

Company Registration No. 2522419

SHINKIN INTERNATIONAL LTD

**Annual report and financial statements for the year ended
31 December 2020**

SHINKIN INTERNATIONAL LTD

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SHINKIN INTERNATIONAL LTD

Officers and professional advisers

Directors

Mr Hiroshi Sudo
Mr Takuya Sakamoto
Mr Yuki Ishibashi

Secretary

TMF Corporate Administration Services Limited
80 Coleman Street,
London EC2R 5BJ

Registered office

1st Floor
85 London Wall
London
EC2M 7AD

Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3P 3AH

MUFG Bank, Ltd.
Ropemaker Place
25 Ropemaker Street,
London
EC2Y 9AN

Solicitor

TFC Legal
80 Coleman Street
London
EC2R 5BJ

Satutory Auditor

Deloitte LLP
1 Little New Street,
London
EC4A 3TR

SHINKIN INTERNATIONAL LTD

Strategic report

The directors present their strategic 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 2020.

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.

Business review

During the year under review, though it was a challenging environment such as a continuation of low interest rates in European countries and decreasing investors’ risk appetite due to COVID-19, the Company achieved enough trade volume and profit, by capturing customers’ needs and providing competitive products.

The results for the year, set out on page 9, show a profit after taxation of **£396,931** (2019: £425,110). The directors regard the results for the year as satisfactory. However, the directors are expecting the credit market to deteriorate as a result of an expected economic contraction due to remaining effects of COVID-19. This is expected to have a negative impact on the Company’s trading business as a result of a decline in client’s motivation to investment.

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.

The uncertainty around Brexit has been expected to continue throughout next year and beyond. The Company has confirmed that its business continuity will not be affected by Brexit, because the Company’s main business activity is not required to need a Passport. However, the Company monitors changes in the environment in which it operates and key risks within its business, in order to minimise risks associated with the UK’s withdrawal from the European Union.

Key performance indication

The directors do not use financial or non financial key performance indicators to analyze the business.

Financial Risk Management

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

Foreign currency 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.

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Strategic report

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 Company website.

Section 172(1) Statement

The Directors acknowledge and confirm their responsibilities under section 172(1) of The Companies Act.

Further details of the governance arrangements applied across the Shinkin Central Bank Group can be found in the annual report of the ultimate parent Shinkin Central Bank (see notes 19)

Approved by the Board and signed on its behalf by:



Mr Takuya Sakamoto
Director

1st Floor
85 London Wall
London
EC2M 7AD
15 April 2021

SHINKIN INTERNATIONAL LTD

Directors' report

The directors present their directors' 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 2020.

Dividends

The directors do not propose payment of a dividend (2019: nil)

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. The directors have considered the potential impact of COVID-19 by updating stress testing of capital and liquidity to cover a period of at least twelve months from the date of approval of the financial statements. This assessment supports the reasonable expectation that the Company will continue their business for a period of at least twelve months. 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 in the Strategic Report.

Directors

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

Mr Hiroshi Sudo

Mr Takuya Sakamoto

Mr Yuki Ishibashi (appointed 21 April 2020)

Mr Masashi Tanioka (resigned 31 March 2020)

Director's indemnities:

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditor

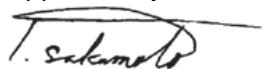
Each of the persons who is a director at the date of approval of this report confirms that:

- (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 Takuya Sakamoto

Director

1st Floor
85 London Wall
London
EC2M 7AD
15 April 2021

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 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.

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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 of Shinkin International Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements, which includes UK Companies Act and tax legislation; and

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

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty, which includes the relevant elements of the Financial Services and Markets Act 2000.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Revenue Recognition: we identified a risk of fraud in the valuation and occurrence of revenue. We assessed the design and implementation of relevant controls over this risk, and performed substantive testing on a sample of trades by obtaining trade confirmations and validating revenue received to bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing FCA correspondence.

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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

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

- 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; or

We have nothing to report in respect of these matters.

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.



