Company registration no. 06925256

DBJ Europe Limited

Report and Financial Statements

For the year ended 31 December 2017

Company information

Directors

Haruhisa Kawashita (resigned on 29 June 2017)

Hiroshi Sakamaki (appointed on 29 June 2017)

Mitsutaka Ozaki

Hideyuki Nagahiro

Yasuaki Okita

Shinji Ohno

Bankers

HSBC Bank plc

RSCE 2nd floor

Park Street

London

SE1 9WP

Citibank, N.A.

Citigroup Centre

Canada Square

Canary Wharf

London

E14 5LB

Auditor

Deloitte LLP

Statutory Auditor

Hill House, 1 Little New Street

London

EC4A 3TR

United Kingdom

Registered office

Level 20

125 Old Broad Street

London

EC2N 1AR

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and Business review

DBJ Europe Limited's ("The Company") principal activities during the year comprised fees and commissions received and receivable for the provision of various finance advisory services to the parent company, Development Bank of Japan Inc., including arrangement of loan transactions and corporate bond purchases ("debt transactions") especially in Europe, Middle East and Africa. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

During the year ended 31 December 2017, the Company arranged seven long-term debt transactions totalling €286,794,000 at 31 December 2017 (2016: five transactions totalling €150,568,000). The clients' business sectors are mostly Energy and Transportation.
All the transactions except five undrawn committed transaction were pass-through transactions by way of funded participation where the Company agrees to receive cash flows from the assets and has a concurrent obligation to pay those cash flows to Development Bank of Japan Inc. as the eventual recipient, in return for funding of the transactions. Consequently, these transferred assets were derecognised pursuant to the relevant requirement under IAS39.

The Company's key financial and other performance indicators during the year were as follows:

	€'000	2017	2016	2015
Performance				
	Fee income	6,653	5,839	6,462
	Fee Income growth (%)	13.9%	-9.6%	1.7%
	Profit before tax	472	192	624
	Profit after tax	376	144	493
Position				
	Shareholder's funds	8,911	8,535	8,391
	Cash	8,200	7,911	7,492
Capital				
	Own funds (Regulatory Capital resources)	8,907	8,530	8,327
	Total Capital Ratio (%)	23.3%	23.5%	30.1%
Loan and investment activity				
	Balance of arranged transactions	879,651	813,548	938,181
	Annual growth (%)	8%	-13%	19%
	Location (%)			
	UK	32%	27%	28%
	Italy	18%	21%	18%
	USA	15%	4%	13%
	France	14%	22%	19%
	Netherlands	9%	15%	13%
	Spain	8%	10%	8%
	Norway	3%	-	-
	Germany	1%	1%	1%
	Energy	38%	46%	51%
	Transportation	30%	19%	28%
	Infrastructure	20%	16%	5%
	Other	12%	19%	16%
Size				
	Employees	15	15	15

Strategic report (continued)

Future developments

The Company intends to continue the loans/bonds booking business as part of the support and advisory activities provided to the parent company during the year ending 31 December 2018 and the Directors expect this area of the business to grow.

Principal risks and uncertainties

The Company's risk management framework is set out in its policy which provides a minimum standard for risk management, detailing principles, roles and responsibilities for management and monitoring of risk.

The Board has an active involvement in the identification of the Company's key risks and in setting the risk appetite for the Company. The more detailed assessment and quantification of the identified risks is delegated to the Chief Risk Officer (CRO).

The Company has implemented controls to manage the risks to which the business is exposed. Governance arrangements are in place to monitor and mitigate overarching and business wide risks. The Enlarged Session of Executive Committee, chaired by the Company's Senior Advisor, advises the Board on the risk management issues and acts as the second line of defence in the 'three lines of defence' model. In addition, the Company has implemented specific and tailored controls to each operating function to monitor and mitigate the risks at the operating level.

The Company undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital needs. The outcome of the ICAAP is reviewed and approved by the Board. The FCA periodically reviews the adequacy of the ICAAP and may set individual capital guidance resulting in additional capital requirements for the Company.

The following shows the principal risks the Company is exposed to and the Company's approach to mitigating these risks, which are examined in the latest ICAAP.

