

Company Registration No. 02522419

SHINKIN INTERNATIONAL LTD.

**Annual report and financial statements for the year ended
31 December 2022**

SHINKIN INTERNATIONAL LTD

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SHINKIN INTERNATIONAL LTD

Officers and professional advisers

Directors

Mr Hiroshi Sudo
Mr Takuya Sakamoto
Mr Chihiro Kawai

Secretary

TMF Corporate Administration Services Limited
8th Floor 20 Farringdon Street,
London EC4A 4AB

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

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

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 2022.

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 due to the rising interest rates in European countries and decreasing investors’ risk appetite due to the rapid inflation, 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 10, show a profit after taxation of **£587,455** (2021: £548,116). The directors regard the results for the year as satisfactory. The directors are expecting a similar performance in 2023.

The Company does not have any other gains and losses during the year and the prior year. Therefore, the Company 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 Shinkin Central Bank’s Annual Report, which does not form part of this Report.

The uncertainty around the conflict between Russia and Ukraine is expected to continue throughout next year. The Company has confirmed that its business continuity will not be directly affected by the conflict, because no customers have relationship with Russia and Ukraine. However, the Company monitors changes in the environment in which it operates and key risks within its business, especially the indirect impact on its business via inflation. The uncertainty around the crisis in the banking industry is expected to be limited because the investments which the Company holds are highly rated bonds issued from the entity with low credit risk. The impact on the parent company is also limited because it has strong financial resilience with deposits from the cooperative financial institutions.

Key performance indication

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

Principal risks and uncertainties

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.

Credit risk

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

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.

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,

SHINKIN INTERNATIONAL LTD

Strategic report

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.

Approved by the Board and signed on its behalf by:



Mr Takuya Sakamoto
Director

1st Floor
85 London Wall
London
EC2M 7AD
29 March 2023

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 2022.

Dividends

The directors do not propose payment of dividend (2021: 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. 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. The directors consider the recent crisis in the banking industry in the assessment of going concerns.

Details of the Company's financial risk management objectives and policies, its exposures to credit, liquidity and foreign currency risk are set out in the Strategic Report.

Directors

The directors who served throughout the year, up to the date of this report, were:

Mr Hiroshi Sudo
Mr Takuya Sakamoto
Mr Chihiro Kawai

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.

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.

Reappointment of auditors

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
29 March 2023

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 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 19.

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- linkage to business model and medium-term risks
- assumptions used in the forecasts
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

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.

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

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 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, including those that are specific to the company's business sector.

SHINKIN INTERNATIONAL LTD

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

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. This included UK Companies Act and tax legislation; and
- 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. This included 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.

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 correspondence with FCA.

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
- 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.

SHINKIN INTERNATIONAL LTD

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

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, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2023

SHINKIN INTERNATIONAL LTD

Statement of Comprehensive Income For the Year Ended 31 December 2022

	<i>Notes</i>	2022 £	2021 £
Net trading gain	2	2,159,432	2,287,423
Other operating income	3	320,916	115,105
Administrative expenses	7	(2,560,654)	(2,394,100)
Operating profit / (loss)		(80,306)	8,428
Interest receivable & similar Income	5	803,018	678,520
Interest payable & similar Charges	6	(214)	(1,409)
Profit before taxation	7	722,498	685,539
Tax on profit	9	(135,044)	(137,424)
Profit for the year		587,455	548,116
Other comprehensive income for the year		-	-
Total comprehensive income for the year		587,455	548,116

All results were derived from continuing operations.

The accompanying notes from page 13 to 25 form an integral part of the financial statements.

SHINKIN INTERNATIONAL LTD

Balance sheet As at 31 December 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	10	193,284	200,167
Investments	11	39,007,648	33,197,317
		39,200,932	33,397,484
CURRENT ASSETS			
Debtors	12	2,447,242	468,710
investments	18	5,809,323	9,748,393
Cash at bank and in hand	18	3,005,431	4,343,567
		11,261,996	14,560,670
CREDITORS: amounts falling due within one year	13	(2,122,884)	(205,549)
NET CURRENT ASSETS		9,139,112	14,355,121
TOTAL ASSETS LESS CURRENT LIABILITIES		48,340,044	47,752,606
Deferred tax liabilities	16	(44,999)	(45,016)
NET ASSETS		48,295,045	47,707,590
Called up share capital and reserves			
Called up share capital	14	30,000,000	30,000,000
Profit and loss account		18,295,045	17,707,590
SHAREHOLDER'S FUNDS		48,295,045	47,707,590

The accompanying notes from page 13 to 25 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 29 March 2023. They were signed on its behalf by:



Mr Takuya Sakamoto
Director

SHINKIN INTERNATIONAL LTD

Statement of Changes in Equity For the year ended 31 December 2022

	Called up share capital £	Profit and loss account £	Total Equity £
Balance at 1 January 2021	30,000,000	17,159,474	47,159,474
Income for the financial year		548,116	548,116
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	30,000,000	17,707,590	47,707,590
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2022	30,000,000	17,707,590	47,707,590
Income for the financial year		587,455	587,455
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2022	30,000,000	18,295,045	48,295,045
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes from page 13 to 25 form an integral part of the financial statements.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

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 (“the Company”) is a private company limited by shares, registered in England and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1.

