

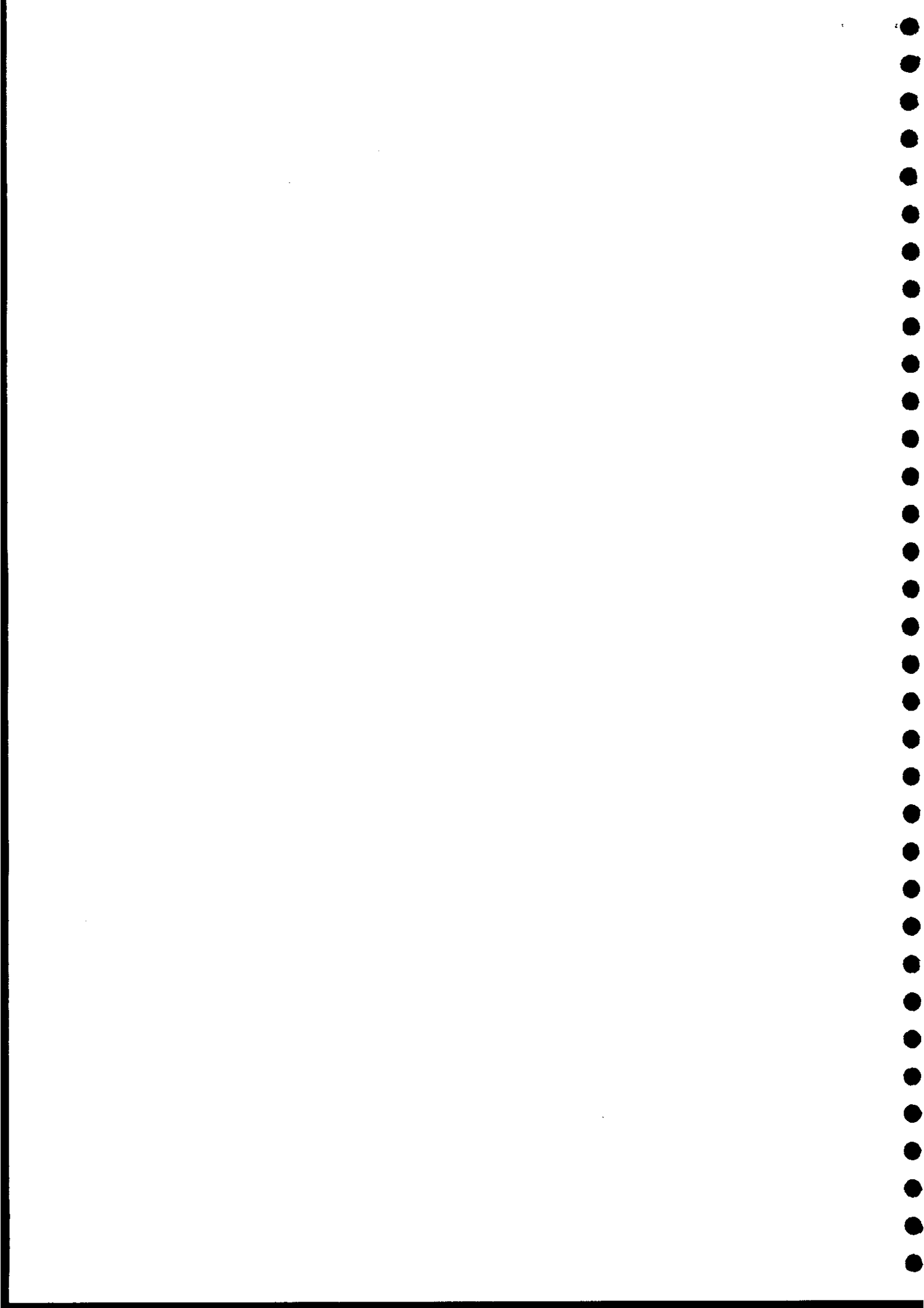
Daiwa Asset Management (Europe) Ltd

ANNUAL REPORT

For the year ended 31 March 2000

Registered No: 2045607

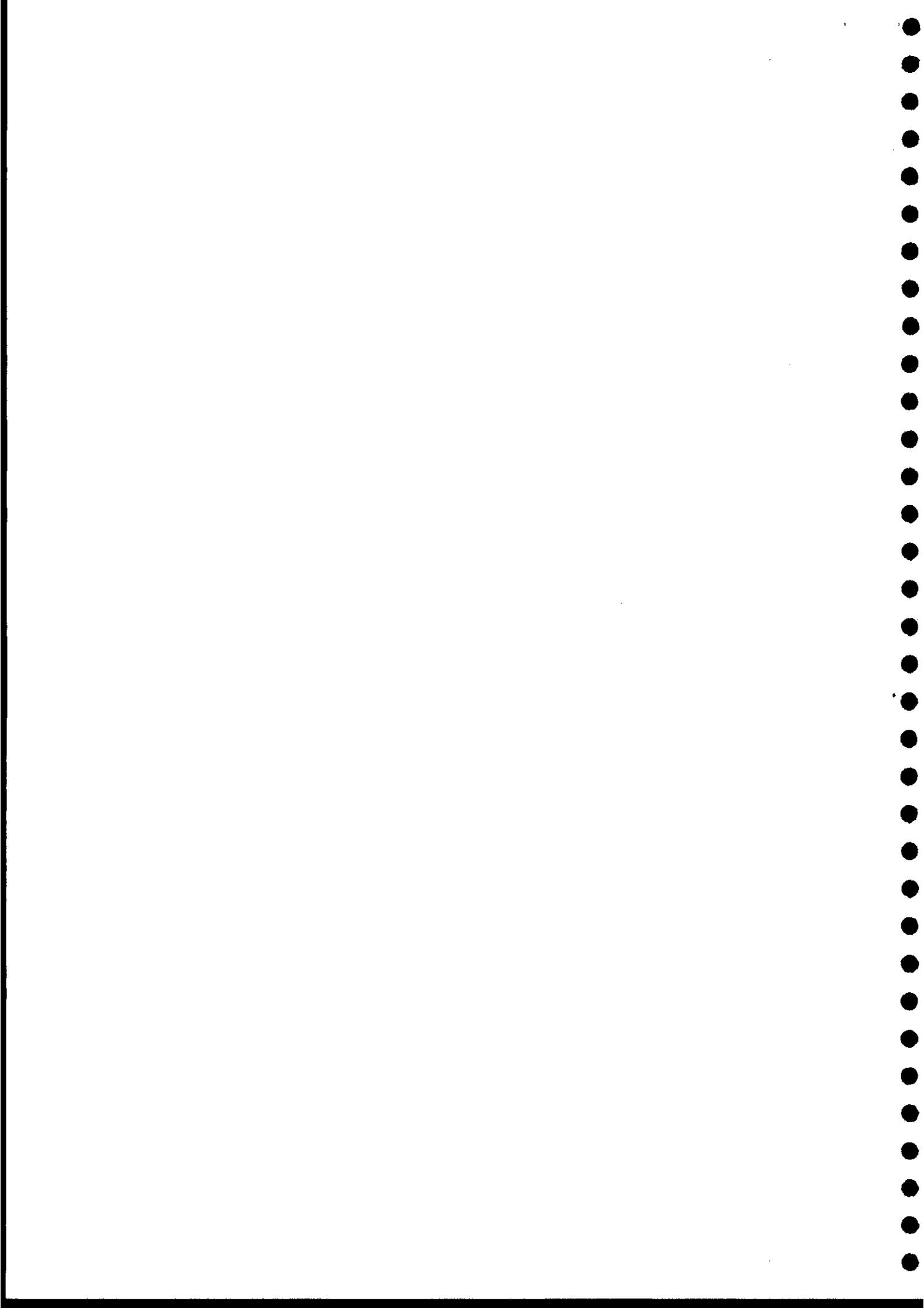




Daiwa Asset Management (Europe) Ltd

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Directors' report
For the year ended 31 March 2000

The Directors present their report and the audited financial statements for the year ended 31 March 2000.

Principal activities and business review

The profit and loss account for the year is set out on page 4.

The principal activity of the company is the provision of investment advice to its ultimate parent undertaking and to others.

The company's operating profit for the year has decreased from £489,760 to £457,698. The directors are satisfied with the results achieved and are optimistic for the future.

Dividends

The directors do not recommend the payment of dividend. The profit for the financial year of £374,681 will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 6 to the financial statements.

Year 2000

The company implemented a structured programme to minimise the impact of the Millennium date change on its operations. The programme covered several internal business systems, properties and the external supplier chain.

