Daiwa Asset Management (Europe) Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

Registered No: 02045607

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Daiwa Asset Management (Europe) Ltd

Contents

	Pages
Corporate Information	3
Strategic Report	4 - 5
Directors' Report	6 - 7
Independent Auditors' Report	8 – 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 – 24
Appendix **Pillar 3 Disclosures (Unaudited)**	25 - 28

Daiwa Asset Management (Europe) Ltd

Corporate Information
For the year ended 31 March 2017

Directors

S. Kawata	(Managing Director) (Appointed 22 April 2016)
Y. Higaki	(Resigned 15 June 2017)
Y. Okada	(Resigned 22 April 2016) (Re-appointed 31 October 2016)
C. Kawazu	
N. Nishibayashi	
Y. Sugibayashi	
A. Kobayashi	(Resigned 31 October 2016)
Y. Horinouchi	(Appointed 16 June 2017)

Company Secretary

S. Kawata

Registered Office

5th Floor
5 King William Street
London
EC4N 7AX

Immediate Parent Undertaking

Daiwa Asset Management Co. Ltd. (DAMCO)
GranTokyo North Tower 9-1
Marunouchi 1-chome
Chiyoda-ku
Tokyo 100-6753
Japan

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic report
For the year ended 31 March 2017

The directors present their strategic report of Daiwa Asset Management (Europe) Ltd (DAMEL) for the year ended 31 March 2017.

Review of business

The principal activity of the company is the provision of investment management services to fellow group undertakings and third parties and the provision of investment advice to its parent undertaking and to fellow group undertakings.

Result and performance

The Statement of Comprehensive Income for the year is set out on page 10. The company's operating profit for the year has increased from £659,810 to £736,003. Turnover was down by £134,894, a decrease of 3.6% from previous year. The assets under management as at 31 March 2017 were £2.38 billion (2016: £2.00 billion).

Management fee income, which is mainly driven by the value of assets under management, increased by 2.4% to £1.97 million, reflecting the depreciation of sterling against funds denominated in foreign currencies. Despite the difficult business environment, the company generated enough profit to maintain and to develop its operations.

Key performance indicators

The company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

As common with other investment management businesses the main risks to the company's financial performance are the change in the level of assets under management and the control of expenses. The company is exposed to a range of financial risks including currency, liquidity, market and credit risks. The company's revenue is mainly earned from management and investment advisory fees, calculated on the basis of the values of Asset Under Management (AUM). The level of AUM may be impacted by underlying stock market and economic conditions and may result in loss of AUM through redemptions and market movements. Significant falls in AUM values can reduce fee income to our investment management business.

The company is committed to reviewing risks to its business on an on-going basis and the potential effects of market and industry changes. Risks are managed and monitored by the Managing Director and Director in consultation with the Compliance Officer to evaluate any immediate risks to the business and market risk exposure.

Strategic report
For the year ended 31 March 2017 (*continued*)

Currency risk

The company is exposed to currency risk in respect of fees receivable from investment fund management and advisory fees payable in currencies other than sterling. The most significant currencies to which the company is exposed are the US and Australian dollars. The company seeks to mitigate such risks by maintaining bank accounts in foreign currencies to match the foreign currency-denominated liabilities, principally commission payable.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of cash available to meet such obligations which should be in place to cover anticipated liabilities and unexpected levels of demand.

Market risk

DAMEL has no trading book positions, so the only market risk faced relates to fluctuations in revenue value due to currency rate movements (as certain income is payable in currencies other than sterling). These are not considered material to the company but any foreign currency income is converted to sterling as soon as received.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. While the risk of concentration of client base and lack of diversifications exists, the management and advisory fees due to the company is closely monitored so as to reduce risk of large exposures. Only negligible counterparty risk exists and this is quantifiable but not material.

Future developments

In the coming year DAMEL will continue to develop its business with DAMCO (Note 17), its parent company, and to generate new business where possible. The level of profitability will be dependent on investment returns and fluctuation in interest rates, which remain a source of significant uncertainty in light of recent market movements.

Approved by the Board and signed by order of the Board

川田誠司

S. Kawata
COMPANY SECRETARY

14 July 2017

Directors' report
For the year ended 31 March 2017

The directors present their report and the audited financial statements of the company for the year ended 31 March 2017.

