

DaiwaSBInvestments(UK)Ltd.

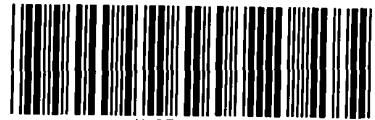
Directors' report and financial statements

for the year ended

31 March 2017

Registered number 1660184

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Company Introduction

Directors

Eiji Fukumuro
Chikara Nakamura

Secretary

Katsumi Nishihara

Registered Office

PO Box 18304
5 King William Street
London
EC4N 7JA
England

Registered England No 1660184

Head Office

Daiwa SB Investments Ltd.
Kasumigaseki Common Gate West Tower
2-1 Kasumigaseki 3-Chone
Chiyoda-ku
Tokyo 100-0013
JAPAN

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Bankers

Mitsui Sumitomo Banking Corporation Europe Ltd.
99 Queen Victoria Street
London EC4V 4EH

Strategic report

Our strategy

Daiwa SB Investments (UK) Ltd. ('the company') is the UK subsidiary of Daiwa SB Investments, one of largest asset managers in Japan. The company was established in 1983. We are an active investment manager specialising in Japan and Asia ex-Japan equity products with its aim of offering quality investment advisory and fund management services to clients who seek global investments opportunities. Our clients are institutional and wholesale investors based primarily in Europe and Middle East, for whom we manage £6.4 billion as at 31 March 2017.

Our strategic focus is to deliver the best possible performance for the clients; thereby increasing Asset Under Management ('AUM') and investment management fee revenues from existing and new accounts. We are committed to maintaining maximum client retention by delivering strong and consistent long term investment performance together with providing the highest level of client services. Our long term strategic plan also includes broadening our product ranges, geographic reach and client base.

To achieve long term business efficiencies and maintain a healthy balance sheet, we have implemented a capital management strategy which includes cost control plans to monitor and control administrative expenses. By doing so, we will generate more revenues through growing AUM, operate an efficient business and create long term value for our shareholders and wider stakeholders.

Financial review

In the financial year ended 31 March 2017, the company made a profit of £0.92m after taxation, compared to £0.54m in the previous year. The revenue has increased by 15% to £8.94m, primarily due to increased AUM hence our revenues. Our AUM has grown to £6.4bn, an increase by 12% since 31 March 2016. The progressive and stable stock markets in the second half of the financial year and the weak sterling have contributed to increase our AUM and revenues.

Key Financial Results:

	FY2016/17	FY2015/16
Assets Under Management (AUM)	£6.4bn	£5.7bn
Revenue	£8.94m	£7.78m
Profit after tax	£0.92m	£0.54m
Total assets	£8.33m	£7.42m

As at 31 March 2017, the company had net assets and shareholders' funds of £8.3m, an 12% increase from the prior year. The directors do not recommend the payment of a dividend for the current financial year (2016: *Nil*).

Business review

As demonstrated above, the financial results show a stronger position. The revenue has increased by 15% to £8.94m and a profit after tax for the year has increased by 70% to £0.92m. Our revenues are principally generated from the management fees we charge based on the value of AUM managed for clients. The Japanese stock market, where the large portions of our underlying assets are invested, exhibited a strong rally in the second half of the year after a period of volatility, resulted in pushing our AUM upward. Overall, combined with favourable exchange rates, we have generated good fee income.

In the financial year ended 31 March 2017 we continued to make steady progress towards our long term strategic goals. As part of our strategic initiatives, Daiwa SBI Lux Funds SICAV and its sub-fund, DSBI Japan Equity Fundamental Active has been promoted worldwide since its launch in 2013. Furthermore, our second sub-fund, DSBI Japan Equity Small Cap Absolute Value was launched in February 2017, adding a new dimension to our existing product range. While asset value is still in its growth stage, this is part of our long term strategies to enhance our investment capabilities; expanding product range to broader client base with particular focus on private banks and wealth managers and covering wider geographical reach.

