Shinsei International Limited

Financial Statements

for the year ended 31 December 2017

Registered number: 05232501

Shinsei International Limited

Report and financial statements 2017

Contents

Shinsei International Limited

Report and financial statements 2017

Officers and professional advisers

Directors

Mr. Hiroyuki Takeda
Mr. Tsuneo Ishizuka
Mr. Koushi Tsukagoshi
Mr. Takayoshi Kobayashi (resigned 31 May 2017)
Mr. Yuichi Takehana (appointed 3 August 2017)

Secretary

Jordan Company Secretaries Limited
First Floor
Templeback
10 Temple Back
Bristol BS1 6FL

Registered office

43 London Wall
London EC2M 5TF

Bankers

National Westminster Bank Plc
City of London Office
1 Princes Street
London EC2R 8BP

Solicitors

TFC Legal Limited
Level 4, City Tower
40 Basinghall Street
London EC2V 5DE

Auditor

Deloitte LLP
Statutory auditor
London

Shinsei International Limited

Directors' report

The directors present their annual report on the affairs of Shinsei International Limited with the financial statements and auditors' report, for the year ended 31 December 2017.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Principal activities

Shinsei International Limited (the "Company") is a wholly-owned subsidiary of Shinsei Bank, Limited, a commercial bank based in Japan. The Company's main activities are broking and trading of medium-term notes and advisory services to Shinsei Bank in relation to investments in financial products. The Company receives income from Shinsei Bank, Limited and Shinsei Securities Co., Ltd. (a group company in Japan) in accordance with its service agreements with those companies. The Company is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FCA). The Company's Frankfurt Branch was closed at the end of year 2014 due to the determination not to undertake any new investments in the non-performing loan (NPL) market.

Results and dividends

The results for the year are shown on page 10; the directors do not propose payment of a dividend (2016: £nil).

The loss after tax for the year of £58,206 (2016: profit £463,528) has been transferred from reserves.

Review of developments

The Company continued its stable performance during the year ended 31 December 2017. The Company received income of £1,518,857 (2016: £1,473,605) from group companies, which is the majority of the Company's turnover. No significant movement was recorded in the Company's balance sheet.

Given that the economic and competitive environment has been more favourable to the Company's business of broking and trading of medium-term notes, when counting the purchase and sales of a new issue as a single transaction, 22 transactions have been executed in 2017 amounting to approximately £85 million (converted with the exchange rates as at the end of 2017) of principal (compared with 24 transactions amounting to £88 million in 2016). The Company completed medium-term notes transactions with 5 customers (2016: 5 customers) located in 5 countries (2016: 5 countries) worldwide.

The Company's investment advisory business has been mainly in the area of project finance investments for Shinsei Bank.

The headcount of full-time employees in the Company is unchanged from 6 at the end of December 2016 to 6 on 31 December 2017.

Directors' report (continued)

Financial risk management objectives and policies

The Company neither grants credit to customers nor takes position risks.

The followings are considered as key risks:

Credit risk

The Company's principal financial assets are bank balances, trade receivables and other receivables. As at 31 December 2017, the balance of trade receivables was £664,872. (2016: £1,006,680).

The Company has a policy to minimise credit risks. The Company's most significant risks are non-receipt of service fees and the counterparty risk that clients or counterparties fail to settle securities transactions. As the Company always trades securities on a back-to-back basis, no credit risks in relation to securities positions are taken. In addition, all service fees are from Shinsei group companies and the counterparty risks in relation to the securities settlements are eliminated by delivery-versus-payment settlement or by receiving consideration before delivering securities.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company keeps its cash at current accounts or short-term deposits at banks. As at 31 December 2017, the Company has a revolving credit facility of JPY10 billion (2016: JPY10 billion) available from Shinsei Bank.

Foreign currency risk

The Company's activities expose it to risks of changes in foreign currency rates arising from deposit in Euroclear accounts. Because of the limited amount at risk the Company does not take any mitigation measures in relation to the foreign currency risk.