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, 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

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors’ Report on page 4. 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, liquidity risk and foreign currency 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. Also, the Company has sufficient capital and liquidity under reasonably possible stress scenarios. The uncertainty around the crisis in the banking industry is expected to be limited because the investments which the Company holds are highly rated bonds issued from the entity with low credit risk. The impact on the parent company is also limited because it has strong financial resilience with deposits from the cooperative financial institutions. The directors have therefore concluded that the Company will be able to meet all future commitments and continue in operation for at least twelve months from the date of approval of the financial statements. 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.

Net trading gain

Net trading gain 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, Net trading gain is recognised on transaction date.

Arrangement fees

Arrangement fees include the fees for the services the Company provides with the group company. Arrangement fees are accounted for when the services are rendered.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

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.

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 and software

Tangible fixed assets and software are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets and software 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

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 2022

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company 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.

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 Company 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 Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, 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 2022

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 Company's contractual obligations exceed the expected economic benefits. When the Company 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 2022

2. Net trading gain

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

	2022 £	2021 £
Net trading gain from UK customers	97,643	125,779
Net trading gain from Japan customers	2,032,846	1,975,299
Net trading gain from USA customers	11,190	168,773
Net trading gain from Australian customers	17,753	17,572
	<u>2,159,432</u>	<u>2,287,423</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

	2022 £	2021 £
Arrangement fees	220,356	123,103
Rent receivable	16,968	16,512
Other miscellaneous (expense)/income (includes foreign exchange gains and losses)	83,592	(24,510)
	<u>320,916</u>	<u>115,105</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

4. Staff numbers and costs

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

	Number of employees	
	2022	2021
Dealing	5	5
Settlement	3	2
Administration	4	4
	<u>12</u>	<u>11</u>

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

	2022	2021
	£	£
Wages and salaries	1,139,864	1,065,979
Pension costs	20,053	15,580
Social security costs	36,073	29,968
	<u>1,195,991</u>	<u>1,111,526</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 2022 was £20,053 (2021: £15,580).

5. Interest receivable and similar income

	2022	2021
	£	£
Interest receivable on bank deposits	107,425	9,136
Interest receivable on investment securities	695,593	669,385
	<u>803,018</u>	<u>678,520</u>

6. Interest payable and similar charges

	2022	2021
	£	£
Interest payable on temporary funding	214	1,409
	<u>214</u>	<u>1,409</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

7. Profit before taxation

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

	2022	2021
	£	£
Foreign exchange gain	(50,048)	(24,710)
Foreign exchange loss	59,106	49,473
Administrative expenses:		
- Staff costs (note 4)	1,195,991	1,111,526
- Rent and maintenance	521,622	502,217
- Professional fees	181,589	218,604
- Service fees	167,589	142,055
- Depreciation	81,924	43,003
- Tax other than income tax	184,020	127,486
- Other administrative expenses	227,920	249,209
	<u>2,560,654</u>	<u>2,394,100</u>

Professional fees include fees payable to the Company's auditor:

	2022	2021
	£	£
Auditor's remuneration:		
- audit of the Company's annual financial statements	49,600	46,000
- audit-related assurance services	39,500	36,500

8. Directors' remuneration

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

	2022	2021
	£	£
Salaries paid to directors	<u>440,575</u>	<u>453,266</u>

The emoluments of the highest paid director were **£242,110** (2021: £261,048). 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 2022

9. Tax on profit

	2022 £	2021 £
Current tax		
UK corporation tax	135,061	115,732
	135,061	115,732
Deferred tax		
Origination and reversal of timing differences	(17)	10,888
Prior year adjustment	-	-
Effect of changes in tax rate on opening liability	-	10,804
	(17)	21,692
Total tax on profit	135,044	137,424

During March 2021 the UK chancellor announced an expected change to the UK's main corporation tax rates from 19% to 25% which was subsequently enacted into the Finance Act in June 2021. The main rate will increase to 25% from 1 April 2023 and will impact the corporation tax provision of the Company from that date.