No significant issues to date have arisen as a result of the Year 2000 date change. However, given the nature and the scale of the problem, it is not possible for any organisation to be certain that it will not be affected by failures due to the Year 2000 date change, even when its own systems are fully compliant.

Directors' report
For the year ended 31 March 2000 (*continued*)

Directors

The directors of the company who served during the year were as follows:

M Nitani

H Ando

K Kitazawa

S Akiyama (resigned on 27 August 1999)

H Washida (appointed on 27 August 1999 and resigned on 14 January 2000)

Y Hashimoto (appointed on 24 February 2000)

None of the directors had any beneficial interest in the share capital of the company either at the beginning or end of the year.

Auditors

The company has passed an elective resolution in accordance with section 379A of the Companies Act 1985 to dispense with the annual appointment of the auditors.

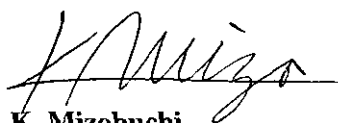
Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



K. Mizobuchi

Company Secretary

**Report of the Auditors to the Members of
Daiwa Asset Management (Europe) Ltd**

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

17 July 2000

**Profit and loss account
For the year ended 31 March 2000**

	<u>Notes</u>	2000 £	1999 £
Turnover	3	1,693,964	1,419,316
Administrative expenses		(1,236,266)	(929,556)
Operating profit		457,698	489,760
Interest receivable		87,790	68,298
Profit on ordinary activities before taxation	4	545,488	558,058
Tax on profit on ordinary activities	5	(170,807)	(183,001)
Retained profit for the financial year	11	374,681	375,057

All activities are in respect of continuing operations.

The company has no recognised gains and losses other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

Balance Sheet
For the year ended 31 March 2000

	<u>Notes</u>	2000 £	1999 £
Fixed Assets			
Tangible Assets	6	9,236	24,768
Investment	7	54,872	58,503
		64,108	83,271
Current Assets			
Debtors	8	417,155	210,700
Cash at bank and in hand		2,083,887	1,516,495
		2,501,042	1,727,195
Creditors: amounts			
falling due within one year	9	698,735	318,732
Net Current Assets		1,802,307	1,408,463
Net Assets		1,866,415	1,491,734
Capital and Reserves			
Called up share capital	10	500,000	500,000
Profit and loss account	11	1,366,415	991,734
Equity Shareholders' Funds	12	1,866,415	1,491,734

The financial statements on pages 4 to 15 were approved by the board of directors on 17-Jul 2000 and were signed on its behalf by:



M Nitnai
Managing Director

Cash flow statement**For the year ended 31 March 2000**

	<u>Notes</u>	2000 £	1999 £
Net cash inflow from operating activities	13	711,135	444,666
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,915)	(6,555)
Receipt from disposal of tangible fixed assets		3,927	-
Return on investments and servicing of finance			
Interest received		80,335	68,298
Taxation			
UK corporation tax paid		(222,090)	(97,688)
 Increase in cash	 14	 <u>567,392</u>	 <u>408,721</u>

**Notes to the financial statements
For the year ended 31 March 2000****1 Principal Accounting Policies****Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Provision is made for depreciation to write off the cost of fixed assets in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements	period of the lease
Motor cars	4 years
Furniture and office equipment	2-5years

Investments

Deposit for golf club membership is amortised over its useful life of ten years. Other fixed asset investments are stated at cost less any provision for a permanent diminution in value.