Future prospects

Because of the service agreements with its group companies where expenses incurred in the Company are covered by service fees from Shinsei Bank and Shinsei Securities Co Ltd, in addition to fees from MTN transactions, the directors expect that profits of the Company should continue to be generated in the future.

The Company foresees the volume in MTN transactions is stable. The Company plans to deal with a wider range of MTN products which will interest more investors in cooperation with Shinsei Bank and Shinsei Securities.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors 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 of the accounts.

Pillar 3 disclosures

Disclosure information under the FCA regulations (General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms), which is unaudited, is set out on pages 22-24.

Shinsei International Limited

Directors' report (continued)

Directors

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

Mr. Hiroyuki Takeda
Mr. Tsuneo Ishizuka
Mr. Koushi Tsukagoshi
Mr. Takayoshi Kobayashi (resigned 31 May 2017)
Mr. Yuichi Takehana (appointed 3 August 2017)

Branches outside the UK
The Company had a branch in Frankfurt, Germany, however, it has been closed on 31 December 2014.

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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 has expressed their willingness to continue in office as auditor. An elective resolution has been passed dispensing with the requirement to appoint auditors annually. Deloitte LLP is therefore deemed to continue as auditor in accordance with the aforementioned elective resolution.

Approved by the Board of Directors
and signed on behalf of the Board

武田 寛之

Hiroyuki Takeda
Director

29 March 2018

Shinsei International Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare such 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). 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; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHINSEI INTERNATIONAL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of SHINSEI INTERNATIONAL LIMITED (the 'company') which comprise:

- the profit and loss account;
- the balance sheet; 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.

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHINSEI INTERNATIONAL LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHINSEI INTERNATIONAL LIMITED (continued)

We have nothing to report in respect of these matters.

Simon Stephens, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2018

Shinsei International Limited

Profit and loss account
Year ended 31 December2017

	Notes	2017 £	2016 £
Turnover	2	1,565,393	1,529,649
Gross Profit		1,565,393	1,529,649
Administrative Expenses	3,4,5	(1,795,145)	(1,149,180)
Operating profit/(loss)		(229,752)	380,469
Interest receivable	6	14,315	19,684
Interest payable	7	(527)	(579)
Other income	8	155,571	181,098
Profit/(loss) on ordinary activities before taxation		(60,393)	580,672
Tax on profit/(loss) on ordinary activities	9	2,187	(117,145)
Profit/(loss) for the financial year		(58,206)	463,528

The Company has no other recognised gains or losses in the current year or prior period and therefore no separate statement of total recognised gains and losses has been presented. The related notes 1 to 19 form part of these financial statements.

Shinsei International Limited

Balance sheet
31 December 2017

	Notes	2017 £	2016 £
Fixed assets	10	50,487	72,082
Current assets			
Debtors	11	1,013,575	1,352,259
Cash at bank and in hand		8,584,293	8,580,142
		9,597,868	9,932,401
Creditors: Amounts falling due within one year	12	(950,410)	(1,268,143)
Net current assets		8,647,458	8,664,258
Total assets less current liabilities		8,697,945	8,736,340
Provisions	13	(24,352)	(4,541)
Net assets		8,673,593	8,731,799
Capital and reserves			
Called up share capital	14	3,000,000	3,000,000
Profit and loss account	15	5,673,593	5,731,799
Equity shareholders' funds		8,673,593	8,731,799

The related notes 1 to 19 form part of these financial statements.

The financial statements of Shinsei International Limited, registered number 05232501 were approved by the Board of Directors on 29 March 2018.

Signed on behalf of the Board of Directors

武田 寛之

Hiroyuki Takeda
Director

Notes to the financial statements
Year ended 31 December 2017

1 Accounting policies

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

a. General information and basis of accounting

Shinsei International Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the operations and its principal activities are set out in the directors' report on page 3.

The financial statements have been prepared under the historical 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 Shinsei International Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Shinsei International Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, published by the ultimate parent and controlling party, Shinsei Bank, Limited. (see note 18)

Exemptions have been taken in relation to presentation of a cash flow statement, intra-group transactions.

b. 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 pages 2 to 4. The financial position of the Company, its policies and exposures to credit risk and liquidity risk are also described in the Directors' Report.