- Credit risk and Concentration risk

Credit risk is the risk that a firm will incur a loss because its clients or counterparties fail to discharge their contractual obligations. Under a pass-through transaction scheme, the Company is not exposed to any material credit risk in relation to the loan and investment activities. The credit risk exposures are limited to the following: bank deposits, receivables from the parent company, and short-term exposures guaranteed by the parent company.

The Company has a monitoring policy and a credit rating system in place to mitigate credit risk and concentration risk.

- Liquidity risk

Liquidity risk is the risk that a firm does not have sufficient available resources to enable it to meet its obligations as they fall due. The Company faces liquidity risk mainly in relation to the settlement of the loan and investment activities and meeting its operational expense obligations.

The Company has a Liquidity Risk Policy in place to mitigate liquidity risk. The Company maintains a multi-currency committed facility and a multi-currency overdraft facility for settlement risk, and keeps a cash balance equivalent to six month expenses to cover its operational liquidity risk.

- Market risk

Market risk is the risk that the value of a portfolio will decrease due to market risk factors such as stock equity prices, interest rates, foreign exchange rates, and commodity prices.

Currently the relevant market risk factor for the Company is foreign exchange risk. The only currency in which the company has substantial Foreign Exchange position is Pound. Thus the Company is exposed to fluctuations in the Euro against the Pound. To mitigate the foreign exchange risk, the Company regularly monitors its net Foreign Exchange position of each non-Euro currency, and the sum of absolute values of these net positions is limited to €3.2 million (2016: €3.2 million) at any time.

- Regulatory risk

The main regulatory risk the Company faces is that of breaching FCA rules and requirements. The Company has internal compliance procedures in place to avoid or detect potential breaches.

Strategic report (continued)

- Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The main sources of risk for the Company are settlement risk, loss of key persons, outsourcing risk and regulatory risk.

The Company has an operational risk management system which includes operational risk report procedures.

All new products and services are subject to extensive assessment prior to launch or adoption by the Company. Such assessments include, but are not limited to, a full review of the impact on the Firm's capital, operations, compliance and existing risks. The Board has to sign off on any new business activities and products subject to the relevant FCA permission where necessary, after the CRO, in conjunction with the Enlarged Session of Executive Committee, has conducted detailed assessments of the proposed products or services. As a result of such assessment, there has been no significant change in the Company's principal risks and uncertainties in 2017.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal activity and Business review. In addition, notes 21 and 23 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

For the year ended 31 December 2017 the Company has made a profit of €376,000 (2016: €144,000). The Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future in light of the level of cash and working capital balances. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by order of the board

M. Ozaki

Mitsutaka Ozaki

Director (CEO)

12 April 2018

Directors' report

The Directors present their report and financial statements together with the auditor's report for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, is €376,000 (2016: €144,000). The Directors do not recommend the payment of a dividend (2016: €nil).

Directors of the Company

The Directors of the Company who held office throughout the year were as follows:

Haruhisa Kawashita (resigned on 29 June 2017)

Hiroshi Sakamaki (appointed on 29 June 2017)

Mitsutaka Ozaki

Hideyuki Nagahiro

Yasuaki Okita

Shinji Ohno

Political and charitable contributions

The Company made no political or charitable contributions during the year.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Auditor

In the case of each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Directors' report (continued)

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Deloitte LLP as auditor of the Company.

Approved by order of the board

M. Ozaki

Mitsutaka Ozaki

Director (CEO)

12 April 2018

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report to the members of DBJ Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of DBJ Europe Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of DBJ Europe Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

Independent auditor's report to the members of DBJ Europe Limited (continued)

We have nothing to report in respect of these matters.

Mark Rhys, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12 April 2018

Income Statement

for the year ended 31 December 2017

	Notes	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Interest and similar income	3	19	1
Interest and similar expense	3	(29)	(7)
Net interest expense	3	(10)	(6)
Fee and commission income	4	6,653	5,839
Fee and commission expense	4	(1,371)	(960)
Net fee and commission income	4	5,282	4,879
Total operating income		5,272	4,873
Personnel expenses	7	(2,876)	(2,628)
Depreciation of property and equipment	11	(19)	(58)
Amortisation of intangible assets	12	(4)	(65)
Professional fees		(889)	(718)
Foreign exchange (loss)		(73)	(288)
Other operating expenses		(939)	(922)
Total operating expenses		(4,800)	(4,679)
Finance expense		-	(2)
Total finance expenses		-	(2)
Profit before tax		472	192
Income tax expense	9	(96)	(48)
Profit for the year		**376**	**144**

Statement of Comprehensive Income

for the year ended 31 December 2017

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Profit for the year	376	144
Total comprehensive income for the year	376	144

Total comprehensive income for the year is attributable to the owners of the Company. The income for the year is attributable to continuing operations.

