

**SHENTON INTERNATIONAL BONDS PLC**  
(Company Number 09946680)  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2017**

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# **SHENTON INTERNATIONAL BONDS PLC**

## **Company Information**

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### **Directors**

Helen Kwai Leng Chong  
Peter William Harradine Mason

### **Secretary**

SGH Company Secretaries Limited  
One America Square  
Crosswall  
London  
EC3N 2SG

### **Company number**

09946680

### **Registered office**

6th Floor  
60 Gracechurch Street  
London  
EC3V 0HR

### **Auditor**

MHA MacIntyre Hudson  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

### **Bank**

GCEN  
100 New Bond Street  
London  
W1S 1SP

# **SHENTON INTERNATIONAL BONDS PLC**

## **Strategic Report For the year ended 31 December 2017**

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### **Overview**

Shenton International Bonds plc (the “Company”) is engaged in the provision of asset-backed loans to real estate developers.

The Company had two Mini Bonds in issue at 31 December 2017 and loans to developers of £3,496,020 (2016: £3,401,325).

The Company facilitates the provision of short to medium term financing for property developers by issuing Mini Bonds. The Company receives interest income from the borrower and makes coupon payments to the Mini Bond investors.

### **Operating and Financial Review**

For the year ended 31 December 2017, the Company has generated interest and fee income of £521,945 (period from 12 January 2016 to 31 December 2016: £797,201). The gross profit of the Company is £176,986 (period from 12 January 2016 to 31 December 2016: £572,542).

In the prior year there were significant administrative expenses. These primarily related to one-off set up costs, marketing and PR expenditure to promote the Company’s brand and distribute the Company’s products. These have decreased significantly in the current year to £23,113 (period from 12 January 2016 to 31 December 2016: £593,348).

Profit before tax for the year was £105,960 (period from 12 January 2016 to 31 December 2016: £96,519).

The comparative period is from the date of incorporation on 12 January 2016 to 31 December 2016.

### **Key Performance Indicators (“KPIs”)**

The Company’s key performance indicators are the level of investment in the Mini Bonds issued by the Company and the level of investment introduced by the Company into the third party loans as these generate the Company’s income.

### **Future Developments**

On 5 April 2018 the Company launched a third two year Mini Bond to coincide with the repayment date of 29 April 2018 for the 2-year Mini Bond launched on 27 January 2016. Investment amounting to £675,000 was repaid and £1,704,500 was reinvested in the new Mini Bond.

## **SHENTON INTERNATIONAL BONDS PLC**

**Strategic Report (continued)**  
**For the year ended 31 December 2017**

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### **Financial risk management**

The principal risks to the Company are as follows:

- ***Credit risk***

The Company is exposed to the risk that property developers in receipt of interest-bearing borrowings will not fulfil their obligations to the Company in terms of interest due and capital repayments. The Company regularly reviews its credit exposure to the property developers. However, default risk may arise from events which are outside the Company's control, for example, property developer's under-performance due to factors such as business failure or adverse economic conditions.

The successful management of credit risk is central to the Company's business. The Company's bonds in issue are asset-backed; when capital is deployed to developers it is secured in the form of a first charge over their real estate assets. The charge is an asset of the Company and the value of this collateral is monitored by the directors.

- ***Liquidity risk***

Liquidity risk is the risk the Company is unable to meet future liabilities from current liquid resources. The Company monitors cash positions and forecast cashflows to ensure that liquid assets are available to meet administrative expenses and interest liabilities as they arise.

- ***Market risk***


Relevant market risks are price, interest rate and foreign exchange risks.

The Company has no direct exposure to price risk. Indirect exposure arises from the underlying value of the asset-backing for the Mini Bonds issued by the Company.

The Company is exposed to interest rate risk as it pays a coupon and receives interest on bonds issued and loans made respectively. Bonds and loans are at fixed rates which mitigates the Company's exposure to movements in the market interest rates.