In the forthcoming year, we remain committed to focus on growing our AUM, generate more revenues by winning more mandates as well as taking in additional cash inflows through SICAV funds, thus creating long term value. We are also committed to provide high level of client services to our customer, which enables us to have maximum client retention.

Such strategies inevitably have associated risks – macro, industry wide, as well as particular risks specific to our business. To pursue and achieve our strategic objectives, it is fundamental that we manage risks effectively. We have outlined the principal risks and concerns, and how we manage and mitigate these risks below.

Principal risks and risk management

The management of the business and the execution of the company's strategy are subject to a range of risks. Our sales strategies are principally focused on Europe and Middle East, with its key interests in Japanese economy and equity markets. Risk management continues to be a foremost priority for the company and the management emphasises rigorous disciplines and procedures to safeguard the interest of our clients and other key stakeholders.

The company has established a robust risk management process in order to ensure that there are effective systems and controls to identify, monitor and manage risks arising in the business. There is continued scrutiny of risk management and risk based capital usage impacts on business decision making. The risk management process is overseen by the senior management, with the Board taking overall responsibility for the process.

The key risks affecting the business are:

Financial risks

In the normal course of its business, the company will be exposed to a range of financial risks including market, liquidity and credit risks. Market risk is defined as the potential adverse change in position or values arising from movements in the markets; interest rates, credit spreads, stock price, foreign exchange rates or other market risk factors. The company's revenue is mainly earned from management fees, calculated on the basis of the values of AUM. The level of AUM may be impacted by underlying stock market and economic conditions.

Market/Exchange rate risk

A substantial proportion of our revenues are denominated in currencies other than sterling; the company may face potential fluctuations in the value of its revenues due to movements in currency rates.

As part of risk management to control and mitigate the exposures to foreign currency fluctuations, the senior management reports the currency profile on a monthly basis, including balance sheet and the details of realised gain/losses and revaluation on foreign currency balances. The company has established the policy to meet its operating expenses in foreign currencies in order to mitigate the risk of possible devaluations. Debtors and creditors balances in foreign currencies are, to an extent, offset against each other when revaluation is made at the month end.

Credit risk

Credit risk is defined as the potential financial loss arising from customers failing to meet their financial obligations to the company as they become due. While the risk of concentration of client base and lack of diversifications exists, the outstanding amounts are closely monitored and there has not been a history of bad debts.

The company is also exposed to a potential credit risk in respect of the cash balances it holds. Whilst a credit risk is calculated in accordance with the BIPRU rules under Pillar 1 set by the Financial Conduct Authority ('FCA') the company perceives no material risk in respect of these balances which need to be determined under Pillar 2.

Liquidity risks

Liquidity risk is that the company, despite remaining solvent, either does not have sufficient financial resources to meet payment obligations as they fall due or that can only secure such resources at excessive cost. As part of capital management the liquidity requirements and balance sheet are closely monitored by the senior management. Any issues arising in respect of the financial or liquidity situation in the intervening periods are reported to the Board for the actions to be taken as required.

The regulatory required capital and risk assessment report (ICAAP) are prepared annually and approved by the Board prior to the approval of Directors' report and financial statements. The company has established a policy of maintaining capital resources in excess of its capital resources requirement. This is considered to provide more than sufficient working capital for the purposes of meeting the needs of the business. As at 31 March 2017, the company has £7.4m capital resources, which is 862% of its capital resources requirement set by the FCA.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Within the company each department has responsibilities for its own operational risks and has established appropriate process, policies and controls. In addition to regular risk assessments, from the viewpoint of business continuity in case of natural disaster or terrorism, the company has established robust operational strategies and the tests are carried out annually.

Registered number 1660184

Brexit

Until the formal negotiation begins, the terms of the withdrawal and any impact will largely be unknown. The primary concerns after Brexit are how we provide our investment management services to EU countries. Whether it will be through the benefit of passporting or necessary re-registration to each EU country, it needs to be determined on what basis we continue to provide our services to our existing and new clients. The company will carry out full risk assessment and analysis with help of external advisors, and deliver the possible best solutions. Whatever the case may be, we are confident that the company will be able to meet any challenges and opportunities we may face.