Dividends

The directors have not proposed a final dividend for the year ended 31 March 2017 (2016: nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements was listed on page 3.

Principal risks and uncertainties

These are disclosed in the Strategic report (see pages 4 - 5).

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

1. As far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 March 2017 of which the auditors are unaware; and
2. The director has taken all steps that he/she sought to have been taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

Directors' report
For the year ended 31 March 2017 (*continued*)

Statement of directors' responsibilities in respect of the financial statements *(continued)*

- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Approved by the Board and signed by order of the Board

河田 誠司

S. Kawata
COMPANY SECRETARY

14 July 2017

Daiwa Asset Management (Europe) Ltd

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

Report on the financial statements

Our opinion

In our opinion, Daiwa Asset Management (Europe) Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Daiwa Asset Management (Europe) Ltd Annual Report and Financial Statements for the year ended 31 March 2017 (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

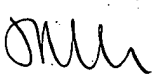
What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jennifer March (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 July 2017

Daiwa Asset Management (Europe) Ltd

Registered Number 02045607

Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	3	3,585,657	3,720,551
Administrative expenses		(2,849,654)	(3,060,741)
Operating profit	4	736,003	659,810
Interest receivable and similar income	5	6,398	11,251
Profit before taxation		742,401	671,061
Tax on profit	6	(147,597)	(138,174)
Profit for the financial year		594,804	532,887
Other comprehensive income for the year		-	-
Total comprehensive income for the year		594,804	532,887

Daiwa Asset Management (Europe) Ltd

Registered Number 02045607

Balance Sheet
As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	8	6,850	14,739
Current assets			
Debtors	9	506,302	449,117
Cash at bank and in hand		3,877,526	3,224,677
		4,383,828	3,673,794
Creditors: amounts falling due within one year	11	(727,584)	(621,409)
Net current assets		3,656,244	3,052,385
Total assets less current liabilities		3,663,094	3,067,124
Capital and reserves			
Called up share capital	12	500,000	500,000
Retained earnings		3,159,157	2,564,353
Share-based payment reserve		3,937	2,771
Total equity		3,663,094	3,067,124

The financial statements on pages 10 to 24 were approved by the Board of Directors on 7 July 2017 and signed on its behalf by:

河田 誠司

S. Kawata
MANAGING DIRECTOR

14 July 2017

Daiwa Asset Management (Europe) Ltd

Registered Number 02045607

Statement of Changes in Equity
For the year ended 31 March 2017

	Called up Share capital £	Retained earnings £	Share-based payment reserve £	Total Equity £
Balance at 1 April 2015	500,000	2,031,466	1,661	2,533,127
Income for the financial year	-	532,887	-	532,887
Share-based payment reserve	-	-	1,110	1,110
Balance at 31 March 2016	500,000	2,564,353	2,771	3,067,124
Balance at 1 April 2016	500,000	2,564,353	2,771	3,067,124
Income for the financial year	-	594,804	-	594,804
Share-based payment reserve	-	-	1,166	1,166
Balance at 31 March 2017	500,000	3,159,157	3,937	3,663,094

Daiwa Asset Management (Europe) Ltd

Registered Number 02045607

Statement of Cash Flows
For the year ended 31 March 2017

	Note	2017 £	2016 £
Net cash from operating activities	13	764,984	228,531
Taxation paid		(118,533)	(167,373)
Taxation recovered		-	511,099
Net cash generated from operating activities		646,451	572,257
Cash flow from investing activities			
Interest received	5	6,398	11,251
Purchase of tangible assets		-	-
Net cash generated from / (used in) investing activities		6,398	11,251
Cash flow from financing activities			
Dividends paid	7	-	-
Net cash generated from financing activities		-	-
Net increase in cash and cash equivalents		652,849	583,508
Cash and cash equivalents at the beginning of the year		3,224,677	2,641,169
Cash and cash equivalents at the end of the year		3,877,526	3,224,677
Cash and cash equivalents consists of:			
Cash at bank and in hand		3,877,526	3,224,677
Cash and cash equivalents		3,877,526	3,224,677

Daiwa Asset Management (Europe) Ltd

Notes to the financial statements
For the year ended 31 March 2017

1 Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis which have been consistently applied. The principal accounting policies are set out below.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation.