The Company has adequate financial resources together with long-term business relationships with a number of customers across different geographic areas. The Company's unaudited Pillar 1 financial resources and financial resources requirement as at 31 December 2017 were £8,313,000 (2016: £8,313,000) and £756,000 (2016: £842,000) respectively. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, considering the levels of cash and capital resources. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

c. Accounting convention

The financial statements are prepared under the historical cost convention.

d. Turnover

Turnover primarily represents fees and trading income or loss. The majority of turnover consists of intercompany service fee income, commission income related to the Company's marketing activities and fees earned through trading activities. Commission is shown net of direct trading expenses including shared commission, exchange and agents' clearing charges. Commission earned on securities transactions is accounted for on a trade date basis.

e. Interest receivable and payable

Interest income and expense for financial instruments are recognised in 'Interest receivable' and 'Interest payable' in the income statement using the effective interest method.

f. Other income

Sub-leasing income is recognised in the profit and loss account statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the income.

Accounting policies (continued)

g. Leases

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.

h. Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Gains and losses from foreign currency transactions are included in the profit and loss account.

i. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and impairment in value. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	10% - 20%
Office equipment	20% - 33.33%
Computer software	33.33%

j. Taxation

Current tax is provided at amounts expected to be paid (or recovered) 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 taxable profits and its results as stated in the financial statements that arise from the 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 are 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 using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

k. Provision

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease on its premises.

l. Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

m. Financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its 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).

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

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

n. 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 previously recognised for assets other than goodwill, 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. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

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.

o. Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in FRS 102 Section 23 Revenue. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Taxation provisions

The Company's current tax relates to management's assessment of the amount of tax receivable on open tax positions where the assets remain to be agreed with HMRC. Uncertain tax items for which a provision is made relate principally to the interpretation of tax legislation regarding arrangements entered into. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ.

2 Turnover

All turnover arose from the United Kingdom and comprised:

	2017 £	2016 £
Net trading loss	(2,552,977)	(2,718,852)
Swap arrangement fee income	2,598,472	2,764,034
Net trading commission income	45,495	45,182
Marketing fee and process agent fee income	1,041	1,462
Bond Underwriting Fee	-	9,400
Service fee – intercompany	1,518,857	1,473,605
	1,565,393	1,529,649

3 Staff costs

The average monthly number of employees (including directors) was:

	2017 No.	2016 No.
Business Division	4	4
Capital Markets Division	2	2
	6	6

Their aggregate remuneration comprised:

	2017 £	2016 £
Salaries	592,084	580,928
Bonus	87,279	69,451
Social security costs	35,281	37,490
Other pension costs	24,786	24,086
	739,430	711,955

4 Directors' remuneration

	2017 £	2016 £
Emoluments	217,935	207,218

The emoluments of the highest paid director for the year ended 31 December 2017 were £217,935 (2016: £207,218). No directors received pension benefit from the Company in either the current or preceding year.

5 Operating profit/(loss)

The operating profit/(loss) is after charging:

	2017 £	2016 £
Salaries	592,084	580,928
Bonus	87,279	69,451
Social security costs	35,281	37,490
Other pension costs	24,786	24,086
Auditor's remuneration	38,500	39,000
Depreciation charge	71,732	67,689
Other expenses (including foreign exchange gains and losses)	584,824	(31,452)
Operating lease rentals	360,659	361,988
Total administrative expenses	1,795,145	1,149,180

Fees payable to the Company's auditor:

	2017 £	2016 £
For the audit of the Company's annual accounts	38,500	39,000
For other services relating to taxation (non-audit services)	5,765	6,473
	44,265	45,473

6 Interest receivable

	2017 £	2016 £
Interest received on cash deposits	13,570	19,670
Other interest income	745	14
	14,315	19,684