Giles Lang, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
15 April 2021

SHINKIN INTERNATIONAL LTD

Statement of Comprehensive Income For the Year Ended 31 December 2020

	<i>Notes</i>	2020 £	2019 £
Net trading gain	2	2,233,205	2,323,685
Other operating income	3	83,517	95,607
Administrative expenses		(2,655,300)	(2,722,747)
Operating profit		(338,577)	(303,455)
Interest receivable & similar Income	5	790,503	832,613
Interest payable & similar Charges	6	(6,535)	(2,293)
Profit before taxation	7	445,391	526,865
Tax on profit	9	(88,011)	(101,756)
Profit for the year		357,380	425,110
Other comprehensive income for the year		-	-
Total comprehensive income for the year		357,380	425,110

All results were derived from continuing operations.

The accompanying notes from 13 to 27 page form an integral part of the financial statements.

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Balance sheet At 31 December 2020

	Notes	2020 £	2019 Restated £
FIXED ASSETS			
Tangible assets	10	150,041	140,968
Investments	11	35,171,266	33,823,659
		35,321,307	33,964,627
CURRENT ASSETS			
Debtors - due within one year	12	11,154,065	446,891
Current asset investments	20	8,044,950	11,584,445
Cash at bank and in hand	20	3,497,449	1,123,718
		22,696,464	13,155,054
CREDITORS: amounts falling due within one year	13	(10,834,973)	(299,558)
NET CURRENT ASSETS		11,861,491	12,855,497
TOTAL ASSETS LESS CURRENT LIABILITIES		47,182,798	46,820,124
Deferred tax liabilities	16	(23,324)	(18,029)
NET ASSETS		47,159,474	46,802,094
Called up share capital and reserves			
Called up share capital	14	30,000,000	30,000,000
Profit and loss account		17,159,474	16,802,094
SHAREHOLDER'S FUNDS		47,159,474	46,802,094

The accompanying notes from 13 to 27 page form an integral part of the financial statements.

The financial statements of Shinkin International Limited (registered number 2522419) were approved by the Board of directors and authorised for issue on 15 April 2021. They were signed on its behalf by:



Mr Takuya Sakamoto
Director

SHINKIN INTERNATIONAL LTD

Statement of Changes in Equity At 31 December 2020

	Called up share capital £	Profit and loss account £	Total Equity £
Balance at 1 January 2019	30,000,000	16,376,983	46,376,983
Income for the financial year	-	425,110	425,110
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	30,000,000	16,802,094	46,802,094
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020	30,000,000	16,802,094	46,802,094
Income for the financial year		357,380	357,380
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	30,000,000	17,159,474	47,159,474

The accompanying notes from 13 to 27 page form an integral part of the financial statements.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

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 private company limited by shares, registered and England and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3.

The financial statements have been prepared under the historic 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.

Going concern

Shinkin International Ltd's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's Report on page 2 to 3. 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 and method to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. The directors have made this assessment after specific consideration of the potential impact of COVID-19 on the business. The Company has implemented a new working method utilising remote access which enables employees to work from home, in accordance with UK Government policy on non-essential travel. Also the Company has sufficient capital and liquidity under reasonably possible stress scenarios. The directors have therefore concluded that the Company will be able to meet all future commitments and continue in operation for at least twelve month from the date of approval of the financial statements, despite the restrictions that COVID-19 may impose. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure exemptions

In accordance with disclosure exemptions available under FRS 102 set out in paragraph 1.12, the directors have adopted a disclosure exemption. The directors have not prepared a cash flow statement for the year on the grounds that a parent undertaking included the company in its own published consolidated 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.

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Notes to the financial statements For the year ended 31 December 2020

1. Accounting policies (continued)

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.

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 transaction price because the bond is classified as "held to maturity" and are reported at amortized cost. 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.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

1. Accounting policies (continued)

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 2020

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 2020

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 or key sources of estimation uncertainty 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 2020

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

	2020 £	2019 £
UK market	163,505	350,423
Non – UK market	<u>2,069,700</u>	<u>1,973,262</u>
	<u><u>2,233,205</u></u>	<u><u>2,323,685</u></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

	2020 £	2019 £
Arrangement fees	63,993	98,765
Rent receivable	15,384	17,074
Other miscellaneous income/(expense) (includes foreign exchange gains and losses)	<u>4,140</u>	<u>(20,232)</u>
	<u><u>83,517</u></u>	<u><u>95,607</u></u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

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	
	2020	2019
Dealing	5	5
Settlement	2	3
Administration	4	4
	<u>11</u>	<u>12</u>

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

	2020	2019
	£	£
Wages and salaries	1,191,428	1,151,782
Pension costs	19,505	19,357
Social security costs	32,665	32,518
	<u>1,243,598</u>	<u>1,203,657</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 2020 was £19,505(2019: £19,357).