Turnover

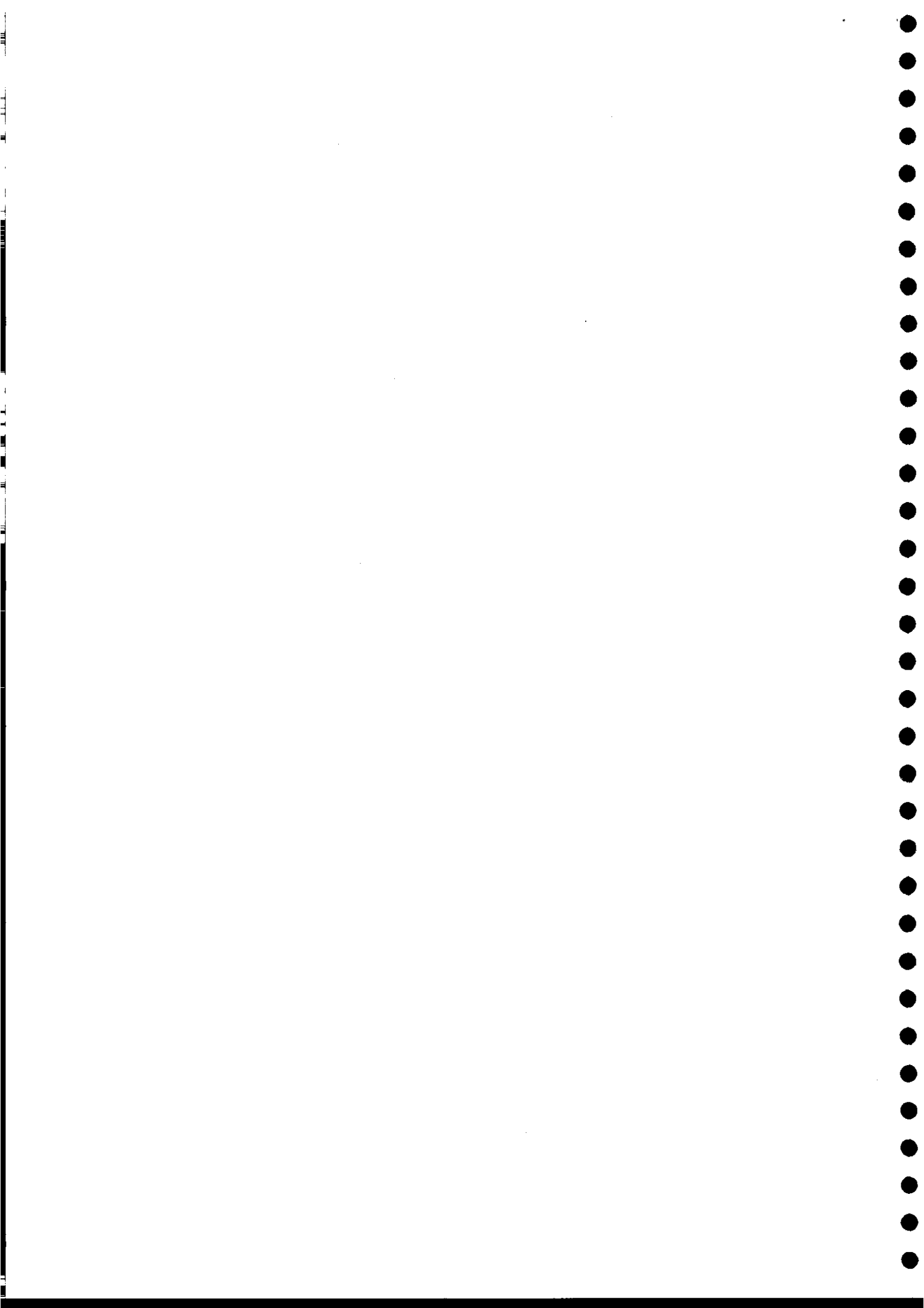
Turnover comprises amounts invoiced and receivable for the provision of investment advice to its parent company and fellow group undertakings.

Deferred taxation

Deferred taxation is accounted for only to the extent that an asset or liability is expected to crystallise in the foreseeable future.

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. All differences are taken to the profit and loss account.



Notes to the financial statements
For the year ended 31 March 2000 (*continued*)

