

Daiwa Asset Management (Europe) Ltd

ANNUAL REPORT

For the year ended 31 March 2002

Registered No: 2045607



Daiwa Asset Management (Europe) Ltd

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Daiwa Asset Management (Europe) Ltd

Directors' report For the year ended 31 March 2002

The Directors present their report and the audited financial statements for the year ended 31 March 2002.

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 parent undertaking and to others.

The company's operating profit for the year has decreased from £506,430 to £361,990. 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 £321,452 will be transferred to reserves.

Directors

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

M. Arai	
Y. Kitazawa	
K. Hashimoto	
M. Nitnai	(resigned on 25 April 2001)
O. Yamashita	(appointed on 25 April 2001)

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.

Daiwa Asset Management (Europe) Ltd

Directors' report

For the year ended 31 March 2002 (*continued*)

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 2002. 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

H. Akakura
Company Secretary



Daiwa Asset Management (Europe) Ltd

Independent auditors' report to the members of Daiwa Asset Management (Europe) Ltd

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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. The other information comprises only the directors' report.

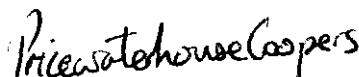
Basis of audit opinion

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 2002 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

Chartered Accountants and Registered Auditors

LONDON

29 May 2002

Daiwa Asset Management (Europe) Ltd

Profit and loss account

For the year ended 31 March 2002

	<u>Notes</u>	2002 £	2001 £
Turnover	3	1,687,527	1,915,425
Administrative expenses		(1,325,537)	(1,408,995)
Operating profit		361,990	506,430
Investment and interest income	4	105,280	124,864
Profit on ordinary activities before taxation	5	467,270	631,294
Tax on profit on ordinary activities	6	(145,818)	(196,425)
Retained profit for the financial year	14	321,452	434,869

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.

Diawa Asset Management (Europe) Ltd

Balance Sheet

For the year ended 31 March 2002

	<u>Notes</u>	2002 £	2001 £
Fixed Assets			
Tangible Assets	7	38,745	56,490
Investment	8	8,100	44,186
		46,845	100,676
Current Assets			
Debtors	9	368,592	443,997
Investment	10	1,988,403	1,984,767
Cash at bank and in hand	17	466,137	143,317
		2,823,132	2,572,081
Creditors: amounts			
falling due within one year	11	237,959	355,455
Net Current Assets		2,585,173	2,216,626
Total Assets Less Current Liabilities		2,632,018	2,317,302
Provision for liabilities and charges:			
amounts falling due within one year	12	9,282	16,018
		2,622,736	2,301,284
Capital and Reserves			
Called up share capital	13	500,000	500,000
Profit and loss account	14	2,122,736	1,801,284
Equity Shareholders' Funds	15	2,622,736	2,301,284

The financial statements on pages 4 to 16 were approved by the Board of Directors on 29 May 2002 and were signed on its behalf by:


O. Yamashita
Managing Director

Daiwa Asset Management (Europe) Ltd

Cash flow statement

For the year ended 31 March 2002

	<u>Notes</u>	2002 £	2001 £
Net cash inflow from operating activities	16	412,155	183,962
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,400)	(68,928)
Transfer of investment to current assets		27,986	-
Return on investments and servicing of finance			
Interest received		14,370	58,972
Income from investment		94,330	62,864
Taxation			
UK corporation tax paid		(220,985)	(192,673)
Management of liquid resources			
Purchase of commercial paper		(3,636)	(1,984,767)
 Increase / (Decrease) in cash	 17	 <u>322,820</u>	 <u>(1,940,570)</u>

Daiwa Asset Management (Europe)Ltd

Notes to the financial statements For the year ended 31 March 2002

1 Principal Accounting Policies

Basis of accounting

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

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	2-5 years

Investments

The 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 provided under the incremental liability method whereby deferred tax is accounted for on timing differences that have originated but have not reversed by the balance sheet date. This follows the company's adoption of FRS19 "Deferred Tax". There has been no need to restate comparative figures and no effect on profit for the current year or prior year.

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.

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements For the year ended 31 March 2002 (*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

	2002 £	2001 £
Aggregate emoluments	235,917	236,619

	2002 £	2001 £
Highest paid director		
Aggregate emoluments and benefits	173,248	236,619

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 (2001: 5). Staff costs were as follows:

	2002 £	2001 £
Wages and salaries, including income tax	663,390	621,130
Social security costs	12,654	77,362
Other pension costs	6,000	5,317
	682,044	703,809

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements For the year ended 31 March 2002 (*continued*)

3 Turnover

Turnover comprises income from provision of advice:

	2002 £	2001 £
Income from investment advice to the parent undertaking	392,226	393,305
Income from investment advice to group undertakings	1,295,301	1,522,120
	1,687,527	1,915,425

4 Investment and interest income

	2002 £	2001 £
Other interest receivable and similar income	90,910	73,347
Interest receivable on cash deposits	14,370	51,517
	105,280	124,864

5 Profit on ordinary activities before taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after taking into account the following charges:		
Auditors' remuneration		
Audit services	16,489	14,800
Non audit services	5,250	4,750
Depreciation of tangible fixed assets	19,145	21,674
Amortisation of deposit for golf club membership	8,100	8,100
Operating lease rentals for office equipment	83	106
Operating lease rentals for property	58,793	50,235

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements For the year ended 31 March 2002 (*continued*)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2002	2001
	£	£
Current tax		
UK corporation tax at 30% (2001: 30%)	145,818	196,159
Prior year under-provision	-	266
Total current tax (Note 6b)	145,818	196,425
 Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	145,818	196,425