Provision is made for depreciation to write off the cost, less estimated residual value, in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements	Period of the lease
Furniture and office equipment	2-5 years

Interest income

Interest income is taken into account in the Statement of Comprehensive Income on an accruals basis.

Turnover

Turnover comprises amounts invoiced and receivable for the provision of investment advice and funds related administrative services to its parent company and fellow group undertakings and for the provision of investment management services to fellow group undertakings and third parties and are recognised on an accruals basis.

Administrative expenses

Administrative expenses comprise staff costs and other overheads generated by conducting business and are taken into account on an accruals basis.

Notes to the financial statements
For the year ended 31 March 2017 *(continued)*

1 Principal Accounting Policies *(continued)*

Taxation

The charge of taxation is based on the results for the year adjusted for disallowable and non-taxable items.

Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefits will arise. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are translated into pounds sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date with the exception of non-monetary items which are maintained at historical rates. Exchange gains or losses are taken to the profit and loss account.

Operating leases

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

Share-based payments to employees

Daiwa Securities Group Inc. (the company's ultimate parent) engages in equity settled share-based payment transactions in respect of services received from certain employees of the company. The fair value of the services received is measured by reference to the fair value of the share options granted on the date of the grant. The cost of the employee services received in respect of the share options granted is recognised in the profit and loss account over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. In respect of vesting conditions related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met.

2 Directors' emoluments and employee information

	2017 £	2016 £
Aggregate emoluments	433,463	490,963

	2017 £	2016 £
Highest paid director Aggregate emoluments	218,080	283,595

The highest paid director received one share option in 2017 (2016: one). One share option was exercised in 2017 (2016: none).

Three directors were based in the UK (2016: three). All the other directors were based overseas and received no emoluments for services to the company during the current or previous year.

The monthly average number of employees, including the executive directors, in the UK during the year was 13 (2016: 15). Staff costs (including directors) were as follows:

	2017 £	2016 £
Share-based charges	1,166	1,110
Wages and salaries	1,340,326	1,555,845
Social security costs	106,004	101,306
Other pension costs	81,311	79,479
	1,528,807	1,737,740

The company contributes to the Daiwa Capital Markets Europe Limited's Group Personal Pension Plan, a defined contribution scheme, for which contributions to the scheme are charged to the Statement of Comprehensive Income when payable. No directors were members of the company's pension scheme.

3 Turnover

Turnover comprises income from the following:

	2017 £	2016 £
Income from funds managed for group related companies	860,870	937,567
Income from funds managed for third parties	1,107,731	984,848
Income from investment advice to the parent undertaking	1,376,093	1,567,592
Income from provision of funds related administrative services to the group undertakings	240,963	230,544
	3,585,657	3,720,551

4 Operating profit

Operating profit is stated after the following charges:	2017 £	2016 £
Fee payable to company's auditor	25,900	27,665
Fee payable to company's auditor for other services: Audit-related assurance services	4,200	4,000
Depreciation of tangible assets	7,889	7,889
Operating lease rentals for plant and machinery	1,168	1,695
Operating lease rentals for office	75,450	75,450
Staff costs	1,528,807	1,737,740
	1,643,414	1,854,439

5 Interest receivable and similar income

	2017 £	2016 £
Interest receivable on cash deposits	6,388	8,087
Other interest	10	3,164
	6,398	11,251

6 Tax on profit

(a) Tax expense included in statement of comprehensive income

	2017 £	2016 £
Current tax		
UK Corporation tax on profits for the year at 20% (2016: 20%)	150,455	136,253
Adjustment in respect of prior periods	(2,311)	-
Total current tax	148,144	136,253
Deferred tax		
(Reversal) and origination of timing differences (Note 10)	(547)	1,921
Tax on profit	147,597	138,174

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2016: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%), The differences are explained below:

	2017 £	2016 £
Profit before taxation	742,401	671,061

	2017 £	2016 £
Profit before taxation multiplied by standard rate of corporation tax in the UK 20% (2016: 20%)	148,480	134,212
Effects of:		
Depreciation in excess of capital allowances	1,271	1,203
Expenses not deductible for tax purposes	704	838
Adjustment to tax charge in previous year	(2,311)	-
Tax charge for the year	148,144	136,253

6 Tax on profit (*continued*)

(c) Tax rate change

Changes to the UK corporation tax rates were substantially enacted as part of Finance Bill 2015 and Financial Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% for the Financial Year beginning 1 April 2017 and to 17% for the Financial Year beginning 1 April 2020.