5. Interest receivable and similar income

	2020	2019
	£	£
Interest receivable on bank deposits	59,246	106,994
Interest receivable on investment securities	731,257	725,619
	<u>790,503</u>	<u>832,613</u>

6. Interest payable and similar charges

	2020	2019
	£	£
Interest payable on temporary funding	6,535	2,292
	<u>6,535</u>	<u>2,292</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

7. Profit before taxation

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

	2020	2019
	£	£
Foreign exchange gain	(45,104)	(44,497)
Foreign exchange loss	43,421	64,729
Depreciation	37,257	34,549
Auditor's remuneration:		
- audit of the Company's annual financial statements	44,000	37,500
- audit-related assurance services	35,000	37,500
- other services relating to taxation	6,950	7,980
- other services relating to other regulations	-	-
Operating lease rentals- land and building	116,876	112,721

8. Directors' remuneration

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

	2020	2019
	£	£
Salaries paid to directors	556,807	433,958

The emoluments of the highest paid director were **£299,688** (2019: £189,799). 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 2020

9. Tax on profit

	2020 £	2019 £
Current tax		
UK corporation tax	82,716	95,479
Adjustment in respect of prior years	-	74
	<u>82,716</u>	<u>95,553</u>
Deferred tax		
Origination and reversal of timing differences	3,174	6,933
Prior year adjustment	-	-
Effect of changes in tax rate on opening liability	2,121	(729)
	<u>2,121</u>	<u>(729)</u>
Total tax on profit	<u>88,011</u>	<u>101,756</u>

The Finance Act 2016 enacted a reduction to 17% with effect from 1 April 2020. A further change was enacted on 17 March 2020 to reverse this and maintain the tax rate at 19%. - This change in the tax rate will impact the current tax charge in future periods. Additional increase to 25% from 1 April 2023 was announced as part of the March 2021 Budget, but the proposed change has not been reflected.

	2020 £	2019 £
Profit before tax	<u>445,391</u>	<u>526,865</u>
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	84,624	100,104
Effects of:		
Expenses not deductible for tax purposes	1,266	2,307
Income not taxable in determining taxable profit	-	-
Adjustment to tax charge in respect of previous periods	-	75
Effect of change in tax rate	2,121	(729)
	<u>2,121</u>	<u>(729)</u>
Total tax charge for year	<u>88,011</u>	<u>101,756</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

10. Tangible fixed assets

	Office furniture £	Computer hardware and software £	Leasehold improvements £	Office equipment £	Total £
Cost					
At 1 January 2020	41,545	506,954	184,155	176,859	909,513
Disposal	-	-	-	(21,345)	(21,345)
Additions	-	46,330	-	-	46,330
At 31 December 2020	<u>41,545</u>	<u>553,283</u>	<u>184,155</u>	<u>155,514</u>	<u>934,497</u>
Depreciation					
At 1 January 2020	20,890	489,496	139,903	118,256	768,545
Disposal	-	-	-	(21,345)	(21,345)
Charge for year	2,832	12,347	8,850	13,226	37,255
At 31 December 2020	<u>23,722</u>	<u>501,843</u>	<u>148,753</u>	<u>110,138</u>	<u>784,455</u>
Net book value					
At 31 December 2020	<u>17,822</u>	<u>51,440</u>	<u>35,401</u>	<u>45,375</u>	<u>150,041</u>
At 31 December 2019	<u>20,655</u>	<u>17,458</u>	<u>44,252</u>	<u>58,603</u>	<u>140,968</u>

11. Fixed asset investments

	2020 £	2019 £
Golf club debenture (unlisted)	7,000	7,000
Bond investments (listed)	35,164,266	33,816,659
	<u>35,171,266</u>	<u>33,823,659</u>

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 2020

11. Fixed asset investments (continued)

<i>Bond investments</i>	2020		2019	
	Balance sheet £	Fair value £	Balance sheet £	Fair value £
Investment securities				
Bond Investment	35,164,266	36,278,032	33,816,659	34,621,051
	35,164,266	36,278,032	33,816,659	34,621,051
Maturities				
Due within one year	5,784,874		5,026,754	
Due one year and over	29,379,392		28,789,905	
	35,164,266		33,816,659	

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.