Balance Sheet

as at 31 December 2017

	Notes	2017 €'000	2016 €'000
Assets			
Cash at bank and in hand	10	8,200	7,911
Trade and other receivables	13	1,239	980
Current tax assets	9	-	3
Deferred tax assets	9	17	21
Property and equipment	11	39	29
Intangible assets	12	4	5
Total assets		**9,499**	**8,949**
Liabilities			
Trade and other payables	14	356	216
Current tax liabilities	9	42	-
Provisions	15	190	198
Total liabilities		**588**	**414**
Net assets		**8,911**	**8,535**
Equity attributable to equity holders of parent			
Share capital	17	7,500	7,500
Retained earnings		1,411	1,035
Total equity		**8,911**	**8,535**
Equity shareholders' funds		**8,911**	**8,535**

The notes on pages 15 to 32 are an integral part of these financial statements.

The financial statements for the year ended 31 December 2017 were approved by the board of Directors and authorised for issue on 12 April 2018.
They were signed on its behalf by:

M. Ozaki

Mitsutaka Ozaki

Director (CEO)
12 April 2018

Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital €'000	Retained earnings €'000	Total equity €'000
At 1 January 2016	7,500	891	8,391
Total comprehensive income	-	144	144
At 31 December 2016	7,500	1,035	8,535
Total comprehensive income	-	376	376
At 31 December 2017	7,500	1,411	8,911

Cash Flow Statement

for the year ended 31 December 2017

	Notes	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Operating activities			
Profit before tax		472	192
Non-cash items included in profit before tax:			
Depreciation of property and equipment	11	19	58
Amortisation of intangible assets	12	4	65
Dilapidation provision-unwinding costs	15	-	2
Foreign exchange translation loss / (gain)		58	148
Interest and similar income	3	(19)	-
Interest and similar expense	3	29	-
Working capital adjustments:			
(Increase) / decrease in trade receivables	13	(419)	124
(Increase) / decrease in other receivables	13	160	144
Increase / (decrease) in trade payables	14	(20)	19
Increase / (decrease) in other payables	14	156	(67)
Cash generated from operation:			
Interest received	13	19	-
Interest paid	14	(25)	-
Income tax paid	9	(44)	(65)
		(82)	428
Net cash flows from operating activities		**390**	**620**
Investing activities			
Payments in relation to the purchase of property and equipment		(29)	(19)
Payments in relation to the purchase of intangible assets		(3)	(5)
Net cash flows used in investing activities		**(32)**	**(24)**
Net increase in cash and cash equivalents		358	596
Net foreign exchange movement		(69)	(177)
Cash and cash equivalents at beginning of year		7,911	7,492
Cash and cash equivalents at 31 December	10	**8,200**	**7,911**

Notes to the financial statements

for the year ended 31 December 2017

1. Corporate information

DBJ Europe Limited ("the Company") is a limited company, domiciled in the United Kingdom. Its registered office is at Level 20, 125 Old Broad Street, London, EC2N 1AR.

Its main income stream comprises fees and commissions received and receivable for the provision of various financial advisory services. The Company is regulated by the FCA.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euros ("€") (the functional currency) being the currency of the primary economic environment in which the Company operates and all values are rounded to the nearest €'000 except when otherwise indicated.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), IFRS as adopted by the European Union ("EU") and in accordance with the Companies Act 2006.
The accounting policies adopted by the Company are consistent with standards, amendments and interpretations applicable at the balance sheet date. The major accounting standards applied for the financial statements are as follows.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 12 Income Taxes
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

2.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(i) Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IAS 18 Revenue. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

(ii) Key source of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the financial statements

for the year ended 31 December 2017

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

2.3 Summary of significant accounting policies

2.3.1 *Financial instruments – initial recognition and subsequent measurement*

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades" defined as purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired. All financial instruments are measured initially at their fair value plus transaction costs.