Regulatory risk

The company is authorised and regulated by the Financial Conduct Authority in the UK. The expectations of financial regulators are changing. Regulations often become more complex and onerous, and require the existing business models to be updated to a greater extent within limited time frame.

Markets in Financial Instruments Directive (MiFID II) is expected to come into force in January 2018. The new rules have profound impact across the financial industry in Europe. The aim is to improve transparency to the market, regulations and clients as well as providing improved investor protection. It is anticipated that rules covering brokerage services will have significant impact on our industry and our business. While the extent of effect upon our businesses is still unknown we anticipate additional resources may need to be required.

Our compliance team, with the external advisors assistance, ensures that key regulatory changes and development are identified at the earliest opportunity. As well as developing policies, delivering training and performing monitoring checks, they provide advice to other divisions enabling them to comply with legal and regulatory requirements. All necessary changes, applications and implementation process are supervised by the senior management and the Board.

By order of the Board:



Eiji Fukumuro
Managing Director

5 King William Street
London
EC4N 7JA

29 June 2017

Directors' report

The directors present their annual report on the affairs of Daiwa SB Investments (UK) Ltd., together with the financial statements and independent auditor's report, for the year ended 31 March 2017.

Principal activity

The principal activity of the company is to provide a discretionary fund management service and no significant changes are presently foreseen.

Results and dividends

The audited financial statements for the year ended 31 March 2017 are set out on pages 12 to 26. The company made a profit for the year after taxation of £ 915,471 (2016: £544,800).

The directors do not recommend the payment of a dividend for the current financial year (2016: *£nil*).

Business review

As at 31 March 2017, the company had net assets and shareholders' funds of £8,333,147, an 12% increase from the prior year. The profit after tax has increased to £915,471, resulting from increased revenues, which attributed from strong markets and favourable exchange rates. In the forthcoming year the company expects the revenue to grow further through new business developments, more client wins as well as receiving funds from existing clients.

Going concern

The assessment of the company's business activities, together with its financial position, cash flows and liquidity position is an ongoing management function. The assessment is based upon the management and risk assessments reports to the head office in Tokyo and the capital adequacy reviews that are prepared in the normal course of its business. For the purpose of the ongoing liquidity assessments, various stress scenarios to the normal operating environment have been identified and considered.

The company has sufficient financial resources and is expected to continue generating steady cash inflows through the contracts with established institutional clients across different geographical areas. The directors believe that the company is well placed to manage the key risks successfully despite the current economic outlook remaining uncertain.

The company's directors believe there are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Registered number 1660184

Directors

The directors who held office during the year were as shown below:

Eiji Fukumuro
Chikara Nakamura

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political contributions

The company made no political donations or incurred any political expenditure during the year.

Other information

An indication of likely future developments/ particulars of significant event which have occurred since the end of the financial year have been included in the Strategic report on pages 3-6.

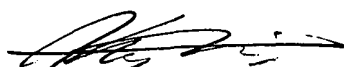
Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that so far as, they each are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board:



Katsumi Nishihara
Secretary

5 King William Street
London
EC4N 7JA

29 June 2017

Statement of directors' responsibilities in respect of the Strategic report and the Director's report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Generally Accepted Accounting Practice have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Daiwa SB Investments (UK) Ltd.