	2020 £	2019 £
Movements on bond investments comprise:		
As at 1 January	33,816,659	33,214,589
Acquisitions	6,723,300	5,021,472
Redemption	(5,000,000)	(4,000,000)
Amortisation of discounts and premiums	(375,693)	(419,402)
At 31 December	35,164,266	33,816,659

Acquisitions

Bond investments acquired during the year comprise BFCM for £1,089,000 on 27 May 2020, BFCM for £1,011,700 on 10 June 2020, Deutsche Bahn Financial Group for £1,480,700 on 17 June 2020, BFCM for £1,055,500 on 28 October 2020, BPCE for £2,086,400 on 15 December 2020.

Redemption

Bonds which were redeemed during the year comprise NAB for £1,000,000 on 16 June 2020, UK Rail for £1,000,000 on 21 July 2020 and JBIC for £3,000,000 on 16 December 2020.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

12. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade Debtors	10,649,438	-
Prepayments and accrued income	504,626	446,891
	<u>11,154,065</u>	<u>446,891</u>

Trade debtors arose genuinely due to customers' needs to issue a primary bond whose settlement date is 8 January 2021.

13. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	10,634,779	-
Other creditors:		
Corporation tax	14,813	16,219
Income tax withheld	-	75,477
Social Security	7,000	14,236
Suspense Receipts	-	260
Accruals and deferred income	178,381	193,366
	<u>10,834,973</u>	<u>299,558</u>

14. Called up share capital and reserves

	2020 £	2019 £
Allotted, called-up and fully paid		
30,000,000 Ordinary shares of £1 each	30,000,000	30,000,000
Profit and loss account	17,159,474	16,802,094
	<u>47,159,474</u>	<u>46,802,094</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

15. 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.

	2020 £	2019 £
At 1 January	(18,029)	(11,826)
Prior year adjustment	-	-
Effect of change in tax rate	(2,121)	(729)
Charged to profit and loss account	(3,174)	(5,474)
	<hr/>	<hr/>
At 31 December	(23,324)	(18,029)

16. Deferred tax liabilities

	2020 £	2019 £
Capital allowance in excess of depreciation	23,324	18,029
Provision for deferred tax	23,324	18,029

The Finance Act 2016 enacted a reduction in UK corporation tax to 17% with effect from 1 April 2020. A further change was enacted on 17 March 2020 to maintain the rate at 19%. This change to the corporation tax rate impacted the deferred tax charge and closing deferred tax position for 2020. Additional increase to 25% from 1 April 2021 was announced as part of the March 2021 Budget, but the proposed change has not been reflected.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

17. 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.

	2020	2019
	£	£
Lease payment within one year	135,250	135,250
Lease payment between one and five years	180,703	315,953

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

	2020	2019
	£	£
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	2020	2019
	£	£
As at 1 January	-	-
Release to profit and loss account	-	-
As at 31 December	-	-

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2020

18. Financial instruments

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

Financial assets	2020	2019
	£	£
Current asset investments	8,044,950	11,584,445
Cash at bank and in hand	3,497,449	1,123,718
Debt instruments measured at amortised cost		
Bond investments (note 11)	35,164,266	33,823,659
Trade debtor (note 12)	10,649,438	-
	57,356,104	46,531,822
Financial liabilities	2020	2019
	£	£
Measured at amortised cost		
Trade creditor (note 13)	10,634,779	-

Financial Risk Management is disclosed in the Strategic report.

19. Ultimate parent company

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. Shinkin Central Bank prepares the consolidated financial statements combined the financial statements of the Company and the other company of Shinkin Central Bank Group. 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.

20. The classification of time deposits in Current Assets

In the comparative period £11,584,445 was included in cash at bank and in hand that related to time deposits which should be presented as Investments. Accordingly, the comparative has been restated to reflect the correct presentation.

Cash at bank and in hand	2019
	£
Before adjustment	12,708,163
Adjustment	(11,584,445)
After adjustment	1,123,718
Current asset investments	2019
	£
Before adjustment	0
Adjustment	11,584,445
After adjustment	11,584,445