Notes to the financial statements

for the year ended 31 December 2017

2.3 Summary of significant accounting policies (continued)

(iii) Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss; and
- those that the Company, upon initial recognition, designates as available for sale.

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate ("EIR") which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

The amortisation is included in 'Interest and similar income/expense' in the income statement. The losses arising from impairment are recognised in the income statement in 'Credit loss expense'.

2.3.2 Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
  - the Company has transferred substantially all the risks and rewards of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the financial statements

for the year ended 31 December 2017

2.3 Summary of significant accounting policies (continued)

2.3.3 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets and liabilities carried at amortised cost (such as loans and receivables), the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.3.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the balance sheet.

2.3.5 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Computer hardware - 2 years
- Office furniture and equipment - 5 years
- Leasehold improvements - 5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income or loss' in the income statement in the period the asset is derecognised.

2.3.6 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Company does not act as a lessor.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight-line basis over the lease term.

2.3.7 Foreign currency translation

The financial statements are presented in the Company's functional and presentational currency, the Euro (€). Transactions in foreign currencies are initially recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences arising on non-trading activities are taken to 'Other operating income' in the income statement.

Notes to the financial statements

for the year ended 31 December 2017

2.3 Summary of significant accounting policies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

2.3.8 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2.3.9 Intangible assets

The Company's intangible assets include the value of computer software and associated licences. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licences - 2 years

2.3.10 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the assets or CGU's recoverable amount.

2.3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease on its premises.

Notes to the financial statements

for the year ended 31 December 2017

2.3 Summary of significant accounting policies (continued)

2.3.12 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset and the deferred tax relates to the same taxable entity and the same taxation authority.

2.3.13 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost interest income or expense is recorded using the EIR. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other operating income'.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Company earns fee and commission income from financial advisory services to Development Bank of Japan Inc., and its customers. Services include arranging and advising on investments and loans. Fees earned for the provision of these services over a period of time are accrued over that period.

Notes to the financial statements

for the year ended 31 December 2017

2.4 New and amended standards and interpretations adopted by the Company

New standards and IFRIC Interpretations recently adopted

The following new and amended IFRS and IFRIC interpretations are mandatory for the year ended 31 December 2017, but have had no material impact on the financial statements of the company:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle

2.5 Future accounting developments

New standards and IFRIC Interpretations not yet adopted

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ended 31 December 2017. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Amendments to IFRS 2 Classification and Measurement of Share-based payment Transactions
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 40 Transfers of Investment Property

As the Company prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Company's discretion to early adopt standards.

The Company is currently evaluating the effect of IFRS 9 and IFRS 16 on the financial statements. Except these two Standards, it is not expected that the adoption of the other Standards listed above will have a material impact on the financial statements in future periods.

Notes to the financial statements

for the year ended 31 December 2017

3. Net interest expense

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Interest and similar income		
Loans to customers	19	1
	19	1
Interest and similar expense		
Due to banks	(29)	(7)
	(29)	(7)
Net interest and similar expense	**(10)**	**(6)**

4. Net fee and commission income

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Fee and commission income		
Inter-company corporate finance fees	6,069	5,459
Commitment fees	564	360
Other financial service fees	19	18
Other	1	2
	6,653	**5,839**
Fee and commission expense		
Due to inter-company	(591)	(375)
Other financial service fees	(780)	(585)
	(1,371)	**(960)**
Net fee and commission income	**5,282**	**4,879**

5. Profit for the year

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Profit for the year has been arrived at after charging:		
Cost of operating leases (note 19)	192	195
	192	**195**

Notes to the financial statements

for the year ended 31 December 2017

6. Auditor's remuneration

The Company incurred the following amounts due to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Audit of the financial statements	27	28
Other fees to auditor	5	6
	32	34

7. Personnel expenses

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Wages and salaries	2,705	2,491
Social security costs	137	109
Pension costs	34	28
	2,876	2,628

The average monthly number of employees (including executive directors) for the continuing operations during the year was made up as follows:

	2017 No.	2016 No.
Management	3	3
Trading and Marketing	5	5
Risk management and Compliance	2	2
Finance and Administration	5	5
	15	15

8. Directors' remuneration

Directors' remuneration represents amounts paid to Directors for services to the Company.

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Remuneration	1,066	1,118

Directors' remuneration in respect of the highest paid director was €387,000 (2016: €408,000).