Leases

All leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

2 Directors' emoluments and employee information

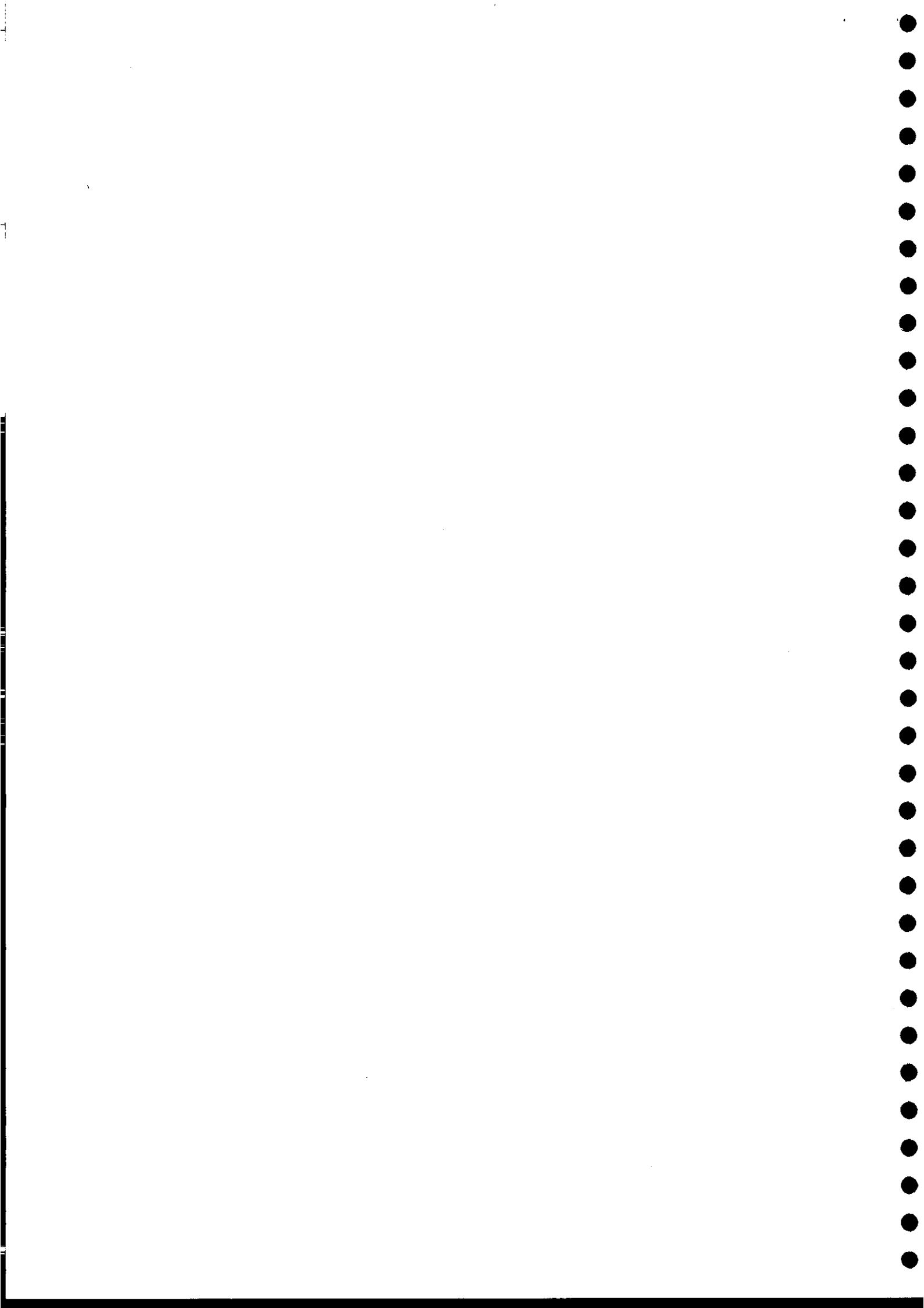
	2000 £	1999 £
Aggregate emoluments	226,896	179,409

	2000 £	1999 £
Highest paid director		
Aggregate emoluments and benefits	226,896	179,409

Five other directors were based overseas and received no emoluments from the company during the year or last year.

The average number of employees, including the executive director, in the UK during the period was 6 (1999: 6). Staff costs were as follows:

	2000 £	1999 £
Wages and salaries, including income tax	582,051	477,245
Social security costs	46,096	36,402
Other pension costs	7,567	8,675
	635,714	522,322



Notes to the financial statements
For the year ended 31 March 2000 (*continued*)

