Daiwa Asset Management (Europe) Ltd

ANNUAL REPORT

For the year ended 31 March 2001

Registered No: 2045607



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Daiwa Asset Management (Europe) Ltd

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Directors' report
For the year ended 31 March 2001

The Directors present their report and the audited financial statements for the year ended 31 March 2001.

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 increased from £457,698 to £506,430. 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 £434,869 will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 7 to the financial statements.

Directors' report
For the year ended 31 March 2001 (*continued*)

Directors

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

M. Arai	(appointed on 5th September 2000)
H. Ando	(resigned on 5th September 2000)
K. Kitazawa	
Y. Hashimoto	
M. Nitanai	

On 25th April 2001 Mr. M Nitanai resigned as a director and Mr. O Yamashita was appointed. 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 2001. 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

Satoshi Sakae

S. Sakae
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 2001 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

26 July 2001

Profit and loss account
For the year ended 31 March 2001

	Notes	2001 £	2000 £
Turnover	3	1,915,425	1,693,964
Administrative expenses		(1,408,995)	(1,236,266)
Operating profit		506,430	457,698
Investment and interest income	4	124,864	87,790
Profit on ordinary activities before taxation	5	631,294	545,488
Tax on profit on ordinary activities	6	(196,425)	(170,807)
Retained profit for the financial year	14	434,869	374,681

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 2001

	Notes	2001 £	2000 £
Fixed Assets			
Tangible Assets	7	56,490	9,236
Investment	8	44,186	54,872
		100,676	64,108
Current Assets			
Debtors	9	443,997	417,155
Investment	10	1,984,767	-
Cash at bank and in hand		143,317	2,083,887
		2,572,081	2,501,042
Creditors: amounts falling due within one year	11	355,455	698,735
Net Current Assets		2,216,626	1,802,307
Total Assets Less Current Liabilities		2,317,302	1,866,415
Provision for liabilities and charges: amounts falling due within one year	12	16,018	-
		2,301,284	1,866,415
Capital and Reserves			
Called up share capital	13	500,000	500,000
Profit and loss account		1,801,284	1,366,415
Equity Shareholders' Funds	15	2,301,284	1,866,415

The financial statements on pages 4 to 15 were approved by the Board of Directors on 25th July 2001 and were signed on its behalf by:

O. Yamashita
Managing Director

Cash flow statement
For the year ended 31 March 2001

	Notes	2001 £	2000 £
Net cash inflow from operating activities	16	183,962	711,135
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(68,928)	(5,915)
Receipt from disposal of tangible fixed assets		-	3,927
Return on investments and servicing of finance			
Interest received		58,972	80,335
Income from investment		62,864	-
Taxation			
UK corporation tax paid		(192,673)	(222,090)
Management of liquid resources			-
Purchase of commercial paper		(1,984,767)	-
(Decrease) increase in cash	17	(1,940,570)	567,392

Notes to the financial statements For the year ended 31 March 2001

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. Current asset investments are stated at the lower of cost and net realisable 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 2001 (*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

	2001 £	2000 £
Aggregate emoluments	236,619	226,896

	2001 £	2000 £
Highest paid director		
Aggregate emoluments and benefits	236,619	226,896

Four 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 5 (*2000: 6*). Staff costs were as follows:

	2001 £	2000 £
Wages and salaries, including income tax	621,130	582,051
Social security costs	77,362	46,096
Other pension costs	5,317	7,567
	703,809	635,714

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

3 Turnover

Turnover comprises income from provision of advice:

	2001 £	2000 £
Income from investment advice to the ultimate parent undertaking	393,305	475,962
Income from investment advice to group undertakings	1,522,120	1,218,002
	1,915,425	1,693,964

4 Investment and interest income

	2001 £	2000 £
Other interest receivable and similar income	73,347	-
Interest receivable on cash deposits	51,517	87,790
	124,864	87,790

5 Profit on ordinary activities before taxation

	2001 £	2000 £
Profit on ordinary activities before taxation is stated after taking into account the following charges/gains:		
Auditors' remuneration		
Audit services	14,800	14,000
Non audit services	4,750	25,000
Depreciation of tangible fixed assets	21,674	18,818
Amortisation of deposit for golf club membership	8,100	8,100
Operating lease rentals for office equipment	106	106
Operating lease rentals for property	50,235	44,170
Gain on disposal of fixed assets	-	(1,298)

Notes to the financial statements
For the year ended 31 March 2001 (*continued*)

6 Taxation on profit on ordinary activities

	2001 £	2000 £
Current UK Corporation Tax at 30% *(2000: 30%)*	196,159	170,807
Underprovision in respect of prior year	266	-
	196,425	170,807