We have audited the financial statements of Daiwa SB Investments (UK) Ltd. for the year ended 31 March 2017 set out on pages 12 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 9, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion 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 for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Based on solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and Directors report:

- we have not identified material misstatements in these reports; and
- in our opinion these reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Daiwa SB Investments (UK) Ltd. (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ravi Lamba (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

29 June 2017

Statement of comprehensive income

for the year ended:

		31 Mar 17	31 Mar 16
	<i>Note</i>	£	£
Turnover	<i>2</i>		
Management fees		7,522,612	6,543,430
Advisory fees		429,031	392,418
Other fees		988,939	840,757
		<hr/>	<hr/>
		8,940,582	7,776,605
Entrusted commissions	<i>3</i>		
		(4,038,379)	(3,505,411)
		<hr/>	<hr/>
		4,902,203	4,271,194
Operating expenses	<i>4</i>		
Administrative expenses		(3,802,268)	(3,643,388)
		<hr/>	<hr/>
Operating profit before interest		1,099,935	627,806
Interest receivable and similar income	<i>5</i>	47,582	41,269
Interest payable and similar expenses	<i>5</i>	-	-
		<hr/>	<hr/>
Profit before taxation	<i>6</i>	1,147,517	669,075
Tax on profit	<i>9</i>	(232,046)	(124,275)
		<hr/>	<hr/>
Profit after taxation		915,471	544,800
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 15 to 26 are an integral part of these financial statements. All the above results are derived from continuing activities.

There are no other comprehensive incomes in the year or the previous year other than the profit set out above. As such, no statement of Other Comprehensive Income is presented.

Balance sheet

as at:

	<i>Note</i>	31 Mar 17 £	31 Mar 16 £
Fixed assets			
Tangible assets	10	42,576	30,873
Current assets			
Debtors	11	2,454,619	1,916,107
Cash at bank	16	7,836,207	7,169,619
		10,290,826	9,085,726
Creditors: amounts falling due within one year	12	(2,000,255)	(1,698,924)
Net current assets		8,290,571	7,386,802
Net assets		8,333,147	7,417,675
Capital and reserves			
Called up share capital	13	3,000,000	3,000,000
Profit and loss account	14	5,333,147	4,417,675
Shareholder's funds	15	8,333,147	7,417,675

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

These financial statements of Daiwa SB Investments (UK) Ltd. (Registration Number 1660184) were approved by the board of directors on 29 June 2017 and were signed on its behalf by:



Eiji Fukumuro
 Director

Statement of cash flows

for the year ended:

	<i>Note</i>	31 Mar 17 £	31 Mar 16 £
Cash flows from operating activities			
Operating profit		1,099,935	627,806
<i>Adjustment for:</i>			
Depreciation		38,708	33,226
Foreign exchange gains		18,844	8,283
Increase/(Decrease) trade and other debtors		(550,275)	130,320
(Decrease)/Increase trade and other creditors		287,515	29,484
Tax paid		(206,468)	(101,699)
		<hr/>	<hr/>
Net cash from operating activities		688,259	727,420
		<hr/>	<hr/>
Cash flows from investing activities			
Interest received		28,739	32,986
Acquisition of tangible fixed assets		(50,410)	(3,840)
		<hr/>	<hr/>
Net cash flow from investing activities		(21,671)	29,146
		<hr/>	<hr/>
Cash flows from financing activities			
Share capital issued		-	-
		<hr/>	<hr/>
Net cash flows from financing activities		-	-
		<hr/>	<hr/>
Cash and cash equivalents and movements therein			
Increase in cash in the year		666,588	756,666
Cash and cash equivalents as at 1 April		7,169,619	6,413,053
		<hr/>	<hr/>
Cash and cash equivalents as at 31 March	<i>16</i>	7,836,207	7,169,619
		<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents at the end of year comprising:			
Cash at bank		46,207	219,619
Short term deposit		7,790,000	6,950,000
		<hr/>	<hr/>
Cash balance as at 31 March	<i>16</i>	7,836,207	7,169,619
		<hr/> <hr/>	<hr/> <hr/>

Notes on pages 15 to 26 are an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

Statement of Compliance

Daiwa SB Investments (UK) Ltd. is a limited liability company incorporated in England. The registered office is PO Box 18304, 5 King William Street, London EC4N 7JA.

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland for the year ended 31 March 2017. ('FRS 102').

