the Prudential Sourcebook for Banks, Building Societies and Investment Firms), which is unaudited, is set out on the Shinkin International Ltd website.

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Directors' report (continued)

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 in the financial statements.

Details of the Company's financial risk management objectives and policies, its exposures to credit risk and liquidity risk are set out above.

Directors

The directors who served throughout the year except as noted were:

Mr Hajime Hioki
Mr Koichi Kawashima
Mr Koichi Onso (appointed 11/07/2016)
Mr Takaaki Ando (resigned 14/06/2016)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:

Mr Koichi Kawashima
Director



1st Floor
85 London Wall
London
EC2M 7AD

17 March 2017

SHINKIN INTERNATIONAL LTD

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SHINKIN INTERNATIONAL LTD

Independent auditor's report to the members of Shinkin International Ltd

We have audited the financial statements of Shinkin International Ltd for the year ended 2016 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Director's Report has been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

SHINKIN INTERNATIONAL LTD

Independent auditor's report to the members of Shinkin International Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Adam Cichocki, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 March 2017

SHINKIN INTERNATIONAL LTD

Profit and loss account

At 31 December 2016

	<i>Notes</i>	2016 £	2015 £
Net trading gain	2	2,695,489	1,913,756
Other operating income	3	253,223	551,698
Administrative expenses		(2,562,587)	(2,413,673)
Operating profit		386,125	51,781
Interest receivable & Similar Income	5	962,885	976,370
Interest payable & Similar Charges	6	(344)	(1,079)
Profit on ordinary activities before taxation	7	1,348,666	1,027,073
Tax on profit on ordinary activities	9	(278,798)	(209,925)
Profit for the year		1,069,868	817,148


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Balance sheet

At 31 December 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Tangible assets	10	178,493	215,841
Investments	11	33,488,329	31,693,945
		<u>33,666,822</u>	<u>31,909,786</u>
CURRENT ASSETS			
Debtors - due within one year	12	657,627	641,291
Cash at bank and in hand		12,019,298	12,748,275
		<u>12,676,925</u>	<u>13,389,566</u>
CREDITORS: amounts falling due within one year	13	<u>(326,720)</u>	<u>(328,125)</u>
NET CURRENT ASSETS		<u>12,350,205</u>	<u>13,061,441</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>46,017,027</u>	<u>44,971,227</u>
Provisions	14	(1,016)	(25,081)
NET ASSETS		<u>46,016,011</u>	<u>44,946,146</u>
Called up share capital and reserves			
Called up share capital	15	30,000,000	30,000,000
Profit and loss account		16,016,011	14,946,146
SHAREHOLDERS' FUNDS		<u>46,016,011</u>	<u>44,946,146</u>

The financial statements of Shinkin International Limited (registered number 2522419) were approved by the Board of directors and authorised for issue on 17 March 2017. They were signed on its behalf by:



Mr Koichi Kawashima
Director

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Shinkin International Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Shinkin International Ltd is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Shinkin International Ltd meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions. The exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel and Related Party Disclosures.

Going concern

Shinkin International Ltd's business activities, together with the factors likely to affect its future development, performance and position. The directors' report describes the financial position of the Company; its cash flows, liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; exposure to credit risk and liquidity risk.

The Company meets its day-to-day working capital requirements through its normal business and its option to access its parent company (Shinkin Central Bank)'s fundings.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Operating income

Operating income is derived from the aggregate profits less losses of trading bonds in the Eurobond market. Mainly the Company undertakes new bond issuances in the primary market or purchases the existing bond from bond brokers in the secondary market and sells to Japanese financial institutions, such as cooperative banks and regional banks in Japan. Also, operating income is recognised on transaction date.

Arrangement fees

Arrangement fees receivable for participation in the issue of securities are recorded when the Company receives notification of its allotments in respect of purchase commitments. Other fees and commissions are accounted for when received.

Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Leases (continued)

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange for sterling prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are reported at the rates of exchange prevailing at that date. The resulting exchange differences arising are included in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line/reducing balance basis over its expected useful life, as follows:

Leasehold improvements	20% per annum reducing balance
Office equipment	20% per annum straight-line
Office furniture	10% per annum straight-line
Computer hardware	25% per annum reducing balance
Computer software	20% per annum straight-line

Fixed asset investments

Shinkin International Ltd will purchase and hold the bond until maturity. The bond should have internal rating of "B" or better at the time of trade. Maximum maturity of the bond is 10 years. Allocation will be decided at the Investment Meeting. In the event of decision on bond allocation, outstanding amount of the investment portfolio has to be taken into account in order to maintain the credit line from Euroclear for the smooth settlement transaction. Financial assets are initially recognised at book value because the bond is classified as "held to maturity". However, the diversity of market requires the Company to identify, measure, aggregate and manage its risks effectively, and to allocate capital among its businesses appropriately. The risk and capital are managed via a framework of principles of policy, organizational structures and measurement and monitoring processes that are closely aligned with the Company's activities.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets recovered are regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when Shinkin International Ltd becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

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

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Retirement Benefits

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs is contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

If the Company has a contract that is onerous, it recognises the present obligation under the contract as a provision. An onerous contract is one where the unavoidable costs of meeting the Shinkin International Ltd's contractual obligations exceed the expected economic benefits. When Shinkin International Ltd vacates a leasehold property, a provision is recognised for the costs under the lease less any expected economic benefits (such as rental income).

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Critical accounting judgements and key sources of estimation uncertainty

The Company recognises no critical accounting judgements that management has made in the process of applying the Company's policies that have a significant effect on the amounts in the financial statements.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

2. Net trading gain

An analysis of the Company's net trading gain by geographical market is set out below.

The amount of turnover attributable to non-UK markets

	2016 £	2015 £
UK market	272,692	3,783
Non – UK market	2,422,797	1,909,973
	<u>2,695,489</u>	<u>1,913,756</u>

The Company executes only bond trading as main business and therefore the amount is based on the attribution of the amount of the trade profit.

3. Other operating income

	2016 £	2015 £
Arrangement fees	110,037	298,863
Rent receivable	15,252	236,009
Other miscellaneous income (includes foreign exchange gains and losses)	127,934	16,826
	<u>253,223</u>	<u>551,698</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

4. Staff numbers and costs

The average number of persons employed by the Company throughout the year, including directors, was as follows:

	Number of employees	
	2016	2015
Dealing	5	5
Settlement	4	3
Administration	4	4
	<u>13</u>	<u>12</u>

The aggregate payroll costs of employees (including executive directors) were as follows:

	2016	2015
	£	£
Wages and salaries	1,033,503	1,004,077
Pension costs	21,825	20,121
Social security costs	38,008	33,294
	<u>1,093,336</u>	<u>1,057,492</u>

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2016 was £21,825(2015: £20,121).

5. Interest receivable and similar income

	2016	2015
	£	£
Interest receivable on bank deposits	93,362	120,497
Interest receivable on investment securities	869,523	855,873
	<u>962,885</u>	<u>976,370</u>

6. Interest payable and similar charges

	2016	2015
	£	£
Interest payable on temporary funding	344	1,079
	<u>344</u>	<u>1,079</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

	2016	2015
	£	£
Foreign exchange gain	(222,165)	(67,138)
Foreign exchange loss	94,231	50,442
Depreciation	55,253	61,150
Auditor's remuneration:		
- audit of the Company's annual accounts	42,501	34,931
- audit-related assurance services	2,260	2,215
- other services relating to taxation	27,891	50,203
Operating lease rentals- land and building	101,086	532,496

8. Directors' remuneration

The emoluments of directors from all sources in respect of their services to the Company are as follows:

	2016	2015
	£	£
Salaries paid to directors	347,691	386,308

The emoluments of the highest paid director were £218,618 (2015: £116,943). No directors received pension benefit from the Company in either the current or preceding year.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

9. Tax on profit on ordinary activities

	2016 £	2015 £
Current tax		
UK corporation tax	303,298	221,523
Adjustment in respect of prior years	(435)	678
	<u>302,863</u>	<u>222,201</u>
Deferred tax		
Origination and reversal of timing differences	(25,635)	(10,066)
Prior year adjustment	1,749	(890)
Effect of decrease in tax rate on opening liability	(179)	(1,320)
	<u>(24,065)</u>	<u>(12,276)</u>
Total tax on profit on ordinary activities	<u>278,798</u>	<u>209,925</u>

Finance (No.2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017 and Finance Act 2016 enacted a reduction to 17% with effect from 1 April 2020. - These reductions in the tax rate will impact the current tax charge in future periods.

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,348,666</u>	<u>1,027,073</u>
Tax on profit at standard UK corporation tax rate of 20.00% (2015: 20.25%)	269,733	207,947
Effects of:		
Expenses not deductible for tax purposes	7,843	3,386
Income not taxable in determining taxable profit	-	-
Adjustment to tax charge in respect of previous periods	1,401	(212)
Effect of change in tax rate	(179)	(1,196)
	<u>278,798</u>	<u>209,925</u>
Total tax charge for period	<u>278,798</u>	<u>209,925</u>

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Notes to the financial statements For the year ended 31 December 2016

10. Tangible fixed assets

	Office furniture £	Computer hardware and software £	Leasehold improvements £	Office equipment £	Total £
Cost					
At 1 January 2016	42,383	492,434	184,155	110,725	829,697
Disposal	-	-	-	-	-
Additions	-	12,520	-	5,386	17,906
At 31 December 2016	42,383	504,954	184,155	116,111	847,603
Depreciation					
At 1 January 2016	36,373	455,572	76,117	45,795	613,856
Disposal	-	-	-	-	-
Charge for year	924	12,346	21,608	20,376	55,254
At 31 December 2016	37,297	467,918	97,725	66,171	669,110
Net book value					
At 31 December 2016	5,086	37,036	86,430	49,940	178,493
At 31 December 2015	6,011	36,862	108,038	64,930	215,841

11. Fixed asset investments

	2016 £	2015 £
Golf club debenture (unlisted)	7,000	7,000
Bond investments (listed)	33,481,329	31,686,945
	33,488,329	31,693,945

Golf club debenture

The investment in the golf club debenture is in The Oxfordshire Golf Club.

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Notes to the financial statements For the year ended 31 December 2016

11. Fixed asset investments (continued)

<i>Bond investments</i>	2016	2016	2015	2015
	Balance sheet	Fair value	Balance sheet	Fair value
	£	£	£	£
Investment securities				
Bond Investment	33,481,329	34,950,995	31,686,945	32,304,374
	<u>33,481,329</u>	<u>34,950,995</u>	<u>31,686,945</u>	<u>32,304,374</u>
Maturities				
Due within one year	5,613,263		1,002,060	
Due one year and over	27,868,066		30,684,885	
	<u>33,481,329</u>		<u>31,686,945</u>	

The fixed asset investments measured at amortised cost. The fair value of listed investments, which are all traded in active markets, was determined with reference to the quoted market price at the reporting date.

	2016	2015
	£	£
Movements on bond investments comprise:		
As at 1 January	31,686,945	28,501,839
Acquisitions	4,129,500	12,513,870
Redemption	(2,000,000)	(9,000,000)
Amortisation of discounts and premiums	(335,116)	(328,764)
	<u>33,481,329</u>	<u>31,686,945</u>
At 31 December	<u>33,481,329</u>	<u>31,686,945</u>

Acquisitions

Bond investments acquired during the year comprise Svenska Handelsbanken for £2,006,600 on 1 Mar 2016, Rabo Bank £1,128,800 on 6 Jul 2016, and Swedbank Mortgage AB for £994,100 on 14 Dec 2016.