- ***Foreign Currency Risk***

Foreign exchange risk arises where loans are made to developers or the asset-backing is denominated in a different currency to the underlying currency of the issued bonds. The successful management of foreign exchange risk is central to the Company's business. The senior directors monitor movements in the market and negotiate with developers to ensure the loans are made in a stable currency, for example, the loans to Brazilian real estate developers are denominated in Singapore Dollars which is a more stable currency than the Brazilian Real.



**Helen Kwai Leng Chong**  
**Director**

Approved by the Board of Directors and signed on behalf of the Board on **18** September 2018.

## **SHENTON INTERNATIONAL BONDS PLC**

### **Report of the Directors For the year ended 31 December 2017**

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The Directors hereby present the Report of the Directors, together with the Strategic Report and the audited financial statements of Shenton International Bonds plc (“the Company”), for the year to 31 December 2017. The comparative period is from the date of incorporation on 12 January 2016 to 31 December 2016.

Principal risks in relation to financial instruments are discussed in the Strategic Report.

#### **Dividends**

No dividend is proposed.

#### **Post balance sheet events**

No information has been identified since the statement of financial position date about conditions existing at the statement of financial position date for which adjustment has been required to amounts recognised in the financial statements nor which is required to be disclosed in these financial statements. A summary of future developments and risk management are included in the Strategic Report.

#### **Directors**

The Directors in office throughout the year were:

Helen Kwai Leng Chong  
Peter William Harradine Mason

#### **Statement of Directors’ responsibilities**

The Directors are responsible for preparing the Strategic Report, Report of the Directors 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 International Financial Reporting Standard (“IFRS”) as adopted by the European Union.

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 its profit or loss for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS 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 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.

## **SHENTON INTERNATIONAL BONDS PLC**

### **Report of the Directors *(continued)* For the year ended 31 December 2017**

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#### **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 / she ought to have taken as a Director in order to make himself / herself 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.

It is proposed to re-appoint MHA MacIntyre Hudson as auditor at the Annual General Meeting.

The independent auditor, MHA MacIntyre Hudson, has expressed its willingness to accept re-appointment.



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**Helen Kwai Leng Chong**  
Director

Approved by the Board of Directors and signed on behalf of the Board on 18 September 2018.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHENTON INTERNATIONAL BONDS PLC

### Opinion

We have audited the financial statements of Shenton International Bonds PLC (the 'Company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017, and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

### Other information

The directors are responsible for the other information. The other information comprises the strategic report and the directors' 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.

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 this regard.

### 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.





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHENTON INTERNATIONAL BONDS PLC (continued)**

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

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

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

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

### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, 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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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.

Deborah Weston (senior statutory auditor)  
For and on behalf of MHA MacIntyre Hudson, Statutory Auditor  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ



**SHENTON INTERNATIONAL BONDS PLC**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

		2017	Period from 12 January 2016 to 31 December 2016
	Note	£	£
Interest income		474,671	244,001
Interest expense		(344,959)	(224,659)
<b>Net interest income</b>		<u>129,712</u>	<u>19,342</u>
Fee income	5	47,274	553,200
<b>Gross profit</b>		<u>176,986</u>	<u>572,542</u>
Foreign exchange gain on foreign currency loans		(47,913)	117,325
Administrative expenses	7	(23,113)	(593,348)
<b>Profit before tax</b>	6	<u>105,960</u>	<u>96,519</u>
Tax expense	8	(20,394)	(19,304)
<b>Net profit and total comprehensive income for the financial period</b>		<u><u>85,566</u></u>	<u><u>77,215</u></u>

There were no other items of comprehensive income for the current year or prior period other than those included in the Statement of Comprehensive Income.


All amounts relate to continuing operations.