7 Interest payable

	2017 £	2016 £
Other interest payable	527	579
	527	579

8 Other income

	2017 £	2016 £
Sub-lease income	155,571	163,204
Other income	-	17,894
	155,571	181,098

Shinsei International Limited

Notes to the financial statements (continued)
Year ended 31 December 2017

9 Tax on profit/(loss) on ordinary activities

The tax credit/(charge) comprises:

	2017 £	2016 £
Current tax		
United Kingdom corporation tax	-	(121,203)
Adjustment in respect of prior years	13,356	-
Foreign tax	-	4,094
Total current tax	13,356	(117,109)
Deferred tax		
Timing and other differences	3,243	(36)
Effect of a change in standard UK corporation tax rate	(1,056)	
Adjustment in respect of prior years	(13,356)	-
Total tax credit/(charge) on ordinary activities	2,187	(117,145)

The tax charge for the period is lower (2016: higher) than the 2017 standard average rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	(60,393)	580,672
Tax at 19.25% thereon (2016: 20%)	11,626	(116,134)
Effects of:		
Expenses not deductible for tax purposes	(8,383)	(3,765)
Impact of change in tax rates	(1,056)	(1,340)
Prior period adjustments	-	4,094
Current tax credit/(charge) for the period	2,187	(117,145)

Deferred tax asset

The following are the deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period. The Financial Act 2013 reduced the rate of UK corporation tax to 20% from 1 April 2017, and the Finance (No.2) Act 2017 reduced the rate further to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020. These rates have been taken into account in deriving the carried forward deferred tax balances as of 31 December 2017.

9 Tax on profit/(loss) on ordinary activities (continued)

	2017	2016
	£	£
Asset at start of period	25,464	25,500
Deferred tax – (charge)/credit in profit and loss account	3,243	(36)
Effect of change in standard UK corporation tax rate	(1,056)	-
Adjustment in respect of prior years	(13,356)	-
Asset at end of period	14,295	25,464
Accelerated capital allowances	10,808	12,776
Other timing differences	3,487	12,688
	14,295	25,464

The timing differences giving rise to the deferred tax asset of £14,295 have no expiry period.

10 Fixed assets

	Office equipment	Fixtures and fittings	Computer software	Total
	£	£	£	£
Cost				
At 1 January 2017	152,208	449,482	6,375	608,065
Additions	11,890	38,247	-	50,137
Disposals	(56,828)	(443,692)	(321)	(500,841)
At 31 December 2017	107,270	44,037	6,054	157,361
Accumulated depreciation				
At 1 January 2017	(140,134)	(389,602)	(6,247)	(535,983)
Charge for year	(11,096)	(60,517)	(119)	(71,732)
Disposals	56,828	443,692	321	500,841
At 31 December 2017	(94,402)	(6,427)	(6,045)	(106,874)
Net book value				
At 31 December 2017	12,868	37,610	9	50,487
At 31 December 2016	12,074	59,880	128	72,082

11 Debtors: amounts falling due within one year

	2017	2016
	£	£
Counterparty debtors	664,872	1,006,680
Other debtors	41,699	56,749
Corporation tax receivable	50,153	-
Deferred tax asset (see note 9)	14,295	25,464
Prepayments and accrued income	242,556	263,366
	1,013,575	1,352,259

12 Creditors falling due within one year

	2017 £	2016 £
Counterparty creditors	682,971	1,034,083
Corporation tax payable	-	48,203
Other creditors	76,225	7,517
Bonus payable	63,017	67,302
Accruals and deferred income	128,197	111,038
	950,410	1,268,143

13. Provisions

	Unused holidays provision £	Dilapidation provision £	Total £
At 1 January 2017	4,541	-	4,541
Charged to profit and loss account	4,352	20,000	24,352
Utilisation of provision	(4,541)	-	(4,541)
At 31 December 2017	4,352	20,000	24,352

The provision for unused holidays is in respect of the unused annual leave in 2017.

The Company entered into a new lease agreement during the year that contains a provision of dilapidation. The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease, 29 August 2022 on its premises.