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	467,270	631,294
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	140,181	189,388
 Effects of:		
Depreciation in excess of capital allowances	3,777	3,631
Expenses not deductible for tax purposes	1,860	3,140
Adjustments for prior year	-	266
Current tax charge for the year (Note 6a)	145,818	196,425

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements For the year ended 31 March 2002 (*continued*)

7 Tangible fixed assets

	Short leasehold building improvements	Motor vehicles	Furniture and office equipment	TOTAL
Cost	£	£	£	£
At 1 April 2001	88,853	22,250	60,607	171,710
Additions	-	-	1,400	1,400
Disposal	(60,906)	-	(3,370)	(64,276)
At 31 March 2002	27,947	22,250	58,637	108,834
Depreciation				
At 1 April 2001	66,495	22,250	26,475	115,220
Charge for year	5,589	-	13,556	19,145
Disposal	(60,906)	-	(3,370)	(64,276)
At 31 March 2002	11,178	22,250	36,661	70,089
Net book value				
At 31 March 2002	16,769	-	21,976	38,745
At 31 March 2001	22,358	-	34,132	56,490

8 Investment

	2002	2001
	£	£
Deposit for golf club membership	81,000	81,000
Less: Amortisation (see note 5)	(72,900)	(64,800)
	8,100	16,200
Registration fee placed with Japanese Ministry of Finance	-	27,986
	8,100	44,186

Under the rules of the golf club, a refund of the deposit cannot be claimed until 23 November 2003. The company de-registered as an investment advisory company with The Japanese Ministry of Finance on 27 December 2001. The registration fee will be repayable in September 2002.

Daiwa Asset Management(Europe) Ltd

Notes to the financial statements For the year ended 31 March 2002 (*continued*)

9 Debtors

	2002 £	2001 £
Amount falling due within one year		
Amounts due from group undertakings	292,455	376,632
Other debtors	40,097	24,831
Prepayments	28,977	32,051
Accrued interest	7,063	10,483
	368,592	443,997

The following loans are included within other debtors:

Loan to Director

	2002 £	2001 £
Amount of loan:	-	3,129

This loan which had been made to Mr. Nitnai with an interest rate of 3% was repaid during the year. The maximum amount of the liability during the year was £3,129. There was no outstanding interest payable on the loan as at 31 March 2002.

Loan to the Company Secretary

The amount outstanding at the year end was £127.

10 Investment

	2002 £	2001 £
Short-term commercial paper	1,988,403	1,984,767

The market value of these securities, £1,994,947 (2001: £1,992,143), is not materially different from their carrying amount.

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements

For the year ended 31 March 2002 (*continued*)

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Corporation tax	59,392	134,559
Other taxation and social security	35,800	25,950
Creditors and accruals	66,259	35,998
Amounts payable to parent undertaking	76,508	158,948
	237,959	355,455

12 Provision for liabilities and charges

	2002 £	2001 £
Provision in relation to pension lump sum payments	-	3,642
Provision in relation to rent-free period	9,282	12,376
	9,282	16,018

On 1 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.

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements

For the year ended 31 March 2002 (*continued*)

13 Called up share capital

	2002 £	2001 £
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

	2002 £	2001 £
Balance at beginning of year	1,801,284	1,366,415
Retained profit for the year	321,452	434,869
Balance at end of year	2,122,736	1,801,284

15 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Opening shareholder's funds	2,301,284	1,866,415
Profit for the financial year	321,452	434,869
Closing shareholders' funds	2,622,736	2,301,284

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements

For the year ended 31 March 2002 (*continued*)

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

	2002	2001
	£	£
Operating profit	361,990	506,430
Depreciation of tangible fixed assets	19,145	21,674
Amortisation of deposit for golf club membership	8,100	8,100
(Reduction) / Increase in provisions	(6,736)	16,018
Decrease / (Increase) in debtors	71,985	(23,814)
(Decrease) in creditors	(42,329)	(347,032)
Foreign exchange loss	-	2,586
Net cash inflow from operating activities	412,155	183,962

17 Reconciliation of net cash inflow to movement in net funds

	2002	2001
	£	£
Net funds at beginning of year	143,317	2,083,887
Increase / (Decrease) in cash in the period	322,820	(1,940,570)
Net funds at end of year	466,137	143,317

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements

For the year ended 31 March 2002 (*continued*)

18 Financial commitments

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Property £	Others £	Property £	Others £
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	61,887	-	61,887	-
	61,887	-	61,887	-

19 Related party transactions and ultimate parent undertaking

As disclosed in Note 3, the company earned investment advisory fees of £ 392,226 (2001: £393,305) during the year from its parent undertaking, Daiwa Asset Management Company Limited ('DAMCO').

At the balance sheet date, the amount due to DAMCO was £76,508 (2001: £158,948).

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

The company also earned investment advisory fees of £1,295,301 (2001: £1,522,120) during the year from the offshore funds managed by Daiwa Europe Fund Managers Ireland Limited (DEFMIL). DEFMIL is a company incorporated in Ireland and a wholly owned subsidiary of Daiwa Securities Trust and Banking (Europe) Plc (DSTB); DSTB is a company incorporated in the UK and a wholly owned subsidiary of the Daiwa Securities Group Inc., a company incorporated in Japan. Both DAMCO and DSTB are related companies through their ultimate parent company, Daiwa Securities Group Inc.