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**  
Company Registration Number: 09946680

	Note	2017 £	2016 £
<b>Non-current asset</b>			
Loans to developers	9	981,730	3,157,324
<b>Current assets</b>			
Cash and bank balances	15	67,615	344,976
Trade and other receivables	10	372,046	186,000
Loans to developers	9	2,514,290	244,001
		<u>2,953,951</u>	<u>774,977</u>
<b>Total assets</b>		<u>3,935,681</u>	<u>3,932,301</u>
<b>Current liabilities</b>			
Trade payables and accrued expenses	11	28,900	111,086
Interest-bearing borrowings	12	2,380,000	-
		<u>2,408,900</u>	<u>111,086</u>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	12	1,264,000	3,644,000
<b>Total liabilities</b>		<u>3,672,900</u>	<u>3,755,086</u>
<b>Net assets</b>		<u>262,781</u>	<u>177,215</u>
<b>Equity</b>			
Share capital	13	100,000	100,000
Accumulated profits		162,781	77,215
<b>Total equity</b>		<u>262,781</u>	<u>177,215</u>

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2018 and are signed on their behalf by:

  
**Helen Kwai Leng Chong**  
**Director**

The accompanying notes form an integral part of these financial statements.

**SHENTON INTERNATIONAL BONDS PLC****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2017**

	Share capital £	Accumulated profits £	Total equity £
Issuance of ordinary shares on 12 January 2016 (date of incorporation)	100,000	-	100,000
<b>Comprehensive income for the period</b>			
Profit for the period	-	77,215	77,215
<b>Total Comprehensive income for the period</b>	-	77,215	77,215
<b>Balance at 31 December 2016</b>	<b>100,000</b>	<b>77,215</b>	<b>177,215</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	85,566	85,566
<b>Total Comprehensive income for the year</b>	-	85,566	85,566
<b>Balance at 31 December 2017</b>	<b>100,000</b>	<b>162,781</b>	<b>262,781</b>

The accompanying notes form an integral part of these financial statements.

# SHENTON INTERNATIONAL BONDS PLC

## STATEMENT OF CASH FLOWS For the year ended 31 December 2017

	Period from 12 January 2016 to 31 December	
	2017	2016
	£	£
<b>Cash flows from operating activities</b>		
Profit before tax	105,960	96,519
Adjustments for non-cash items:		
Foreign currency movement	47,913	(117,325)
	153,873	(20,806)
Adjustments for working capital items and loans:		
Taxation charge	(19,304)	-
(Increase) in trade and other receivables	(186,046)	(186,000)
(Decrease)/ Increase in trade payables and accrued expenses	(83,276)	91,782
(Increase) in loans to developers	(142,608)	(3,284,000)
<b>Net cash used in operating activities</b>	<b>(277,361)</b>	<b>(3,399,024)</b>
<b>Cash flows from financing activities</b>		
Issuance of share capital	-	100,000
Proceeds from bond issues	-	3,644,000
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>3,744,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>(277,361)</b>	<b>344,976</b>
Cash and cash equivalents at start of the year/date of incorporation	344,976	-
<b>Cash and cash equivalents at end of financial year/period</b>	<b>67,615</b>	<b>344,976</b>

The accompanying notes form an integral part of these financial statements.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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These notes form an integral part of and should be read in conjunction with the accompanying audited financial statements.

#### 1 Corporate information

Shenton International Bonds plc ("the Company") is a public limited company registered in the United Kingdom. The address of its registered office is 6th Floor, 60 Gracechurch Street, London, EC3V 0HR. The place of business is 41-43 Brook Street, Mayfair, London, W1K 4HJ.

The principal activity of the Company is the provision of short to medium term financing for property developers in Germany, Brazil and the UK.

#### 2 Basis of preparation

##### a) Accounting basis

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU").

The financial statements are presented in sterling and have been prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors and are believed to be reasonable under the circumstances, actual results may ultimately differ from those 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. Further information is set out in note 4.

##### b) New and revised IFRSs affecting amounts disclosures in the financial statements

In the current year the Company has applied the relevant new and revised IFRSs that have been issued and are mandatorily effective from 1 January 2017.