Redemption

Bonds which were redeemed during the year comprise BK Nederlandse Gemeenten for £1,000,000 on 26 Feb 2016 and Svenska Handelsbanken for 1,000,000 on 26 May 2016.

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Notes to the financial statements For the year ended 31 December 2016

12. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Prepayments and accrued income	657,627	641,291
	<u>657,627</u>	<u>641,291</u>

13. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors		
Other creditors:		
Corporation tax	125,637	120,060
Income tax withheld	47,804	60,508
Social Security	14,027	11,221
Accruals and deferred income	139,252	136,336
	<u>326,720</u>	<u>328,125</u>

14. Provisions

	2016 £	2015 £
Provision for liabilities and other charges	-	-
Deferred tax (note 16)	1,016	25,081
	<u>1,016</u>	<u>25,081</u>

15. Called up share capital and reserves

	2016 £	2015 £
Allotted, called-up and fully paid		
30,000,000 Ordinary shares of £1 each	30,000,000	30,000,000
Profit and loss account	16,016,011	14,946,146
Shareholders' funds	<u>46,016,011</u>	<u>44,946,146</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

16. Deferred taxation balance in the period

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	2016 £	2015 £
At 1 January	(25,081)	(37,356)
Prior year adjustment	(1,749)	889
Effect of change in tax rate	179	1,320
Charged to profit and loss account	25,635	10,066
	<hr/>	<hr/>
At 31 December	(1,016)	(25,081)

17. Deferred tax balance

	2016 £	2015 £
Capital allowance in excess of depreciation	1,016	25,081
	<hr/>	<hr/>
Provision for deferred tax	1,016	25,081

Finance (No.2) Act 2015 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017. The Finance Act 2016 enacted a further reduction in UK corporation tax to 17% with effect from 1 April 2020. These changes to corporation tax rates impacted the deferred tax charge and closing deferred tax position for 2016.

18. Reconciliation of movements in shareholders' funds

	Called up share capital	Profit and loss account	2016 £	2015 £
At the beginning of the year	30,000,000	14,946,146	44,946,146	44,128,998
Retained profit for the year	-	1,069,868	1,069,868	817,148
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	30,000,000	16,016,014	46,016,014	44,946,146

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

19. Leasehold and capital commitments and provisions

There were no capital commitments at the end of the financial year.

The Company is committed to the following total future payments under non-cancellable operating leases.

	2016 £	2015 £
Lease payment within one year	126,444	126,444
Lease payment between one and five years	42,263	168,707

At the balance sheet date the Company had contracted with tenants the following annual rental receipts.

	2016 £	2015 £
Lease expiring between one and five years	-	-

A provision is recognised to reflect the unavoidable costs of a lease commitment included above that exceed the rental receipts expected to be received, as disclosed above, from a related sublease of the same property, as follows:

Provisions for liabilities and other charges	2016 £	2015 £
As at 1 January	-	218,228
Release to profit and loss account	-	(218,228)
As at 31 December	-	-

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2016

20. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

Financial assets	2016	2015
	£	£
Debt instruments measured at amortised cost		
Bond investments (note 11)	33,481,329	31,686,945

Financial liabilities

The Company does not have any financial liabilities as at 31 December 2016

21. Ultimate parent company

The company is incorporated in the United Kingdom as a private limited company under the laws of England and Wales.

The immediate and ultimate parent company and controlling entity is Shinkin Central Bank, which is incorporated in Japan and is the 100% shareholder of the Company. Copies of the Shinkin Central Bank Group accounts are available from that company's registered office at 3-7, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan.

22. Subsequent events

The Company recognises no subsequent events which is occurring between the balance sheet date and the date of the auditor's report.