14 Called up share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	3,000,000	3,000,000

Notes to the financial statements (continued)
Year ended 31 December 2017

15 Reconciliation of movements in shareholders' funds and movements in reserves

	Share capital £	Profit and loss account £	Total £
Shareholders' funds at 1 January 2016	3,000,000	5,268,271	8,268,271
Profit for the year	-	463,528	463,528
Shareholders' funds at 1 January 2017	3,000,000	5,731,799	8,731,799
Loss for the year	-	(58,206)	(58,206)
Shareholders' funds at 31 December 2017	3,000,000	5,673,593	8,673,593

16 Related party transactions

The Company has taken advantage of an exemption under Section 33 of FRS 102, relating to wholly-owned subsidiaries, which exempts it from disclosing related party transactions with group members.

17 Cash flow statement

The Company has taken advantage of the exemption provided for in FRS102 The Financial Reporting Standard, Cash Flow Statements not to prepare a cash flow statement.

18 Ultimate parent and controlling party

The ultimate parent and controlling party is Shinsei Bank, Limited, a company which is incorporated in Japan with the registered office at Nihonbashi Muromachi Nomura Building, 4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan. This represents the smallest and largest level of consolidation. Copies of the group financial statements of Shinsei Bank Limited are available from:

http://www.shinseibank.com/investors/en/ir/financial_info/arir/

19 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2017 £	2016 £
Expiry date		
- within one year	51,126	351,099
- between two and five years	179,075	-
	230,201	351,099

In August 2017, we signed a new five year office lease expiring on 29 August 2022 with a break option after 3 years.

Overview

The Capital Requirement Directive (CRD) of the European Union created revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, the CRD has been implemented by the Financial Conduct Authority ("FCA") in its regulation through the General Prudential sourcebook ("GENPRU") and the Prudential sourcebook for Banks, Building Societies and Investment Firms ("IFPRU").

The FCA framework consists of three "Pillars":

- Pillar 1 lays down the minimum capital requirements that firms will have to maintain to meet credit, market and operational risks;
- Pillar 2 requires firms to assess whether any additional capital should be maintained against any risks that are not adequately covered in Pillar 1; and
- Pillar 3 requires disclosure of specified information about its capital, its risk exposure and its risk management processes.

The rules in IFPRU set out the provision for Pillar 3 disclosure.

Scope and application of the resources

Shinsei International Limited ("SIL") is an FCA regulated full scope IFPRU 730k firm. SIL's main activities are broking and trading of debt instruments, mostly medium-term notes, and intermediation/arrangement of clients' (Shinsei Bank's in particular) investment in financial products.

Risk appetite

SIL's board has adopted a conservative approach to risk, resulting in a low risk profile. SIL's risk exposure incurred in its advisory services is limited to counterparty risk of group companies which SIL provides with the services and the impact on income in relation to service fees. In SIL's another main activity, broking and trading of debt instruments (mostly medium-term notes), SIL deals them as principal in their purchase in primary market from highly rated international debt issuers and their sales to a group company in Japan always on a back-to-back basis. SIL also arranges swap transactions between issuers and swap providers. In this broking/trading business, SIL's risk exposure is limited to short-term counterparty risk exposure to issuers, a group company incurred in the trading of the debt instruments and to swap providers incurred in swap arrangement fees.

Risk management

The Board of Directors is ultimately responsible for SIL's risk management. The Chief Executive Officer is responsible for the day-to-day monitoring and managing of the Company's exposure to risks.

Credit risk

Credit risk is defined as the risk of loss due to a debtor's non-payment of a loan or other credit. In the context of SIL's business, the most significant risks are non-receipt of service fees from Shinsei group companies and the counterparty risk element that clients or counterparties fail to settle securities transactions. The Company takes no credit risks in relation to securities positions, because its securities transactions are always on a back-to-back basis.