##### *IAS 7 Statement of cash flows*

IAS 7 disclosures must reconcile the movement in components of financing activities as defined in IAS 7 with amounts included in the opening and closing statement of financial position.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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## 2 Basis of preparation (cont'd)

### c) Future accounting developments

New standards, amendments to standards and interpretations that have been issued at the reporting date but are not yet effective for the year ended 31 December 2017 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company except as disclosed below:

#### *IFRS 9 Financial Instruments*

The standard replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS9 requires financial assets to be classified into three measurement categories: those measured at fair value, those measured at amortized cost and those measured at cost. IFRS 9 is effective from 1 January 2018 but is not expected to have a significant impact on the Company's financial statements, including, as a result of the loans to developers being asset-backed, the requirement to provide for credit losses on loans.

IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. No credit events have occurred in the current year.

#### *IFRS 15 Revenue from contracts with customers*

The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and introduces a five-step model to revenue recognition. It is not expected to have a significant impact on the Company's financial statements.

### d) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company's activities will continue for the foreseeable future and the Company will be able to meet their liabilities as they fall due for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current financial position, future projections of profitability, cash flows and capital resources and the longer term strategy of the business.

## 3 Summary of significant accounting policies

### a) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Fee income from provision of marketing services is recognised on performance of the services. For financial instruments measured at amortised cost, interest income is recognised using the effective interest rate method.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

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#### 3 Summary of significant accounting policies (cont'd)

##### b) Interest income and expense

Interest income and expense are recognised in the income statement on an effective interest rate ("EIR") basis in accordance with IAS 39. The EIR is the rate that, at the inception of the financial asset or liability, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument but does not consider the assets' future credit losses.

At each reporting date, management makes an assessment of the expected remaining life of its interest bearing financial assets and liabilities. Where there is a change in those assessments the remaining amount of any unamortised discounts or premiums is adjusted so that the interest continues to be recognised prospectively on the amortised cost of the financial asset at the original EIR. The adjustment arising is recognised within interest income in the income statement of the current period.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate, together with the discounts or premium arising on the acquisition of loan portfolios.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented include interest on financial assets and financial liabilities measured at amortised cost calculated on an EIR basis.

##### c) Financial instruments

###### (i) Financial Assets

The Company's financial assets comprise loans to developers, cash and trade and other receivables.

###### *Loans to developers*

Loans to developers are categorised as loans and receivables. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Company does not intend to sell immediately or in the near future. Loans to developers are initially measured at transaction price. Subsequently, these are measured at amortised cost using the EIR, less any impairment. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and receivables comprise loans to property developers in Brazil.

###### *Cash*

Cash comprises balance and bank balances with a maturity of three months or less which are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

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#### 3 Summary of significant accounting policies (cont'd)

##### c) Financial instruments (cont'd)

###### (i) Financial Assets (cont'd)

###### *Trade and other receivables*

Trade and other receivables are measured initially at transaction price and thereafter at the amount expected to be received.

###### *Impairment*

Financial assets are reviewed for impairment at ad-hoc basis through the year or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the statement of comprehensive income.

###### (ii) Financial Liabilities

The Company's financial liabilities comprise trade payables and accrued expenses and interest-bearing borrowings.

###### *Trade payables and accrued expenses*

Trade payable and accrued expenses are measured initially at transaction price and thereafter at the amount expected to be paid.

###### *Interest-bearing borrowings*

The interest-bearing borrowings are a non-derivative financial liability with fixed or determinable payments. They are recognised initially at transaction price and subsequently at amortised cost using the EIR after taking account of any discount or premium on the issue and directly attributable costs that are an integral part of the EIR. The amount of any discount or premium is amortised over the period to the expected call date of the instrument.

###### *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration received or given. The carrying amounts of cash, trade and other receivables, trade payables and accrued expenses approximate their respective fair values due to the relatively short-term maturity of these financial instruments.



## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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#### 3 Summary of significant accounting policies (cont'd)

##### c) Financial instruments (cont'd)

###### (iii) Financial Liabilities (cont'd)

###### *De-recognition.*

Financial assets are derecognised when they are qualifying transfers and:

- The rights to receive cash flows from the assets have ceased; and
- The Company has transferred substantially all the risk and rewards of ownership of the assets.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

##### d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets are translated into sterling at the exchange rates ruling at the statement of financial position date. Exchange differences are charged or credited to the Statement of Comprehensive Income. The functional currency of the Company is Great British Pounds.