Basis of preparation

The financial statements of the company for the year ended 31 March 2017 have been prepared in accordance with FRS102. The financial statements are prepared on going concern basis under the historical cost basis and in accordance with Companies Act 2006. The financial statements are dominated in sterling which is the functional currency of the company and rounded to the nearest pound.

Revenue

Management and Advisory fees are recognised in profit and loss account in proportion to the agreed net asset value of the funds managed. Information and Marketing support fees are recognised based on a pre-fixed amount for the year. There were no fees recognised in advance.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Furniture, fixtures and fittings	3 years
Office machinery and equipment	3 years

Foreign currency

The financial statements are presented in sterling, which is the functional currency of the company. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Where applicable, non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

Leases

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Operating leases were disclosed as the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

Not later than one year
Later than one year and not later than five years
Later than five years

Employee benefits - Pension costs and other post retirement benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Basic Financial Instruments

Trade and other debtors and creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash at bank comprise cash balances and call deposits, which are included as a component of cash and cash in bank for the purpose only of the cash flow statement.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account. The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Continuing operations

All operations of the company continued throughout both years. No operations were acquired or discontinued.

Related Party Transactions

Related party transactions are disclosed in the notes to the financial statements.

2 Turnover

Turnover comprises fees charged to customers for the provision of discretionary and advisory fund management services and the provision of information and marketing support for Daiwa SB Investments Ltd. in Tokyo. The revenues are derived mainly from outside the UK.

3 Entrusted commissions

Entrusted commissions comprise fees payable to Daiwa SB Investments Ltd. Tokyo for delegated fund management services, the marketing support fees payable to Daiwa SB Investments (Singapore) Ltd. and Daiwa Capital Markets Europe Bahrain branch, and commissions payable to third parties.

4 Operating expenses

The amount of £3,802,268 (2016: £3,643,388) represents general administrative costs, which include staff costs.

5 Interest receivable and similar income and Interest payable and similar expenses

Interest receivable and similar income comprise interest received from bank deposits and foreign exchange gain. Interest payable and similar expenses comprise foreign exchange loss.

Notes (continued)

6 Profit before taxation

	2017	2016
	£	£
<i>Profit before taxation is stated after charging:</i>		
Depreciation	38,708	33,226
Operating lease rental including service charge for office premises (see note 18)	169,977	169,093
Fees payable to the company's auditor:		
Audit of financial statements	20,598	20,460
Other services pursuant to legislation	10,000	6,064
Other assurance services	81,445	80,676
Taxation compliance services	9,300	18,500
	339,728	339,919

7 Remuneration of directors

The remuneration of the directors was as follows:

	2017	2016
	£	£
Directors' emoluments	334,008	289,101
	334,008	289,101

No directors were members of the company pension scheme.

Loan to a director

Unsecured loan to a director issued during the year ended 31 March 2015 amounted to £10,000. This loan, bearing interest of 3%, is repayable at monthly-agreed instalments up to August 2018. As at the balance sheet date, the balance outstanding was £4,722 and is included in other debtors. (2016: £8,056)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2017	2016
	£	£
Emoluments	353,900	213,463
	353,900	213,463

Notes (continued)

8 Staff numbers and costs

The average number of persons employed including expatriates during the year was as follows:

	2017	2016
Average staff numbers during the year	20	20
	20	20

	2017	2016
The aggregate payroll costs of these persons were as follows:	£	£
Wages and salaries	1,553,262	1,531,379
Social security costs	164,454	161,786
Pension costs (see note 18)	127,103	119,532
	1,844,819	1,812,697

9 Taxation

	2017	2016
<i>Current taxation:</i>	£	£
UK corporation tax	(229,809)	(139,494)
Over/(under) provision in prior year	1,800	10,032
Total current tax credit (charge)	(228,009)	(129,462)
<i>Deferred taxation:</i>		
UK deferred tax on timing difference of bonus payment (note 11)	(4,209)	3,740
UK Deferred tax asset (liability) on timing difference between the net book value and tax written down value of fixed asset	172	1,447
Tax charge on profit	(232,046)	(124,275)

The standard rate of UK corporation tax at the balance date was 20% (2016: 20%). Further reductions to 19% effective from 1 April 2017 and 18% effective from 1 April 2020 were enacted on 26 October 2015 and an additional reduction to 17% was substantively enacted on 6 September 2016.