Notes to the financial statements

for the year ended 31 December 2017

9. Income tax expense

Income statement

The components of income tax expense for the year ended 31 December 2017 and 2016 are:

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Current tax:		
Corporation tax on profit for the year	98	67
Adjustment to current tax charge in respect of prior years	(6)	(8)
Current tax charge	92	59
Deferred tax:		
Relating to (origination) of temporary differences	(1)	(22)
Adjustment to deferred tax charge in respect of prior years	6	8
Impact of changing rates in deferred tax balances	(1)	3
Deferred tax charge / (credit)	4	(11)
Income tax expense reported in the income statement	**96**	**48**

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting loss multiplied by the UK's domestic tax rate for the year ended 31 December 2017 and 2016 are as follows:

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Profit before tax on continuing operations	**472**	**192**
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	91	38
Tax effect of expenses that are not deductible in determining taxable profit	6	6
Tax effect of depreciation on assets which do not qualify for capital allowances	-	1
Impact of changing rates in deferred tax assets	(1)	3
Adjustment to current tax charge in respect of previous periods	(6)	(8)
Adjustment to deferred tax charge in respect of previous periods	6	8
Income tax expense reported in the income statement	**96**	**48**

Notes to the financial statements

for the year ended 31 December 2017

9. Income tax expense (continued)

Deferred tax

The deferred tax accounted for in the balance sheet comprised the following deferred tax assets and liabilities. Deferred tax is calculated on temporary differences using the tax rate at which the temporary difference is expected to unwind. On 16th of March 2016, the UK Government announced changes to the UK corporation tax rate. Rates subsequently reduced from 20% to 19% from 1 April 2017 and will also reduce to 17% with effect from 1 April 2020.

	2017			2016		
	Deferred Tax		Income	Deferred Tax		Income
	assets	liabilities	statement	assets	liabilities	statement
	2017	2017	2017	2016	2016	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Fixed asset temporary differences	10	-	5	15	-	(13)
Other temporary differences	7	-	(1)	6	-	2
	17	**-**	**4**	**21**	**-**	**(11)**

Balance sheet disclosures

	2017	2016
	€'000	€'000
Current tax assets	-	3
Deferred tax assets	17	21
Current tax liabilities	42	-
Deferred tax liabilities	-	-

10. Cash at bank and in hand

	2017	2016
	€'000	€'000
Cash at bank or short term deposits	8,200	7,911
	8,200	7,911

Notes to the financial statements

for the year ended 31 December 2017

11. Property and equipment

	Leasehold improvements €'000	Computer hardware €'000	Office furniture and equipment €'000	Total €'000
Cost:				
At 1 January 2016	583	172	99	854
Additions	4	15	4	23
At 31 December 2016	587	187	103	877
Additions	-	29	-	29
Disposal	-	(37)	-	(37)
At 31 December 2017	587	179	103	869
Depreciation and impairment:				
At 1 January 2016	572	121	97	790
Depreciation charge for the year	4	53	1	58
At 31 December 2016	576	174	98	848
Depreciation charge for the year	5	13	1	19
Eliminated on disposals	-	(37)	-	(37)
At 31 December 2017	581	150	99	830
Net book value:				
At 31 December 2016	11	13	5	29
At 31 December 2017	6	29	4	39

Notes to the financial statements

for the year ended 31 December 2017

12. Intangible assets

	Computer software €'000
Cost:	
At 1 January 2016	**207**
Additions	5
At 31 December 2016	**212**
Additions	3
At 31 December 2017	**215**
Amortisation and impairment:	
At 1 January 2016	**142**
Amortisation charge for the year	65
At 31 December 2016	**207**
Amortisation charge for the year	4
At 31 December 2017	**211**
Net book value:	
At 31 December 2016	**5**
At 31 December 2017	**4**

13. Trade and other receivables

	2017 €'000	2016 €'000
Amounts falling due within one year:		
Amounts owing from inter-company	820	401
Prepayments	180	167
Accrued income	36	55
Other receivables	112	262
Amounts falling due after more than one year:		
Sundry deposits	91	95
	1,239	**980**

As at 31 December, 2017 and 2016, there were no receivables past their due date and the Directors estimated that all of the carrying value of trade and other receivables was recoverable. As such, no provision for bad or doubtful debts has been made at the balance sheet date.
The Directors consider that the carrying amounts above are approximately equal to their fair value.