##### e) Taxation

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax is the expected tax payable or recoverable on the taxable income for the current period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the reporting date.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

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#### 3 Summary of significant accounting policies (cont'd)

##### f) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

#### 4 Use of judgements, estimates and assumptions

Estimates and assumptions are reviewed on an ongoing basis. The judgements, estimates and assumptions that are considered to be most important to the portrayal of the Company's financial condition are in relation to effective interest rate ("EIR") and loan impairment provisions.

##### *EIRs*

IAS 39 requires interest earned / incurred on loans and borrowings to be measured under the EIR method. Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it.

##### *Loan impairment provisions*

Loans to developers are reviewed on an at least a yearly basis to assess for impairment. In determining whether an impairment provision should be recorded, judgements are made as to whether there is objective evidence that a financial asset is impaired as a result of loss events that occurred after recognition of the asset and by the reporting date. The calculation of the impairment loss is management's best estimate of losses at the statement of financial position date and reflects expected future cash flows based on both the likelihood and extent of a loan being irrecoverable, taking into account the value of security held.

#### 5 Fee income

	Year ended 31 December 2017	12 January to 31 December 2016
	£	£
Fee income	47,274	553,200
	<u>47,274</u>	<u>553,200</u>

Fee income during the year relates to a charge for services provided by the Company to Shenton International Limited. See note 18.

# SHENTON INTERNATIONAL BONDS PLC

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 6 Profit before tax

	Year ended 31 December 2017	12 January to 31 December 2016
	£	£
Exchange differences	47,913	117,325
Remuneration of auditor		
Audit services	8,750	8,750
Non-audit services	1,250	-

The auditor's remuneration has been borne by the parent company, Shenton International Limited.

### 7 Administrative expenses and Directors' remuneration

	Year ended 31 December 2017	12 January to 31 December 2016
	£	£
Interest expense	344,959	224,659
	344,959	224,659
Management fees	-	36,390
Custodian fees	-	18,195
Intermediary fees	3,081	16,629
Legal and professional fees	4,201	19,550
Auditor's remuneration	-	8,750
Bank charges	499	1,491
Marketing and PR fees	2,527	475,579
Directors' fees	12,000	12,000
Office rental expense	-	3,356
Other administrative expenses	805	1,408
	23,113	593,348

The average number of employees, including Directors during the year was 2 (2016: 2). During the year the Directors received remuneration of £12,000 (2016: £12,000) for services to the Company.

# SHENTON INTERNATIONAL BONDS PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 8 Tax expense

	Year ended 31 December 2017	12 January to 31 December 2016
	£	£
Current tax:		
Charge for the period	20,394	19,304
Deferred tax:		
Charge for the period	-	-
Total Taxation charge for the period	20,394	19,304

Factors affecting tax charge for the year

The current taxation charge for the period ended 31 December 2017 is the standard rate of corporation tax in the UK of 20% for the period to 31 March 2017 and 19% for the period to 31 December 2017 (2016: 20%).

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31 December 2017 £000	12 January to 31 December 2016 £000
Profit on ordinary activities before tax	105,960	96,519
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%/19% (2017: 20%)	20,394	19,304
Effects of:		
Expenses not deductible for tax purposes	-	-
Capital allowances	-	-
Utilisation of tax losses	-	-
Adjustments to tax charge in respect of prior periods	-	-
Other tax charge (relief) on exceptional items	-	-
Movement in deferred tax	-	-
Total tax charge for the year	20,394	19,304

There were no factors that may affect future tax charges.