Notes (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is at 20%. The differences are explained below:

<i>Current tax reconciliation:</i>	2017	2016
	£	£
Profit before tax	1,147,517	669,075
	<hr/>	<hr/>
Current tax at 20%. (2016: 20%)	(229,503)	(133,815)
Factors affecting the charge for the year:		
Expense not deductible for tax purposes	(4,555)	(2,130)
Capital allowances for year in excess/(less) than depreciation	4,249	(3,549)
Adjustments to tax charges in respect of previous years	1,800	10,032
Change in tax rate on losses utilised	-	-
	<hr/>	<hr/>
	(228,009)	(129,462)
	<hr/>	<hr/>

Notes (continued)

10 Tangible assets

The movement in the year was as follows:

	Furniture fixtures and fittings £	Office machinery and equipment £	Total £
<i>Costs</i>			
At beginning of year	88,279	484,289	572,568
Additions	-	50,410	50,410
Disposals	-	(20,731)	(20,731)
	<hr/>	<hr/>	<hr/>
At end of year	88,279	513,968	602,247
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	72,808	468,886	541,694
Charge for year	12,377	26,331	38,708
Disposals	-	(20,731)	(20,731)
	<hr/>	<hr/>	<hr/>
At end of year	85,185	474,486	559,671
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	3,094	39,482	42,576
	<hr/>	<hr/>	<hr/>
At 31 March 2016	15,471	15,402	30,873
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Debtors

	31 Mar 17	31 Mar 16
	£	£
Trade debtors	2,006,911	1,525,485
Amounts owed by the parent company	37,184	37,956
VAT Recoverable	45,481	47,817
Other debtors	6,359	18,848
Prepayments and accrued income	330,329	245,883
Deferred tax asset	26,049	30,086
Corporation tax recoverable	2,306	10,032
	2,454,619	1,916,107
	2,454,619	1,916,107

All debtors are due within one year, with the exception of deferred tax assets, which will be due after one year.

Deferred Tax

The movements of deferred tax assets during the year were:

	31 Mar 17	31 Mar 16
	£	£
Balance at 1 April	30,086	26,346
Debit /(Credit) to profit and loss account (note 9)	(4,037)	3,740
	26,049	30,086
	26,049	30,086

Comprising:

Timing difference on bonus accruals	25,869	23,328
Deferred tax asset (liability) on timing difference between the net book value and tax written down value of fixed assets	180	6,758
	26,049	30,086
	26,049	30,086

Notes (continued)

12 Creditors: amounts falling due within one year

	31 Mar 17	31 Mar 16
	£	£
Amounts owed to parent company	959,136	781,798
Amounts owed to group companies	405,807	291,689
Corporate tax payable	60,309	46,494
Accruals and deferred income	531,749	535,827
Other creditors	43,254	43,116
	2,000,255	1,698,924
	2,000,255	1,698,924

13 Called up share capital

	31 Mar 17	31 Mar 16
	£	£
<i>Allotted, called up and fully paid</i>		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	3,000,000	3,000,000
	3,000,000	3,000,000

14 Profit and loss account

	2017	2016
	£	£
At beginning of the period	4,417,676	3,872,875
Retained profit for the period	915,471	544,800
	5,333,147	4,417,675
	5,333,147	4,417,675

15 Reconciliation of movements in shareholder's funds

	31 Mar 17	31 Mar 16
	£	£
Shareholder's funds brought forward	7,417,676	6,872,875
Profit for the period	915,471	544,800
	8,333,147	7,417,675
	8,333,147	7,417,675

Notes (continued)

16 Cash and cash at bank

	31 Mar 17	31 Mar 16
	£	£
Cash at bank	7,807,468	7,136,633
Interest received	28,739	32,986
	7,836,207	7,169,619
Cash at bank per cash flow statements	7,836,207	7,169,619

17 Financial commitments

Capital commitments

There are no capital commitments either authorised or contracted as at 31 March 2017 (2016: nil).

