

**Company Registration No. 2522419**

**SHINKIN INTERNATIONAL LTD**

**Annual report and financial statements for the year ended  
31 December 2017**

# SHINKIN INTERNATIONAL LTD

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# SHINKIN INTERNATIONAL LTD

## Officers and professional advisers

### Directors

Mr Hiroshi Sudo  
Mr Koichi Kawashima  
Mr Eisuke Sawaeda

### Secretary

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

### Registered office

1<sup>st</sup> 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

### Satutory 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 2017.

### 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, the company's performance was affected by the decrease in trading volumes due to the reluctance of Japanese investors to invest internationally. This has led to profits decreasing due to falling revenues.

The results for the year, set out on page 7, show a profit after taxation of **£76,479** (2016: £1,069,868). The directors regard the results for the year as satisfactory. The directors are expecting a similar performance in 2018.

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 (2016: £nil). The retained profit for the year of **£76,479** (2016: £1,069,868) 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.

# SHINKIN INTERNATIONAL LTD

## 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.

### Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

### Directors

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

Mr Hiroshi Sudo (appointed 07/07/2017)  
Mr Hajime Hioki (resigned 07/07/2017)  
Mr Koichi Kawashima  
Mr Eisuke Sawaeda (appointed 18/04/2017)  
Mr Koichi Onso (resigned 21/03/2017)

### Auditor

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

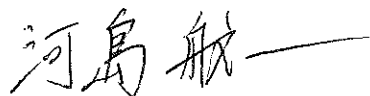
- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the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

22 March 2018

## 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Shinkin International Ltd (the 'company') which comprise:

- the 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in respect of these matters.

### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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

### Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.



# SHINKIN INTERNATIONAL LTD

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

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.

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Adam Cichocki, ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
22 March 2018

# SHINKIN INTERNATIONAL LTD

## Profit and loss account For the Year Ended 31 December 2017

	<i>Notes</i>	<b>2017</b> £	<b>2016</b> £
Net trading gain	2	<b>1,593,329</b>	2,695,489
Other operating income	3	<b>53,568</b>	253,223
Administrative expenses		<b>(2,472,425)</b>	(2,562,587)
<b>Operating profit</b>		<b>(825,528)</b>	386,125
Interest receivable & Similar Income	5	<b>921,602</b>	962,885
Interest payable & Similar Charges	6	<b>(1,446)</b>	(344)
<b>Profit on ordinary activities before taxation</b>	7	<b>94,628</b>	1,348,666
Tax on profit on ordinary activities	9	<b>(18,149)</b>	(278,798)
<b>Profit for the year</b>		<b>76,479</b>	1,069,868

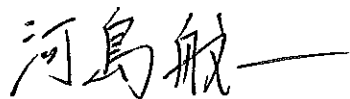
# SHINKIN INTERNATIONAL LTD

## Balance sheet

At 31 December 2017

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	10	130,537	178,493
Investments	11	32,319,192	33,488,329
		<u>32,449,729</u>	<u>33,666,822</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	12	8,633,146	657,627
Cash at bank and in hand		13,182,140	12,019,298
		<u>21,815,286</u>	<u>12,676,925</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(8,159,387)</u>	<u>(326,720)</u>
<b>NET CURRENT ASSETS</b>		<u>13,655,899</u>	<u>12,350,205</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>46,105,628</u>	<u>46,017,027</u>
Provisions	14	(13,138)	(1,016)
<b>NET ASSETS</b>		<u>46,092,490</u>	<u>46,016,011</u>
<b>Called up share capital and reserves</b>			
Called up share capital	15	30,000,000	30,000,000
Profit and loss account		16,092,490	16,016,011
<b>SHAREHOLDERS' FUNDS</b>		<u>46,092,490</u>	<u>46,016,011</u>

The financial statements of Shinkin International Limited (registered number 2522419) were approved by the Board of directors and authorised for issue on 22 March 2018. 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 2017

### 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.

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 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.

