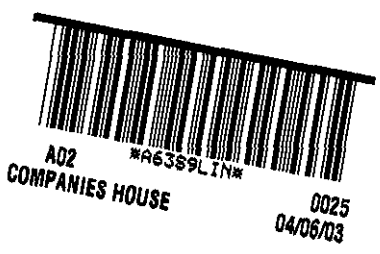
Daiwa Asset Management (Europe) Ltd

ANNUAL REPORT

For the year ended 31 March 2003

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 2003

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities and business review

The profit and loss account for the year is set out on page 5. 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 £361,990 to £ 212,194. 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 £ 216,362 will be transferred to reserves.

Directors

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

M. Arai	(resigned on 28 February 2003)
Y. Kitazawa	(resigned on 28 February 2003)
K. Hashimoto	
T. Kamozaki	(appointed on 28 February 2003)
T. Tanegashima	(appointed on 28 February 2003)
O. Yamashita	

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 5 February 2003 and directors appointed its successor, PricewaterhouseCoopers LLP, as auditors at a Board meeting of Daiwa Asset Management (Europe) Ltd held on 6 February 2003 (following the elective resolution passed by the company 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 2003 (*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 2003. 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

W. Araiso
Company Secretary

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

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 on pages 1 and 2.

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. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 2003 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 LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON
...26....May 2003

Daiwa Asset Management (Europe) Ltd

Profit and loss account
For the year ended 31 March 2003

	Notes	2003 £	2002 £
Turnover	3	1,484,594	1,687,527
Administrative expenses		(1,272,400)	(1,325,537)
Operating profit		212,194	361,990
Investment and interest income	4	104,694	105,280
Profit on ordinary activities before taxation	5	316,888	467,270
Tax on profit on ordinary activities	6	(100,526)	(145,818)
Retained profit for the financial year	14	216,362	321,452

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.

Daiwa Asset Management (Europe) Ltd

Balance Sheet
For the year ended 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible Assets	7	23,009	38,745
Investment	8	-	8,100
		23,009	46,845
Current assets			
Debtors	9	116,251	368,592
Investment	10	2,487,634	1,988,403
Cash at bank and in hand	17	372,174	466,137
		2,976,059	2,823,132
Creditors: amounts falling due within one year	11	153,784	237,959
Net current assets		2,822,275	2,585,173
Total assets less current liabilities		2,845,284	2,632,018
Provision for liabilities and charges: amounts falling due within one year	12	6,186	9,282
		2,839,098	2,622,736
Capital and Reserves			
Called up share capital	13	500,000	500,000
Profit and loss account	14	2,339,098	2,122,736
Equity Shareholders' Funds	15	2,839,098	2,622,736

The financial statements on pages 5 to 17 were approved by the Board of Directors on 21 May 2003 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 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	16	423,650	412,155
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,911)	(1,400)
Transfer of investment to current assets		-	27,986
Receipt from sale of tangible fixed assets		1,000	-
Return on investments and servicing of finance			
Interest received		20,715	14,370
Income from investment		81,810	94,330
Taxation			
UK corporation tax paid		(119,996)	(220,985)
Management of liquid resources			
Purchase of commercial paper		(499,231)	(3,636)
(Decrease) / Increase in cash	17	(93,963)	322,820

Notes to the financial statements
For the year ended 31 March 2003

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 in accordance with FRS 19 on all timing differences that have originated but not reversed by the balance sheet date, calculated at the latest corporation tax rate. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Where deferred tax assets and liabilities are recognised, these have not been discounted.

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 2003 (*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

	2003 £	2002 £
Aggregate emoluments	186,451	235,917

	2003 £	2002 £
Highest paid director		
Aggregate emoluments and benefits	186,451	173,248

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 (2002: 5) . Staff costs were as follows:

	2003 £	2002 £
Wages and salaries, including income tax	583,132	663,390
Social security costs	3,119	12,654
Other pension costs	8,225	6,000
	594,476	682,044

Notes to the financial statements
For the year ended 31 March 2003 (*continued*)

3 Turnover

Turnover comprises income from provision of advice:

	2003 £	2002 £
Income from investment advice to the parent undertaking	393,298	392,226
Income from investment advice to group undertakings	1,091,296	1,295,301
	1,484,594	1,687,527

4 Investment and interest income

	2003 £	2002 £
Other interest receivable and similar income	83,979	90,910
Interest receivable on cash deposits	20,715	14,370
	104,694	105,280

5 Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after taking into account the following charges:		
Auditors' remuneration		
Audit services	17,100	16,489
Non audit services	22,750	5,250
Depreciation of tangible fixed assets	17,647	19,145
Amortisation of deposit for golf club membership	8,100	8,100
Operating lease rentals for office equipment	1,967	83
Operating lease rentals for property	58,590	58,793
Profit on sale of tangible fixed assets	(1,000)	-