Lease commitments

The company leases the premises from Daiwa Capital Markets Europe Limited. The 12 months rental including service charge on this lease was £169,977 (2016: £169,093). The minimum annual rental including service charge under operating lease is as follows:

	31 Mar 17	31 Mar 16
	£	£
<i>Operating lease which expires:</i>		
- within one year	-	-
- in the second to fifth year inclusive	108,863	108,863
- later than five years	-	-
	108,863	108,863

18 Pension arrangements

The company contributes to the Daiwa Capital Markets Europe Limited Group Personal Pension Plan, a defined contribution scheme, for which the pension cost charge for the period was £127,103 (2016: £119,532).

There were £25,182 outstanding contributions at the end of the financial year (2016: £10,883).

Notes (continued)

19 Related party transactions

The company is one of the wholly owned subsidiaries of Daiwa SB Investments Ltd.; its group consists of Daiwa SB Investments Ltd. Japan, parent company, UK, Singapore, USA, Hong Kong and Shanghai branch. Transactions with related parties have been conducted at market value on an arm's length basis and included other Daiwa group companies and its subsidiaries. Amounts include in the accounts are as follows:

Profit and loss account:

	2017	2016	2017	2016	2017	2016
	Fund management /advisory fees	Fund management /advisory fees	Entrusted commissions	Entrusted commissions	Administrative expenses	Administrative expenses
	£	£	£	£	£	£
Daiwa SB Investments Ltd.	1,417,970	1,264,372	(3,612,470)	(3,112,493)	-	-
Daiwa SB Investments (Singapore) Ltd.	-	-	(5,648)	-	-	-
Daiwa Capital Markets Europe Limited Bahrain Branch	-	-	(412,304)	(386,437)	-	-
Daiwa Capital Markets Europe Limited*	-	-	-	-	(299,646)	(288,696)

*Exclude staff costs paid to Daiwa Capital Markets Europe Limited. The details of staff costs are disclosed in note 8.

Balance sheet:

	2017	2016	2017	2016	2017	2016
	Fund management /advisory fees receivable	Fund management /advisory fees receivable	Entrusted commissions payable	Entrusted commissions payable	Administrative expenses payable	Administrative expenses payable
	£	£	£	£	£	£
Daiwa SB Investments Ltd.	37,184	37,956	(959,136)	(781,798)	-	-
Daiwa SB Investments (Singapore) Ltd.	-	-	(2,939)	-	-	-
Daiwa Capital Markets Europe Limited Bahrain Branch	-	-	(121,023)	(88,467)	-	-
Daiwa Capital Markets Europe Limited	-	-	-	-	(281,844)	(203,222)

Amounts owed by and to these companies are disclosed in notes 11 and 12.

Notes (continued)

20 Ultimate parent company

The company is a wholly owned subsidiary of Daiwa SB Investments Ltd., a company incorporated in Japan. This company is ultimately owned by Daiwa Securities Group Inc. (44%) and Sumitomo Mitsui Financial Group, Inc. (44%), both of which were incorporated in Japan. The rest of the ownership consists of TRPH Corporation (10%) and Sumitomo Mitsui Trust Bank Limited (2%).

21 Subsequent Event

There is no significant subsequent event between the year end and the date of approval of these financial statements (2016: nil).

23 Pillar 3 risk disclosures statement

The company's Basel II Pillar 3 disclosures on capital and risk management are available on the company's website (<http://www.daiwasbi.co.uk/legal/pillar3>). Disclosures will be updated at least annually and made available on the company's website as soon as practicable.