	2022 £	2021 £
Profit before tax	722,498	685,539
Tax on profit at standard UK corporation tax rate of 19.00% (2021: 19.00%)	137,275	130,252
Effects of:		
Expenses not deductible for tax purposes	2,050	1,063
Enhanced capital allowances	(4,277)	(4,695)
Effect of change in tax rate	(4)	10,804
Total tax charge for year	135,044	137,424

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

10. Tangible fixed assets and software

	Office furniture £	Computer hardware and software £	Leasehold improvements £	Office equipment £	Total £
Cost					
At 1 January 2022	41,545	633,806	184,155	155,514	1,015,020
Disposal	-	-	-	(63,688)	(63,688)
Additions	-	72,100	-	2,940	75,040
At 31 December 2022	41,545	705,906	184,155	94,766	1,026,372
Depreciation					
At 1 January 2022	26,554	509,907	155,834	122,557	814,853
Disposal	-	-	-	(45,087)	(45,087)
Charge for year	2,832	43,150	5,664	11,676	63,323
At 31 December 2022	29,387	553,058	161,498	89,146	833,088
Net book value					
At 31 December 2022	12,158	152,849	22,657	5,620	193,284
At 31 December 2021	14,990	123,899	28,321	32,957	200,167

11. Fixed asset investments

	2022 £	2021 £
Golf club debenture (unlisted)	7,000	7,000
Bond investments (listed)	39,000,648	33,190,317
	39,007,648	33,197,317

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 2022

11. Fixed asset investments (continued)

<i>Bond investments</i>	2022	2022	2021	2021
	Balance sheet	Fair value	Balance sheet	Fair value
	£	£	£	£
Investment securities				
Bond Investment	39,000,648	37,147,894	33,190,317	33,210,439
	39,000,648	37,147,894	33,190,317	33,210,439
Maturities				
Due within one year	10,612,017		9,990,773	
Due one year and over	28,388,631		23,199,543	
	39,000,648		33,190,317	

The fixed asset investments are 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.

	2022	2021
	£	£
Movements on bond investments comprise:		
As at 1 January	33,190,317	35,164,266
Acquisitions	15,973,770	4,099,000
Redemption	(9,950,000)	(5,700,000)
Amortisation of discounts and premiums	(213,439)	(372,949)
At 31 December	39,000,648	33,190,317

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

12. Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade Debtors	1,874,795	-
Prepayments and accrued income	572,447	468,710
	<u>2,447,242</u>	<u>468,710</u>

Trade debtors represent settlement amounts due from customer on sale of matched principle bonds, with a corresponding settlement payable recognised in trade creditors in note 13.

13. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,868,471	-
Other creditors:		
Corporation tax	65,511	35,732
Social Security	7,000	7,000
Accruals and deferred income	181,902	162,817
	<u>2,122,884</u>	<u>205,549</u>

14. Called up share capital and reserves

	2022 £	2021 £
Allotted, called-up and fully paid		
30,000,000 Ordinary shares of £1 each	30,000,000	30,000,000
Profit and loss account	18,295,045	17,707,590
	<u>48,295,045</u>	<u>47,707,590</u>

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

15. Deferred taxation balance in the period

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

	2022 £	2021 £
At 1 January	(45,016)	(23,324)
Prior year adjustment	-	-
Effect of change in tax rate	-	(10,888)
Charged to profit and loss account	17	(10,804)
	<hr/>	<hr/>
At 31 December	(44,999)	(45,016)

16. Deferred tax liabilities

	2022 £	2021 £
Capital allowance in excess of depreciation	44,999	45,016
Provision for deferred tax	44,999	45,016

During March 2021 the UK chancellor announced an expected change to the UK's main corporation tax rates from 19% to 25% which was subsequently enacted into the Finance Act in June 2021. The main rate will increase to 25% from 1 April 2023 and will impact the corporation tax provision of the Company from that date.

SHINKIN INTERNATIONAL LTD

Notes to the financial statements For the year ended 31 December 2022

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.

	2022 £	2021 £
Lease payment within one year	45,453	135,250
Lease payment between one and five years	-	45,453
	<u>45,453</u>	<u>180,703</u>

18. Financial instruments

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

Financial assets	2022 £	2021 £
Current asset investments	5,809,323	9,748,393
Cash at bank and in hand	3,005,431	4,343,567
Debt instruments measured at amortised cost		
Bond investments (note 11)	39,000,648	33,190,317
Trade debtor (note 12)	1,874,795	-
	<u>46,690,197</u>	<u>47,282,277</u>
Financial liabilities	2022 £	2021 £
Measured at amortised cost		
Trade creditor (note 13)	1,868,471	-
	<u>1,868,471</u>	<u>-</u>

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.