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 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 balance sheet 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 2017

### 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 2017

### 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

	2017 £	2016 £
UK market	195,252	272,692
Non – UK market	1,398,077	2,422,797
	<u>1,593,329</u>	<u>2,695,489</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

	2017 £	2016 £
Arrangement fees	53,661	110,037
Rent receivable	15,219	15,252
Other miscellaneous income (includes foreign exchange gains and losses)	(15,312)	127,934
	<u>53,568</u>	<u>253,223</u>



# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 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	
	2017	2016
Dealing	5	5
Settlement	5	4
Administration	4	4
	<u>14</u>	<u>13</u>

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

	2017	2016
	£	£
Wages and salaries	1,050,635	1,033,503
Pension costs	25,403	21,825
Social security costs	38,702	38,008
	<u>1,114,740</u>	<u>1,093,336</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 2017 was £25,403(2016: £21,825).

### 5. Interest receivable and similar income

	2017	2016
	£	£
Interest receivable on bank deposits	65,491	93,362
Interest receivable on investment securities	856,111	869,523
	<u>921,602</u>	<u>962,885</u>

### 6. Interest payable and similar charges

	2017	2016
	£	£
Interest payable on temporary funding	1,446	344
	<u>1,446</u>	<u>344</u>

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 7. Profit on ordinary activities before taxation

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

	2017	2016
	£	£
Foreign exchange gain	(30,077)	(222,165)
Foreign exchange loss	46,266	94,231
Depreciation	47,955	55,253
Auditor's remuneration:		
- audit of the Company's annual financial statements	37,800	42,501
- audit-related assurance services	8,000	2,260
- other services relating to taxation	30,380	27,891
- other services relating to other regulations	35,000	-
Operating lease rentals- land and building	101,086	101,086

### 8. Directors' remuneration

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

	2017	2016
	£	£
Salaries paid to directors	464,171	347,691

The emoluments of the highest paid director were £275,852 (2016: £218,618). 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 2017

### 9. Tax on profit on ordinary activities

	2017 £	2016 £
Current tax		
UK corporation tax	27,434	303,298
Adjustment in respect of prior years	(21,407)	(435)
	<u>6,027</u>	<u>302,863</u>
Deferred tax		
Origination and reversal of timing differences	(6,793)	(25,635)
Prior year adjustment	18,122	1,749
Effect of decrease in tax rate on opening liability	793	(179)
	<u>18,149</u>	<u>278,798</u>
Total tax on profit on ordinary activities	<u>18,149</u>	<u>278,798</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.

	2017 £	2016 £
Profit on ordinary activities before tax	<u>94,628</u>	<u>1,348,666</u>
Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	18,213	269,733
Effects of:		
Expenses not deductible for tax purposes	2,428	7,843
Income not taxable in determining taxable profit	-	-
Adjustment to tax charge in respect of previous periods	(3,285)	1,401
Effect of change in tax rate	793	(179)
	<u>18,149</u>	<u>278,798</u>
Total tax charge for period	<u>18,149</u>	<u>278,798</u>

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 10. Tangible fixed assets

	Office furniture £	Computer hardware and software £	Leasehold improvements £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2017	42,383	504,954	184,155	116,111	847,603
Disposal	-	-	-	-	-
Additions	-	-	-	-	-
At 31 December 2017	42,383	504,954	184,155	116,111	847,603
<b>Depreciation</b>					
At 1 January 2017	37,297	467,918	97,725	66,171	669,111
Disposal	-	-	-	-	-
Charge for year	764	9,260	17,286	20,645	47,955
At 31 December 2017	38,061	477,178	115,011	86,816	717,066
<b>Net book value</b>					
At 31 December 2017	<b>4,322</b>	<b>27,776</b>	<b>69,144</b>	<b>29,295</b>	<b>130,537</b>
At 31 December 2016	5,086	37,036	86,430	49,940	178,493

### 11. Fixed asset investments

	2017 £	2016 £
Golf club debenture (unlisted)	7,000	7,000
Bond investments (listed)	32,312,192	33,481,329
	<b>32,319,192</b>	<b>33,488,329</b>

#### *Golf club debenture*

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

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 11. Fixed asset investments (continued)

<i>Bond investments</i>	2017 Balance sheet £	2017 Fair value £	2016 Balance sheet £	2016 Fair value £
<b>Investment securities</b>				
Bond Investment	<u>32,312,192</u>	<u>33,296,417</u>	<u>33,481,329</u>	<u>34,950,995</u>
	<u>32,312,192</u>	<u>33,296,417</u>	<u>33,481,329</u>	<u>34,950,995</u>
<b>Maturities</b>				
Due within one year	<u>5,007,672</u>		<u>5,613,263</u>	
Due one year and over	<u>27,304,520</u>		<u>27,868,066</u>	
	<u>32,312,192</u>		<u>33,481,329</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.