It has been agreed that companies within the Daiwa Securities Group (DSG) will pay each other for tax losses surrendered. The DSG consists of Daiwa Assets Management (Europe) Ltd, Daiwa Corporate Advisory Holdings Limited (DCAH), Daiwa Capital Markets Europe Limited (DCM), and Daiwa Corporate Advisory Limited (DCA).

7 Dividends

The directors have not proposed a final dividend for the year ended 31 March 2017 (2016: nil).

8 Tangible assets

	Short leasehold building improvements	Furniture and office equipment	TOTAL
Cost	£	£	£
At 1 April 2016	18,240	85,718	103,958
Additions	-	-	-
At 31 March 2017	18,240	85,718	103,958
Accumulated depreciation			
At 1 April 2016	(9,424)	(79,795)	(89,219)
Charge for year	(3,648)	(4,241)	(7,889)
At 31 March 2017	(13,072)	(84,036)	(97,108)
Net book value			
At 31 March 2017	5,168	1,682	6,850
At 31 March 2016	8,816	5,923	14,739

9 Debtors

	Note	2017 £	2016 £
Amounts falling due within one year			
Amounts owed by group undertakings		221,796	242,370
Other debtors		29,091	57,223
Deferred tax	10	1,290	743
Corporation tax recoverable		136,253	80,000
Prepayments and accrued income		117,872	68,781
		506,302	449,117

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

10 Deferred tax

The deferred tax asset movement in the year was as follows:

	2017 £	2016 £
Balance at beginning of year	743	2,664
Timing differences between capital allowances and depreciation	541	284
Timing difference on Share-based payment	6	222
Holiday pay accrual	-	(2,427)
Balance at end of year	1,290	743

11 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	7,359	6,248
Amounts owed to group undertakings	365,723	331,389
Corporation tax	85,864	-
Other creditors including taxation and social security	23,199	59,843
Accruals and deferred income	245,439	223,929
	727,584	621,409

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

Notes to the financial statements
For the year ended 31 March 2017 *(continued)*

12 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid: 500,000 (2016: 500,000) ordinary shares of £1 each	500,000	500,000

13 Notes to the statement of cash flows

	2017 £	2016 £
Profit for the financial year	594,804	532,887
Tax on profit	147,597	138,174
Interest received	(6,398)	(11,251)
Operating profit	736,003	659,810
Depreciation of tangible assets	7,889	7,889
Share-based payments	1,166	1,110
(Increase)/Decrease in debtors	(385)	25,986
Increase/(Decrease) in creditors	20,311	(466,264)
Cash flow from operating activities	764,984	228,531

14 Operating lease commitments

At 31 March the company had the following future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than one year	76,618	76,618
Later than one year and not later than five years	76,618	75,742
Later than five years	-	-

15 Related party transactions

As disclosed in Note 3, the company earned management fees from the management of funds for group related companies and administrative fees from the provision of funds related administrative services to its group undertakings. The company also earned investment advisory fees from its immediate parent undertaking, Daiwa Asset Management Co. Ltd. (DAMCO). Transactions entered into, and trading balances outstanding as at 31 March 2017, were as follows:

Related parties		Income from related parties		Expenses payable to related parties		Amounts owed by related parties		Amounts owed to related parties	
		Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2016
		£	£	£	£	£	£	£	£
Group under-takings	Management of funds	860,870	937,567	-	-	73,462	65,110	-	-
DAMCO	Advisory fees	1,376,093	1,567,592	484,051	470,547	36,935	95,198	100,649	72,372
	Staff costs	-	-	151,218	187,817	-	-	-	-
Group under-takings	Funds related administrative services	240,963	230,544	-	-	-	-	-	-
DCM	Reimbursement of administration expenses	-	-	570,660	499,328	-	-	67,266	60,485
	Staff costs	-	-	928,163	880,156	-	-	63,866	62,280
	Group relief	-	-	-	-	-	-	128,149	136,253
DCAH	Group relief	-	-	-	-	-	-	-	-
DCA	Group relief	-	-	-	-	-	-	5,793	-

DAMEL has a lease agreement for premises with DCM. The lease does not have a fixed renewal date and can be terminated by either party within a 12-month notice period. The annual rent payable to DCM was £75,450 (2016: £75,450) (Note 14).