Notes to the financial statements
For the year ended 31 March 2003 (*continued*)

6 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003	2002
Current tax	£	£
UK corporation tax at 30% (2002: 30%)	100,526	145,818
Total current tax (Note 6b)	100,526	145,818
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	100,526	145,818

(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:

	2003	2002
	£	£
Profit on ordinary activities before tax	316,888	467,270
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2002: 30%)	95,066	140,181
Effects of:		
Depreciation in excess of capital allowances	1,042	3,777
Expenses not deductible for tax purposes	4,418	1,860
Current tax charge for the year (Note 6a)	100,526	145,818

(c) There is a deferred tax asset of £4,401 (2001: £5,335) which has not been recognized, this is due to its immateriality to the accounts.

Notes to the financial statements
For the year ended 31 March 2003 (*continued*)

7 Tangible fixed assets

	Short leasehold building improvements	Motor vehicles	Furniture and office equipment	TOTAL
Cost	£	£	£	£
At 1 April 2002	27,947	22,250	58,637	108,834
Additions	-	-	1,911	1,911
Disposal	-	(22,250)	-	(22,250)
At 31 March 2003	27,947	-	60,548	88,495
Depreciation				
At 1 April 2002	11,178	22,250	36,661	70,089
Charge for year	5,589	-	12,058	17,647
Disposal	-	(22,250)	-	(22,250)
At 31 March 2003	16,767	-	48,719	65,486
Net book value				
At 31 March 2003	11,180	-	11,829	23,009
At 31 March 2002	16,769	-	21,976	38,745

8 Investment

	2003	2002
	£	£
Deposit for golf club membership	81,000	81,000
Less: Amortisation (see note 5)	(81,000)	(72,900)
	-	8,100

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

Notes to the financial statements
For the year ended 31 March 2003 *(continued)*

9 Debtors

	2003 £	2002 £
Amount falling due within one year		
Amounts due from group undertakings	86,212	292,455
Other debtors	10,382	40,097
Prepayments	10,425	28,977
Accrued interest	9,232	7,063
	116,251	368,592

10 Investment

	2003 £	2002 £
Short-term commercial paper	2,487,634	1,988,403

The market value of these securities, £2,495,705 (2002: £1,992,143), is not materially different from their carrying amount.

Notes to the financial statements
For the year ended 31 March 2003 *(continued)*

11 Creditors: amounts falling due within one year

	2003 £	2002 £
Corporation tax	39,922	59,392
Other taxation and social security	15,966	35,800
Creditors and accruals	51,235	66,259
Amounts payable to parent undertaking	46,661	76,508
	153,784	237,959

12 Provision for liabilities and charges

	2003 £	2002 £
Provision in relation to rent-free period	6,186	9,282

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.

Notes to the financial statements
For the year ended 31 March 2003 *(continued)*

13 Called-up share capital

	2003 £	2002 £
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

	2003 £	2002 £
Balance at beginning of year	2,122,736	1,801,284
Retained profit for the year	216,362	321,452
Balance at end of year	2,339,098	2,122,736

15 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Opening shareholder's funds	2,622,736	2,301,284
Profit for the financial year	216,362	321,452
Closing shareholders' funds	2,839,098	2,622,736

Notes to the financial statements
For the year ended 31 March 2003 *(continued)*

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

	2003 £	2002 £
Operating profit	212,194	361,990
Depreciation of tangible fixed assets	17,647	19,145
Amortisation of deposit for golf club membership	8,100	8,100
(Reduction) in provisions	(3,096)	(6,736)
Decrease in debtors	254,510	71,985
(Decrease) in creditors	(64,705)	(42,329)
Profit on sale of tangible fixed assets	(1,000)	-
Net cash inflow from operating activities	423,650	412,155

17 Reconciliation of net cash inflow to movement in net funds

	2003 £	2002 £
Net funds at beginning of year	466,137	143,317
(Decrease) / Increase in cash in the period	(93,963)	322,820
Net funds at end of year	372,174	466,137

Notes to the financial statements
For the year ended 31 March 2003 *(continued)*

18 Financial commitments

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Property	**Others**	**Property**	**Others**
	£	**£**	**£**	**£**
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	61,137	1,917	61,887	-
	61,137	1,917	61,887	-

19 Related party transactions and ultimate parent undertaking

As disclosed in Note 3, the company earned investment advisory fees of £393,298 (2002: £392,226) during the year from its parent undertaking, Daiwa Asset Management Company Limited ('DAMCO').

At the balance sheet date, the amount due to DAMCO was £46,661 (2002: £76,508).

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 £1,091,296 (2002: £1,295,301) 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.