7 Tangible fixed assets

	Short leasehold building improvements	Motor vehicles	Furniture and office equipment	TOTAL
	£	£	£	£
Cost				
At 1 April 2000	60,906	22,250	123,134	206,290
Additions	27,947	-	40,981	68,928
Disposals	-	-	(103,508)	(103,508)
At 31 March 2001	**88,853**	**22,250**	**60,607**	**171,710**
Depreciation				
At 1 April 2000	59,214	22,250	115,590	197,054
Charge for year	7,281	-	14,393	21,674
Disposals	-	-	(103,508)	(103,508)
At 31 March 2001	**66,495**	**22,250**	**26,475**	**115,220**
Net book value				
At 31 March 2001	22,358	-	34,132	56,490
At 31 March 2000	1,692	-	7,544	9,236

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

8 Investment

	2001 £	2000 £
Deposit for golf club membership	81,000	81,000
Less: Amortisation (see note 4)	(64,800)	(56,700)
	16,200	24,300
Registration fee placed with Japanese Ministry of Finance	27,986	30,572
	44,186	54,872

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.

9 Debtors

	2001 £	2000 £
Amount falling due within one year		
Amounts due from group undertakings	376,632	367,561
Other debtors	24,831	29,299
Prepayments	32,051	12,840
Accrued interest	10,483	7,455
	443,997	417,155

The following loans are included within other debtors:

Loan to Director

	2001 £	2000 £
Amount of loan:	3,129	4,751

This loan was made to Mr. Nitanai, had a remaining term of 2 years, interest rate of 3% and is repayable in monthly instalments. The maximum amount of the liability during the year was £4,634. There was no outstanding interest payable on the loan as at 31st March 2001.

Loan to the Company Secretary

The amount outstanding at the year end was £2,643.

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

10 Investment

	2001 £	2000 £
		-
Short-term commercial paper	1,984,767	-

The market value of these securities (£1,992,143) is not materially different from their carrying amount.

11 Creditors: amounts falling due within one year

	2001 £	2000 £
Corporation tax	134,559	130,807
Other taxation and social security	25,950	16,927
Creditors and accruals	35,998	68,028
Amounts payable to parent undertaking	158,948	482,973
	355,455	698,735

12 Provision for liabilities and charges

	2001 £	2000 £
Provision in relation to pension lump sum payments	3,642	-
Provision in relation to rent-free period	12,376	-
		-
	16,018	-

During the year, the company's parent company made pension lump sum payments to staff and the provision relates to the potential liability arising from these payments.

On 1st May 2000, the company entered into a lease pertaining to its premises in London. The economic benefit of the rent-free period of three months from that date is being amortised over the period of the lease.

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

13 Called up share capital

	2001 £	2000 £
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

14 Profit and loss account

	2001 £	2000 £
At 1 April 2000	1,366,415	991,734
Retained profit for the year	434,869	374,681
At 31 March 2001	1,801,284	1,366,415

15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Opening shareholder's funds	1,866,415	1,491,734
Profit for the financial year	434,869	374,681
Closing shareholders' funds	2,301,284	1,866,415

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

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

	2001 £	2000 £
Operating profit	506,430	457,698
Depreciation of tangible fixed assets	21,674	18,818
Amortisation of deposit for golf club membership	8,100	8,100
(Gain) on disposal of tangible fixed assets	-	(1,298)
(Increase) in debtors	(23,814)	(199,000)
(Decrease) increase in creditors	(331,014)	431,286
Foreign exchange loss (gain)	2,586	(4,469)
Net cash inflow from operating activities	183,962	711,135

17 Reconciliation of net cash inflow to movement in net funds

	2001 £	2000 £
Net funds at 1 April 2000	2,083,887	1,516,495
(Decrease) Increase in cash in the period	(1,940,570)	567,392
Net funds at 31 March 2001	143,317	2,083,887

18 Analysis of net funds

	At 1st April 2000 £	Cashflow £	At 31st March 2001 £
Cash at bank and in hand	2,083,887	(1,940,570)	143,317

Notes to the financial statements
For the year ended 31 March 2001 *(continued)*

19 Financial commitments

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Property £	**Others £**	**Property £**	**Others £**
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	61,887	-	58,793	-
	61,887	**-**	**58,793**	**-**

20 Related party transactions and ultimate parent undertaking

As disclosed in Note 3, the company earned investment advisory fees of £ 393,305 (2000: £475,962) during the year from its ultimate parent undertaking, Daiwa Asset Management Company Limited ('DAMCO'). The fees were paid on the basis of an inter-company agreement whereby the company is reimbursed for the costs relating to advising DAMCO at cost plus 10 per cent.

At the balance sheet date, the amount due to DAMCO was £158,948 (2000: £482,973).

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