The company has an annual renewable agreement with DCM for DCM to provide supporting services for personnel, facilities, technology and business continuity. The total amount payable was £81,804 (2016: £41,823).

All Directors are considered to be key management personnel.

Other debtors (Note 9) includes a loan to Y Higaki who is a director. The balance was repaid in full in December 2016. The loan was unsecured and was repayable on demand. The following is a summary of the transactions with the company:

	2017	2016
	£	£
Balance of loan at beginning of year	5,345	-
Loan advanced	-	5,345
Repayments	(5,345)	-
Balance at end of year	-	5,345

16 Share-based payments

The company's ultimate parent company, Daiwa Securities Group Inc., operates a share scheme of which certain employees seconded to the company from Japan are members.

The "Daiwa Securities Group Inc. Head office New Stock Reservation Rights" scheme was introduced in September 2004, and is open to certain selected employees of the Daiwa Securities Group. Under the plan the employees were granted share options over Daiwa Securities Group Inc. shares.

The fair value of the equity-settled share based payments to employees is determined at the date of the grant using a Black and Scholes option pricing model and is expensed on a straight line basis over the vesting period based on the company's estimate of options that will eventually vest. The weighted average fair value of options granted in the year was £870 (¥122,100) (2016: £694 (¥113,200)) and the total charge for the year was £1,166 (2016: £1,110).

17 Ultimate parent undertakings and controlling party

The company's ultimate parent undertaking and controlling party is Daiwa Securities Group Inc., which is incorporated in Japan and is required to prepare and publish consolidated financial statements. The company's immediate parent undertaking is Daiwa Asset Management Co. Ltd. (DAMCO), which is incorporated in Japan. Consolidated financial statements of Daiwa Securities Group Inc., can be obtained from the company at GranTokyo North Tower 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6751, Japan.

18 Pillar 3 disclosures

The company has made its Pillar 3 disclosures per the FCA requirements on pages 25-28. This information is unaudited and for disclosure purpose only. The independent auditors' report on pages 8-9 does not apply to pages 25-28.

Daiwa Asset Management (Europe) Ltd

Appendix to the financial statements (Unaudited)
For the year ended 31 March 2017

Contents

	Page
Overview	**26**
Risk Management framework	**26**
Business & Operational Risk	**26 - 27**
Capital Adequacy / Resources	**27**
Remuneration Code	**27 - 28**

Daiwa Asset Management (Europe) Ltd

Appendix to the financial statements (Unaudited) For the year ended 31 March 2017

1. Overview

This Appendix contains the Pillar 3 disclosure requirements, as contained in the Capital Requirements Directive (CRD) and laid out in Chapter 11 of FCA BIPRU sourcebook.

The CRD III consists of three pillars:

- Pillar 1: determines the minimum amount of capital required for credit, market and operational risks.
- Pillar 2: requires a firm and its regulatory supervisor to determine whether additional capital should be held to offset risks within the business not sufficiently covered by Pillar 1 capital.
- Pillar 3 : requires a firm to disclose details of their risks, capital and risk management process

In accordance with the requirements of Pillar 3, this unaudited appendix is intended to disclose information relating to Daiwa Asset Management (Europe) Ltd (DAMEL), for the year ending 31 March 2017. DAMEL is authorised and regulated by the Financial Conduct Authority (FCA) in the UK.

DAMEL is the UK subsidiary of Daiwa Asset Management Co. Ltd. (DAMCO). It is 100% owned by its Tokyo parent company. DAMCO itself is part of the wider Daiwa Securities Group Inc., Tokyo, one of the largest financial groups in Japan. As DAMCO is based outside of the EU, DAMEL does not consolidate its financial reporting with DAMCO for FCA purposes.

2. Risk Management Framework

DAMEL's key risks are largely business and operational. In order to control such risks DAMEL undertakes a regular internal risk assessment of its overall operation and also prepares an Internal Capital Adequacy Assessment Process (ICAAP) document on an annual basis. Risks are monitored both in London and Tokyo on a regular basis in conformity with regulatory requirements in both locations.