Notes to the financial statements

for the year ended 31 December 2017

14. Trade and other payables

	2017 €'000	2016 €'000
Amounts falling due within one year:		
Sundry creditors	11	12
Accruals	305	148
Interest payable	4	-
Fees due to inter-company	36	56
	356	**216**

The Directors consider that the carrying amounts above are approximately equal to their fair value.

15. Provisions

	2017 €'000	2016 €'000
Dilapidation provision	190	198

The movement 2017 is as follows:

	2017 €'000
At 1 January	198
Foreign exchange movement	(8)
	190

The dilapidation provision represents management's estimate of the present value of amounts expected to be paid by the Company on termination of the current lease on its premises. Future minimum rentals payable under non-cancellable operating leases are disclosed in Note 19.

16. Pensions

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Pensions cost – Defined contribution plan contributions	34	28
	34	**28**

Notes to the financial statements

for the year ended 31 December 2017

17. Issued capital and reserves

Ordinary shares

Issued and fully paid	No. thousand	€'000
At 31 December 2016	7,500	7,500
At 31 December 2017	7,500	7,500

On incorporation (5 June 2009), authorised share capital of €1,500,000 ordinary shares of €1 each was created, and the full amount was issued. A further €6,000,000 of share capital was authorised and issued in November 2009.

18. Contingent liabilities and commitments

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Commitments		
Undrawn formal standby facilities, credit lines and other commitment to lend	93,012	69,542
	93,012	**69,542**

The commitment noted here is exactly matched by committed undrawn funding from the parent company (refer to Note 20).

19. Obligations under leases

Operating lease agreements where the Company is a lessee

The Company has entered into non-cancellable leases on its head office property and office equipment.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017			2016		
	Property €'000	Office equipment €'000	Total €'000	Property €'000	Office equipment €'000	Total €'000
Future minimum payments due:						
Not later than one year	221	19	240	231	43	274
After one year but not more than five years	74	3	77	307	13	320
After more than five years	-	-	-	-	-	-
	295	**22**	**317**	**538**	**56**	**594**

Notes to the financial statements

for the year ended 31 December 2017

20. Related party disclosures

Compensation of key management personnel of the Company

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Short-term employee benefits	1,624	1,593

Transactions with other related parties

In addition to transactions with key management, the Company enters into transactions with Development Bank of Japan Inc. The following table shows the relevant transactions during the year.

	Year ended 31 Dec 2017 €'000	Year ended 31 Dec 2016 €'000
Income from related parties	6,069	5,459
Expense paid to related parties	591	375
Amounts owing from related parties	820	401
Amounts owing to related parties	36	56
Commitments from related parties	93,012	69,542

Terms and conditions of transactions with related parties

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions with third parties.

21. Financial risk management objectives and policies

21.1 Introduction

The Company's risk management framework is set out in its Risk Management Framework Policy which provides a minimum standard for risk management in the Company. The Company risk management framework sets out principles, roles and responsibilities for the management and monitoring of risk. The day-to-day assessment and management of risks is documented in the Company's policy documents.

21.2 Carrying amount and fair value

For all of the Company's financial assets and liabilities, the Directors estimate that the carrying amount shown in the financial statements approximates to their fair value. The fair value of the financial assets and liabilities is considered to be the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

21.3 Credit risk

Credit risk is the risk that the Company will incur a loss because its clients or counterparties fail to discharge their contractual obligations. The Company is not exposed to significant credit risk as all significant trade and other receivables are owed by the parent company.

Notes to the financial statements

for the year ended 31 December 2017

21. Financial risk management objectives and policies (continued)

21.4 Liquidity risk

The Company has a liquidity policy. The Company signed and agreed on a Multi-Currency revolving facility and Multi-Currency overdraft facility for the purpose of mitigating the risk. At 31 December 2017, the Company had £300,000,000 (2016: £150,000,000) of undrawn Multi-Currency revolving facility and £50,000,000 and $100,000,000 (2016: £50,000,000 and $100,000,000) of undrawn Multi-Currency overdraft facility available.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2017 and 2016 based on contractual undiscounted repayment obligations.