**SHENTON INTERNATIONAL BONDS PLC****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2017****9 Loans to developers**

	2017	2016
	£	£
Gross loan receivables	3,496,020	3,401,325
Less: provisions	-	-
	<u>3,496,020</u>	<u>3,401,325</u>
Amounts falling due:		
Within one year	2,514,290	244,001
In two to five years	981,730	3,157,324
	<u>3,496,020</u>	<u>3,401,325</u>

When capital is deployed to developers it is secured in the form of a first charge over their real estate assets. The charge is an asset of the Company and the value of this collateral is monitored by the directors. This is discussed further in Note 14b.

**10 Trade and other receivables**

	2017	2016
	£	£
Trade receivables	6,000	6,000
Fees receivable	-	180,000
Amounts due from related parties	81,531	-
Amounts recoverable from holding company	284,515	-
	<u>372,046</u>	<u>186,000</u>

There were no amounts past due, provided for or denominated in foreign currency during the year.

**11 Trade payables and accrued expenses**

	2017	2016
		£
Trade payables	-	6,295
Other payables	23	26,140
Taxation	20,394	19,304
Accruals	8,483	22,970
Amount due to holding company	-	36,377
	<u>28,900</u>	<u>111,086</u>

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 12 Interest-bearing borrowings

	2017 £	2016 £
At the beginning of the period	3,644,000	-
Issued in the period	-	3,644,000
Total borrowings at the end of the period	<u>3,644,000</u>	<u>3,644,000</u>
Amounts falling due:		
Within one year	2,380,000	-
In two to five years	<u>1,264,000</u>	<u>3,644,000</u>
	<u>3,644,000</u>	<u>3,644,000</u>

Interest-bearing borrowings consist of two minibonds:

(i) An asset backed Mini Bond paying 9% per annum, on a two year term, paying interest quarterly in arrears. £2,380,000 is in issue and repayment to bond holders in full is due 29 April 2018.

(ii) An asset backed Mini Bond paying 10% per annum, on a four year term, paying interest quarterly in arrears. £1,264,000 is in issue and repayment to bond holders in full is due 30 December 2020.

On 5 April 2018 the Company launched a third two year Mini Bond to coincide with the repayment date of 29 April 2018 for the 2-year Mini Bond launched on 27 January 2016. Investment amounting to £675,000 was repaid and £1,704,500 was reinvested in the new Mini Bond.

#### 13 Share capital

	2017 £	2016 £
100,000 issued ordinary shares at £1 each (100,000 authorised ordinary shares at £1 each)	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

The 100,000 ordinary shares at £1 each are fully paid up at the period end.

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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#### 14 Financial risk management

The Company's financial risk management is determined and carried out by the Directors. The Company is exposed to the following financial risks:

##### *Foreign currency risk*

Foreign exchange risk arises where loans are made to developers or the asset-backing is denominated in a different currency to the underlying currency of the issued bonds. The successful management of foreign exchange risk is central to the Company's business. The directors monitor movements in the market and negotiates with developers to ensure the loans are made in a stable currency, for example, the loans to Brazilian real estate developers are denominated in Singapore Dollars which is a more stable currency than the Brazilian Real. The table below sets out the Company's exposure to foreign exchange risk:

	2017	2016
<i>Assets in Singapore Dollars (SGD) at Sterling carrying value</i>	£	£
Loans to developers	3,496,020	3,401,325
	<u>3,496,020</u>	<u>3,401,325</u>

The Company estimates that a 5% movement in the value of the Singapore Dollar would have the following impact on the statement of financial position values:

- SGD strengthened by 5%: +£174,801
- SGD weakened by 5%: (£174,801)

## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

#### 14 Financial instruments (cont'd)

##### (b) Financial risk management (cont'd)

###### *Credit risk*

The Company's principal business activity is providing loans to property developers in Brazil. The Company is exposed to the risk that property developers in receipt of interest-bearing borrowings do not fulfil their obligations to the Company in terms of interest due and capital repayments. The Company regularly reviews its credit exposure to the property developers. However, default risk may arise from events which are outside the Company's control, for example, property developers' under-performance due to factors such as business failure or adverse economic conditions. For each loan, the Company obtains a legal charge on the assets it is lending against. It is acknowledged that the property market is cyclical and that the Company is operating in a period of the cycle which would be considered as relatively stable with inflating property prices which has resulted in favourable conditions for lending. The Directors regularly reassess their view of the risks presented by the chosen market and the stage reached in the property cycle.