3 Turnover

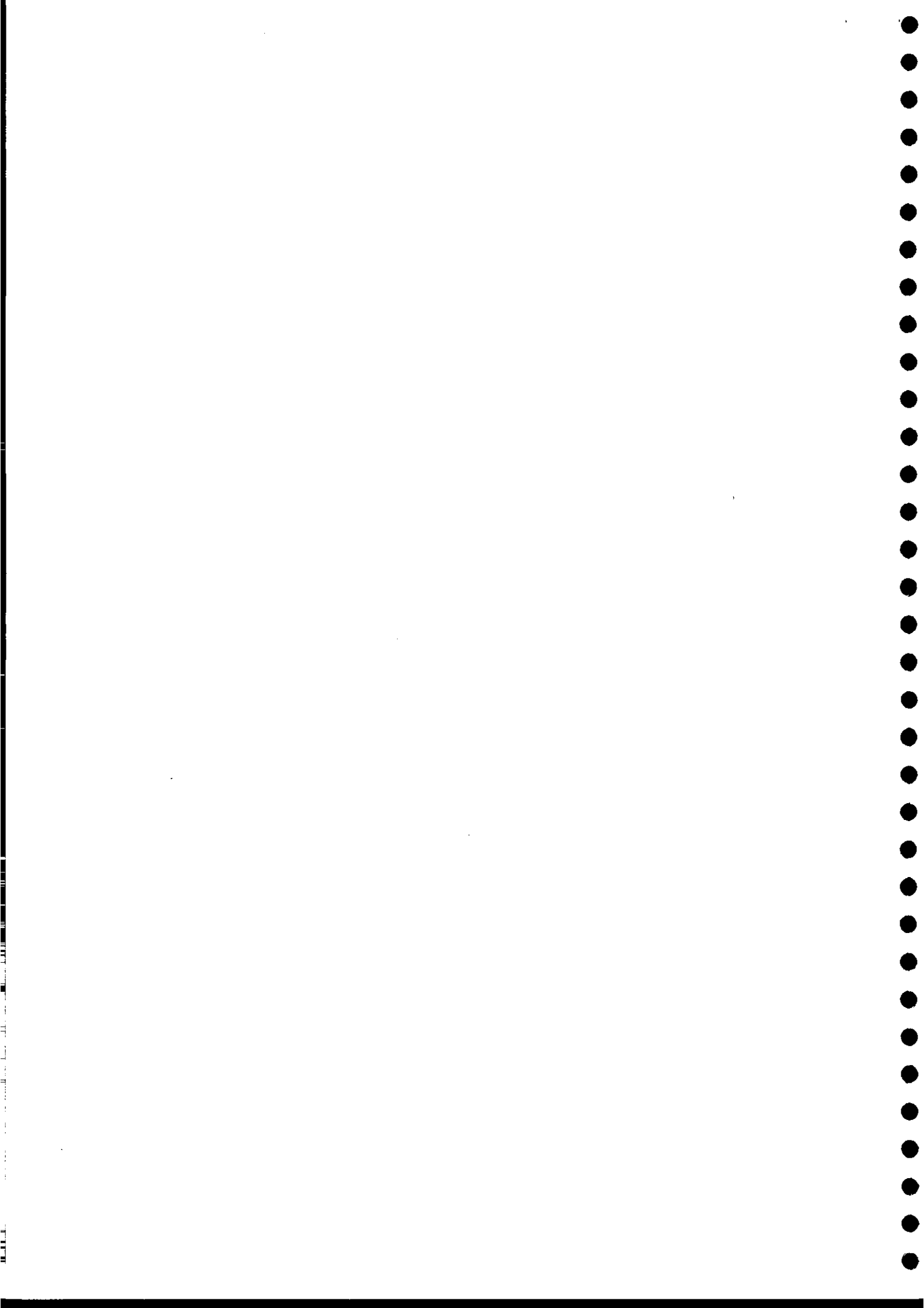
Turnover comprises income from provision of advice:

	2000 £	1999 £
Income from investment advice to the ultimate parent undertaking	475,962	920,260
Income from investment advice to group undertakings	1,218,002	499,056
	1,693,964	1,419,316

4 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated after taking into account the following charges/gains:</i>		
Auditors' remuneration	14,000	13,000
Depreciation of tangible fixed assets	18,818	23,016
Amortisation of deposit for golf club membership	8,100	8,100
Operating lease rentals for office equipment	106	939
Operating lease rentals for property	44,170	44,170
Gain on disposal of fixed assets	(1,298)	-

£25,000 was payable to the company's auditors for provision of non audit services during the year.



Notes to the financial statements
For the year ended 31 March 2000 (*continued*)

5 Taxation on profit on ordinary activities

	2000 £	1999 £
Current UK Corporation Tax at 30% (1999: 31%)	170,807	182,090
Underprovision in respect of prior year	-	911
	<u>170,807</u>	<u>183,001</u>