Risk management (continued)

The counterparty risk exposure relevant to issuers of debt instruments in trading business from which SIL purchases is significantly mitigated by settling the transactions on a delivery-versus-payments basis. The counterparty risk exposure to a Shinsei group company to which SIL sells the debt instruments is mitigated by receiving the consideration prior to delivering the securities. The counterparty risk in relation to swap providers is limited to the amount to swap arrangement fees due and is not considered material.

With the large proportion of the Company's service fee revenues deriving from provision of advisory services to its group companies, SIL potentially has a large counterparty risk to Shinsei group companies should the Shinsei group companies permanently fail to settle the fees due to an insolvency event. The relevant credit risk is mitigated by the following factors:

- Service fees are invoiced monthly, and the Company monitors outstanding debtors and ensures that appropriate action is taken to recover the debts; and
- SIL has clear visibility of Shinsei group's financial position as one of the group companies and is likely to be notified of any financial difficulties and be able to complete outstanding transactions and wind-down trading in an orderly fashion.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company keeps its cash in current accounts or short-term deposits at banks. As at 31 December 2017 the Company has a revolving credit facility amounting JPY10 billion (2016: JPY10 billion) available from Shinsei Bank. Should Shinsei Bank become insolvent, when the Company is most likely to be wound up, the level of liquidity the Company currently holds is considered sufficient for its orderly winding-up.

Foreign currency risk

The Company's activities expose it to risks of changes in foreign currency rates arising from deposit in Euroclear accounts. The net exposure to foreign currency risk is considered very low. With regard to foreign currency transactions in trading debt instruments and provision of swap arrangement, which are mostly in JPY, SIL's exposure to the foreign currency risks are also limited due to its small amount and mitigated by conversion to GBP from time to time.

Assessment of the adequacy of capital

Capital resources and capital requirement

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2017 was £8,673,593. Regulatory capital is determined in accordance with the requirements of the Financial Conduct Authority ("FCA") in the UK.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the FCA in the UK, for supervisory purposes. The FCA requires each firm to maintain surplus capital.

The Company's regulatory capital is divided into two tiers:

- Tier 1 capital, which is the total of the called-up share capital and profit and loss account; and
- Tier 3 capital, which is net interim trading profit and loss.

Assessment of the adequacy of capital (continued)

There is no Tier 2 capital issued by the Company.

The Company has calculated their capital resources and regulatory capital (Pillar 1 capital requirement) as at 31 December 2017 in accordance with these definitions as laid out in the table below:

	£'000
Core Tier 1 Capital	
Called up share capital	3,000
Profit and loss account	5,268
Lower Tier 3 Capital	
Net trading profit and loss	45
Total capital resources	8,313
Capital requirements	
Credit risk capital requirement under the standardised approach (see note 1 below)	318
Operational risk capital requirement under the basic indicator approach	247
Counterparty risk capital requirement	2
Market risk capital requirement (foreign currency PRR)	189
Total capital requirements	756
Surplus capital	7,557

(Note 1) 8% of risk weighted exposure amounts in accordance with the standardised approach. The exposures are widely spread geographically and by industry type.

IFPRU 11.5.18 Remuneration Code Disclosure

According to IFPRU 11.5.18 of the FCA Handbook the Company is required to make disclosures in relation to its remuneration policy and practices for those categories of Code staff whose professional activities have a material impact on its risk profile. The FCA provides further guidance on proportionality for this rule under which the Company is classified as a 'Tier 3 Firm', as a consequence of which the detailed provisions on the disclosure of criteria used for performance measurement, risk adjustment, deferral policy, bonuses payments, shares and a number of other provisions may be disapplied.

The required Pillar 3 disclosure in relation to its remuneration policy and practices will be available from the Company's offices.

Internal Capital Adequacy Assessment Process ("ICAAP")

Complying with the FCA rules, SIL conducted an Internal Capital Adequacy Assessment Process ("ICAAP"). The board review and approve the ICAAP document at least once a year.

Since the Company's ICAAP has not identified capital to be held over and above the Pillar 1 capital requirement, the capital resources detailed above are considered adequate to continue to finance the Company over the next year. SIL monitors the adequacy of its capital and other resources relative to its risks on a regular basis.