Movements on bond investments comprise:	2017 £	2016 £
As at 1 January	<b>33,481,329</b>	31,686,945
Acquisitions	<b>4,802,250</b>	4,129,500
Redemption	<b>(5,600,000)</b>	(2,000,000)
Amortisation of discounts and premiums	<b>(371,387)</b>	(335,116)
At 31 December	<u><b>32,312,192</b></u>	<u>33,481,329</u>

#### Acquisitions

Bond investments acquired during the year comprise Westpac for £1,105,850 on 10 Apr 2017, Lloyds Bank for £2,696,600 on 07 Nov 2017, and National Australia Bank for £999,800 on 25 Aug 2017.

#### Redemption

Bonds which were redeemed during the year comprise Barclays for £1,000,000 on 04 Apr 2017, KFW for £1,000,000 on 25 Aug 2017, Rabo Bank for £600,000 and £2,000,000 on 01 Nov 2017, and Toyota Motor Credit Corporation for £1,000,000 on 07 Dec 2017.

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 12. Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade Debtors	7,991,924	-
Prepayments and accrued income	601,614	657,627
Corporation tax	39,608	-
	<u>8,633,146</u>	<u>657,627</u>

### 13. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	7,977,617	-
Other creditors:		
Corporation tax	-	125,637
Income tax withheld	63,621	47,804
Social Security	11,307	14,027
Accruals and deferred income	106,842	139,252
	<u>8,159,387</u>	<u>326,720</u>

### 14. Provisions

	2017 £	2016 £
Provision for liabilities and other charges	-	-
Deferred tax (note 16)	13,138	1,016
	<u>13,138</u>	<u>1,016</u>

### 15. Called up share capital and reserves

	2017 £	2016 £
Allotted, called-up and fully paid		
30,000,000 Ordinary shares of £1 each	30,000,000	30,000,000
Profit and loss account	16,092,490	16,016,011
	<u>46,092,490</u>	<u>46,016,011</u>

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 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.

	2017 £	2016 £
At 1 January	(1,016)	(25,081)
Prior year adjustment	(18,122)	(1,749)
Effect of change in tax rate	(793)	179
Charged to profit and loss account	6,793	25,635
At 31 December	<u>(13,138)</u>	<u>(1,016)</u>

### 17. Deferred tax balance

	2017 £	2016 £
Capital allowance in excess of depreciation	13,138	1,016
Provision for deferred tax	<u>13,138</u>	<u>1,016</u>

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 2017.

### 18. Reconciliation of movements in shareholders' funds

	Called up share capital	Profit and loss account	2017 £	2016 £
At the beginning of the year	30,000,000	16,016,011	46,016,011	44,946,143
Retained profit for the year	-	76,479	76,479	1,069,868
At the end of the year	<u>30,000,000</u>	<u>16,092,490</u>	<u>46,092,490</u>	<u>46,016,011</u>

# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 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.

	2017 £	2016 £
Lease payment within one year	42,263	126,444
Lease payment between one and five years	-	42,263
	<u>42,263</u>	<u>168,707</u>

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

	2017 £	2016 £
Lease expiring between one and five years	-	-
	<u>-</u>	<u>-</u>

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	2017 £	2016 £
As at 1 January	-	-
Release to profit and loss account	-	-
	<u>-</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>-</u>



# SHINKIN INTERNATIONAL LTD

## Notes to the financial statements For the year ended 31 December 2017

### 20. Financial instruments

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

Financial assets	2017 £	2016 £
Debt instruments measured at amortised cost		
Bond investments (note 11)	<u>32,312,192</u>	<u>33,481,329</u>

### Financial liabilities

The Company does not have any financial liabilities as at 31 December 2017

### 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 financial statements 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.