6 Tangible fixed assets

	Short leasehold building improvements £	Motor vehicles £	Furniture and office equipment £	TOTAL £
Cost				
At 1 April 1999	60,906	22,250	121,829	204,985
Additions	-	-	5,915	5,915
Disposals	-	-	(4,610)	(4,610)
At 31 March 2000	<u>60,906</u>	<u>22,250</u>	<u>123,134</u>	<u>206,290</u>
Depreciation				
At 1 April 1999	49,063	19,467	111,687	180,217
Charge for year	10,151	2,783	5,884	18,818
Disposals	-	-	(1,981)	(1,981)
At 31 March 2000	<u>59,214</u>	<u>22,250</u>	<u>115,590</u>	<u>197,054</u>
Net book value				
At 31 March 2000	<u>1,692</u>	<u>-</u>	<u>7,544</u>	<u>9,236</u>
At 31 March 1999	<u>11,843</u>	<u>2,783</u>	<u>10,142</u>	<u>24,768</u>

Notes to the financial statements
For the year ended 31 March 2000 (continued)

7 Investment

	2000 £	1999 £
Deposit for golf club membership	81,000	81,000
Less: Amortisation (see note 4)	(56,700)	(48,600)
	24,300	32,400
Registration fee placed with Japanese Ministry of Finance	30,572	26,103
	54,872	58,503

Under the rules of the golf club, a refund of the deposit cannot be claimed until 23rd November 2003.

The registration fee is repayable if the company de-registers as an investment advisory company.

8 Debtors

	2000 £	1999 £
Amount falling due within one year		
Amounts due from group undertakings	367,561	173,607
Other debtors	29,299	13,548
Prepayments	12,840	23,545
Accrued interest	7,455	-
	417,155	210,700

Notes to the financial statements
For the year ended 31 March 2000 (continued)

The following loans are included within other debtors:

Loan to director

	2000	1999
	£	£
Amount of liability	4,751	-

During the year the company provided a loan of £5,000 to the Managing Director, Mr. Nitnai. This loan, had a term of 3 years, interest rate of 3% and is repayable in monthly instalments.

The maximum amount of the liability during the year was £5,000.
There is no outstanding interest payable on the loan as at 31st March 2000.