The below details the credit quality of the loans to developers:

	2017 £	2016 £
<b>Loans to developers</b>		
Neither past due nor impaired	3,496,020	3,401,325

The Company's maximum exposure to credit risk is £3,935,681 (2016: 3,932,301).

Where the amount outstanding on a borrowing exceeds the estimated current value of the charged assets or interest due is not received promptly and the loan is underperforming, the Company will consider including an impairment provision in the financial statements.

###### *Liquidity risk*

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to a shortage of funds. The Company's exposure to liquidity risk will arise primarily from mismatch of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles.

The below details the split of amounts falling due in respect of current liabilities and the current assets available to meet them:

	2017 £	2016 £
Liabilities falling due within one year	28,900	111,086
Assets falling due within one year	3,935,681	774,977

The terms of the Company's borrowings and loans are matched in order that loans are recovered in order to repay borrowings when due.



## SHENTON INTERNATIONAL BONDS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

#### 14 Financial instruments (cont'd)

##### (b) Financial risk management (cont'd)

###### *Interest rate risk*

The Company operations are not exposed to significant interest rate risk because borrowings and loans are at fixed rates. The Company considers a 200 basis points ("bps") movement to be appropriate for scenario testing given the guidance by the Bank of England Monetary Policy Committee on expectations of future long term interest rates. The Company estimates that a +/- 200 bps movement in interest rates paid / received would have impacted the overall statement of financial position values as follows:

- +/- 200 bps: +/- £9,665

#### 15 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017 £	2016 £
Cash and bank balances	67,615	344,976

#### 16 Reconciliation of net cash flow to movement in net debt

	Current Debt	Non-current debt	Cash and cash equivalents	Net debt
At 12 January 2016	-	-	-	-
Cash flow	-	3,644,000	-	3,644,000
Other movements	-	-	-	-
At 31 December 2016	-	3,644,000	-	3,644,000
Cash flow	-	-	-	-
Other movements	2,380,000	(2,380,000)	-	-
At 31 December 2017	2,380,000	1,264,000	-	3,644,000

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

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**17 Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a capital structure appropriate to shareholder and other stakeholders' interest. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders and issue new shares.

The Company is not subjected to external regulatory capital requirements. However, the Company does monitor its capital level.

The capital of the Company consists of accumulated profits and equity share capital.

**18 Related party transactions**

Related parties of the Company include key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by management personnel or their close family members. Key management personnel are defined as the Directors. The Company paid Directors fees of £12,000 (2016: £12,000) during the year.

The Company paid expenses on behalf of SHB Property Advisors Limited ("SHB"), a UK company whose ultimate controlling party is a Director of the Company, amounting to £16,639 during the year (2016: £1,200). The amount remains payable to the Company at 31 December 2017.

The Company paid expenses on behalf of Shenton International Limited ("SIL"), its immediate holding company, amounting to £272,431 (2016: £Nil). The amount remains payable to the Company at 31 December 2017. The auditor's remuneration of £10,000 was borne by SIL.

The Company is due a service charge of £47,274 (2016: £Nil) from SIL. The amount remains payable to the Company at 31 December 2017.

The Company paid expenses on behalf of Shenton Holdings Private Limited, a Singaporean company with key management personnel in common with the Company, amounting to £56,643 during the year (2016: Nil). The amount remains payable to the Company at 31 December 2017.

**19 Events after the statement of financial position date**

No information has been identified since the statement of financial position date about conditions existing at the statement of financial position date which is required to be disclosed in these financial statements.

**20 Ultimate controlling party**

The Company is wholly owned by Shenton International Limited, a company registered in the United Kingdom. The Company is included in the consolidated financial statements of Shenton International Limited, the accounts are available from the Company's registered office.

The ultimate controlling party of the Company is Shenton Holdings Private Limited, a company registered in Singapore.