Financial liabilities

	On demand €'000	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Over 5 years €'000	Total €'000
At 31 December 2017						
Due to inter-company	-	36	-	-	-	36
Due to Bank	-	77	-	-	-	77
Due to Supplier	-	174	-	-	-	174
	-	287	-	-	-	**287**
At 31 December 2016						
Due to inter-company	-	54	2	-	-	56
Due to Bank	-	33	-	-	-	33
	-	87	2	-	-	**89**

21.5 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

21.5.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. There has been no significant interest rate risk during the year.

21.5.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. The Company could be exposed to fluctuations in the Euro/pounds sterling exchange rates. To mitigate this, all balances will be held in Euro except for a maximum pounds sterling cash balance for working capital equivalent to €3,200,000 at the end of each month.

The following table details the Company's sensitivity to 8% increase and decrease in Euro against the relevant foreign currencies to which the Company had significant exposure at 31 December 2017. 8% is the rate used when reporting foreign currency risk internally in accordance with capital adequacy assessment required under Capital Requirements Directive ("CRD IV") and Capital Requirements Regulation. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Euro, with all other variables held constant, on the income statement and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Notes to the financial statements

for the year ended 31 December 2017

21. Financial risk management objectives and policies (continued)

Currency	Change in currency rate in % 2017	Effect on profit before tax 2017 €'000	Effect on equity 2017 €'000
Sterling			
	8% higher	(161)	(161)
	8% lower	161	161

Currency	2016	2016 €'000	2016 €'000
Sterling			
	8% higher	(168)	(168)
	8% lower	168	168

22. Ultimate parent undertaking

DBJ Europe Limited is a wholly-owned subsidiary of Development Bank of Japan Inc., a limited liability company incorporated in Japan. The Directors of the Company consider Development Bank of Japan Inc. to be the ultimate parent undertaking of the Company. Development Bank of Japan Inc. is in turn wholly-owned by the Minister of Finance of Japan.

Consolidated financial statements of the smallest and largest group into which the Company is consolidated are available from 9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8178, Japan.

Notes to the financial statements

for the year ended 31 December 2017

23. Capital (unaudited)

The Company maintains a sufficient capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using the rules and ratios adopted by the Financial Conduct Authority (FCA) in supervising the Company.

During the year, the Company has complied in full with all its externally imposed capital requirements.

Capital management
The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

There have been no material changes in the Company's management of capital during the year.

Regulatory capital
The Company manages its own regulatory capital and the Company's regulator is the FCA which imposes a minimum level of regulatory capital which must be retained.

On the basis of the company's permission granted by the FCA, the company is subject to the EU's Capital Requirements Directive (CRD IV) from 1 January 2014. As this company is an IFPRU limited licence firm, the standardised approach is applied for calculating the Pillar 1 minimum own funds requirement.

Own funds are comprised of Common Equity Tier 1 Capital, namely share capital and reserves, net of intangible assets. Pillar 1 own funds requirement is calculated as higher of (i) sum of own funds requirement for credit risk, market risk and settlement risk and (ii) fixed overhead requirement. Own funds and Pillar 1 own funds requirement at the balance sheet dates were as follows:

	2017 €'000		2016 €'000	
Own funds	**8,907**		**8,530**	
Common Equity Tier 1 capital	8,907		8,530	
Pillar 1 own funds requirement (risk weighted assets) (the higher of (i) and (ii))	**27,373**		**21,729**	
(i) Credit Risk	25,532		19,619	
(i) Market Risk	1,841		2,110	
(i) Settlement Risk	0		0	
(ii) Fixed Overhead requirement	13,722		14,600	
		Requirement		Requirement
Common Equity Tier 1 Capital Ratio (calculated vs. Pillar 1)	32.5%	>4.5%	39.3%	>4.5%
Tier 1 Capital Ratio	32.5%	>6.0%	39.3%	>6.0%
Total Capital Ratio	32.5%	>8.0%	39.3%	>8.0%

The Company undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) to assess its capital needs. The outcome of the ICAAP is reviewed and approved by the Board.

The own funds requirements are also calculated and monitored against expected ranges and available resources. The own funds requirement, own funds and capital ratios are recalculated monthly and reported to the Board of Directors.

The Company has disclosed the information of Pillar 3 on the Website "http://www.pillar3.eu/".