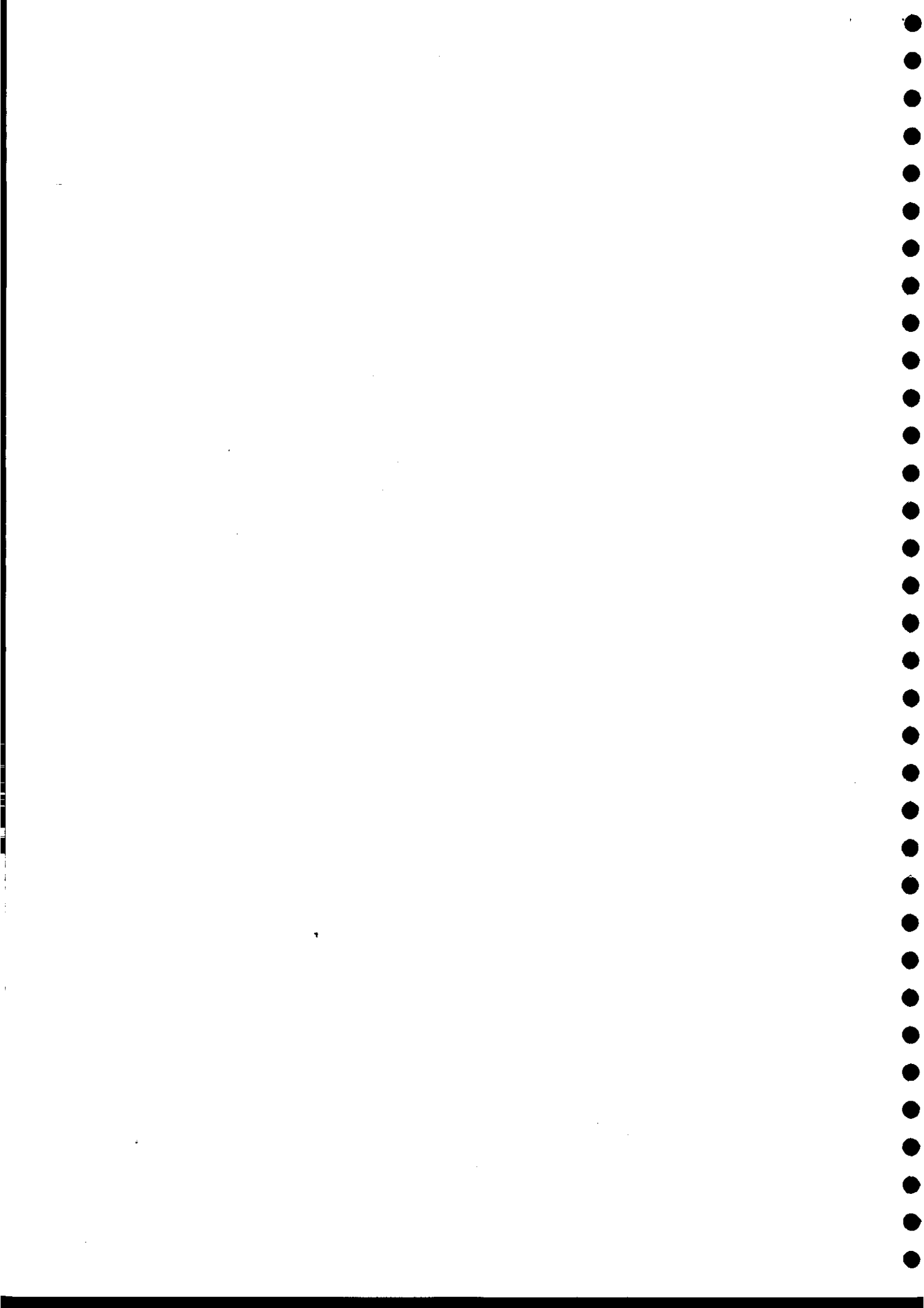
Loan to the Company Secretary

During the year the company provided a loan of £7,500 to the Company Secretary, Mr. Mizobuchi. The amount outstanding at the year end was £5,633.

The Company Secretary was the only officer to receive a loan during the year.

9 Creditors: amounts falling due within one year

	2000	1999
	£	£
Corporation tax	130,807	182,090
Other taxation and social security	16,927	13,380
Creditors and accruals	68,028	42,744
Deferred income	-	2,114
Amounts payable to parent undertaking	482,973	78,404
	698,735	318,732



Notes to the financial statements
For the year ended 31 March 2000 (continued)

10 Called up share capital

	2000 £	1999 £
Authorised: 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid 500,000 ordinary shares of £1 each	500,000	500,000

11 Profit and loss account

	2000 £	1999 £
At 1 April 1999	991,734	616,677
Retained profit for the year	374,681	375,057
At 31 March 2000	1,366,415	991,734

12 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Opening shareholder's funds	1,491,734	1,116,677
Profit for the financial year	374,681	375,057
Closing shareholders' funds	1,866,415	1,491,734

Notes to the financial statements
For the year ended 31 March 2000 (continued)

13 Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	£	£
Operating profit	457,698	489,760
Depreciation of tangible fixed assets	18,818	23,016
Amortisation of deposit for golf club membership	8,100	8,100
(Gain) on disposal of tangible fixed assets	(1,298)	-
(Increase) in debtors	(199,000)	(93,808)
Increase in creditors	431,286	21,216
Foreign exchange (gain)	(4,469)	(3,618)
Net cash inflow from operating activities	<u>711,135</u>	<u>444,666</u>

14 Reconciliation of net cash inflow to movement in net funds

	2000	1999
	£	£
Net funds at 1 April 1999	1,516,495	1,107,774
Increase in cash in the period	567,392	408,721
Net funds at 31 March 2000	<u>2,083,887</u>	<u>1,516,495</u>

15 Analysis of net funds

	At 1st April 1999	Cashflow	At 31st March 2000
	£	£	£
Cash at bank and in hand	<u>1,516,495</u>	<u>567,392</u>	<u>2,083,887</u>

Notes to the financial statements
For the year ended 31 March 2000 (continued)

16 Financial commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Property £	Others £	Property £	Others £
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	58,793	-	44,170	-
	<u>58,793</u>	<u>-</u>	<u>44,170</u>	<u>-</u>

17 Related party transactions and ultimate parent undertaking

As disclosed in note 3, the company earned investment advisory fees of £475,962 (1999: £920,260) during the year from its ultimate parent undertaking, Daiwa Asset Management Company Limited ("DAMCL"). The fees were paid on the basis of an inter-company agreement whereby the company is reimbursed for the costs relating to advising DAMCL at cost plus 10 per cent.

At the balance sheet date, amount due to DAMCL was £482,973 (1999: £78,404).

DAMCL is a private company incorporated in Japan and is not required to prepare or publish consolidated accounts.