DAMEL undertakes no proprietary trading, therefore all the risks to be assessed fall within the category of the NON-TRADING BOOK. Risk is managed and monitored by the Managing Director and Director (who also acts as Company Secretary) in consultation with the Compliance Officer. Risk Assessments and the ICAAP are compiled by the Compliance Officer in collaboration with senior management and the finance consultant (where necessary) and reported to the Board of Directors on an annual basis. Where additional risks or remedial action are identified, appropriate action is taken by senior management to rectify the issue.

3. Business & Operational Risk

Business

DAMEL maintains a low risk appetite both with its own capital and also with any portfolios it manages. Distribution of funds takes place solely in Japan, which additionally benefits from the stability of the Japanese market. One of DAMEL's key risks relates to a potential or realised significant fall in assets under management which could lead to a fall in income. Assets currently under management decreased from the previous year-end but remain stable and sufficient to maintain DAMEL's operation. Stress tests performed on DAMEL's largest funds under management indicate that a decline in AUM of its largest funds at 25% and 50% thresholds would not affect DAMEL's operations detrimentally.

Daiwa Asset Management (Europe) Ltd

Appendix to the financial statements (Unaudited)
For the year ended 31 March 2017

Operational
The main area of risk is potential reputational and financial loss incurred from a failed internal control or procedure. There is no historical record of major loss resulting from an operational failure within DAMEL. Checks and controls are in place and reviewed as part of the internal risk assessment. Fund risk parameters and investment guidelines are monitored by the DAMCO's Risk Management function in Tokyo. Additionally there is staff back up or doubling up for all key operational elements.

Credit Risk
There is limited risk exposure in respect of management and advisory fees, as these are already drawn monthly and bi-monthly in respect of GaikaMMF management fees, so as to reduce risk of large exposures. Only negligible counterparty risk exists and this is quantifiable, but not material.

Market Risk
DAMEL has no trading book positions, so the only market risk faced relates to fluctuations in revenue value due to currency rate movements (as certain income is payable in currencies other than sterling). These are not considered material to the firm but any foreign currency income is converted to sterling as soon as received.

Liquidity Risk
DAMEL continues to maintain high levels of liquidity (far in excess of Pillar 1 and 2 requirements) to ensure it can meet its financial obligations.

4. Capital Adequacy/Resources

As of 31March 2017, DAMEL held regulatory capital resources of £3,613,000 comprising of Tier 1 capital, less a deduction of £50,000 for illiquid assets. DAMEL held capital reserves equivalent to 663.3% of its capital resources requirement in 2017. DAMEL uses the **Fixed Overheads Requirement (FOR)** to calculate its Pillar 1 capital requirements (which is taken as the higher of its base capital requirement of €50k; or the sum of its credit and market risks, or the **FOR**) (which was calculated at £545,000 in 2017, i.e. annual expenses net of variable costs deducted and comprising 663.3% of its capital resources requirement, itemised in the firm's ICAAP). The firm monitors expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment is required. This is monitored regularly by senior management. DAMEL also uses stress testing to ensure it has clear calculations for envisaging worst case scenarios. Information on capital adequacy is provided to the regulator on a regular basis by way of online returns.

5. Remuneration Code

The following disclosures are made in compliance with BIPRU 11.5.18-21.

Owing to the size of DAMEL and based on a proportionate approach, a specific Remuneration Committee has not been set up. The remuneration policy is based on FCA BIPRU remuneration principles, with the Board of Directors assuming the role of a Remuneration Committee, giving final approval to the remuneration policy, remuneration policy statement and individual remuneration packages for FCA remuneration code staff. DAMEL's FCA remuneration code staff includes executive management and the Compliance Officer.

For the 2016/7 year, DAMEL identified three 'Code Staff', who each received a variable remuneration payment, but based on the FCA's principles of proportionality, these payments were not subject to any restrictions in how the payments were made. Additionally, no sign-on bonuses (golden handshakes) or severance payments are ever made to 'Code Staff'.

Daiwa Asset Management (Europe) Ltd

Appendix to the financial statements (Unaudited)
For the year ended 31 March 2017

In general terms, when determining total remuneration, senior managers assess whether staff have contributed to some or all of the following: performance against objectives and strategic goals, risk and compliance behaviour, operational efficiency and appropriate management of costs.

It is DAMEL's intention that the total remuneration of each of its employees rewards good performance and the contribution made by each employee to the overall success, whilst also taking into account the overall profitability of the company and its risk structure.