

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

ANNUAL REPORT
31 MARCH 2017



COMPANY REGISTERED NUMBER 07444745

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NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

STRATEGIC REPORT

The Directors of Nomura Alternative Investment Management (Europe) Limited ("the Company") present their Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2017.

REVIEW OF THE COMPANY'S BUSINESS AND DESCRIPTION OF PRINCIPAL RISKS

Review of the Business

The Company has been established in London as the Investment Manager of Nomura Wholesale markets. The Company is a wholly owned subsidiary of Nomura Europe Holdings plc ("NEHS"). The Company's ultimate parent undertaking and controlling entity is Nomura Holdings, Inc. ("NHI"), which together with the Company, NEHS, and NHI's other subsidiary undertakings, form the "Nomura Group". The Company commenced operations with effect from 1 July 2011 having received internal and regulatory approvals.

The Company's principal activity is to design, deliver, manage and distribute investment solutions for investors via Exchange traded funds (ETFs), Undertakings for the Collective Investment of Transferable Securities (UCITS), Alternative Investment Funds (AIFs) or dedicated offshore funds and segregated accounts.

On 25 July 2014 the Financial Conduct Authority ("FCA") granted an Alternative Investment Fund Manager ("AIFM") license to the Company.

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

	<u>Year ended</u> <u>31 March 2017</u>	<u>Year ended</u> <u>31 March 2016</u>
	\$	\$
Turnover	1,421,162	516,968
Loss on ordinary activities before taxation	(921,300)	(1,662,719)
Loss for the financial year	(921,300)	(1,662,719)
Total assets	4,453,572	5,170,625
Total liabilities	1,253,656	1,056,432
Shareholders' funds	3,199,916	4,114,193
Assets under Management ("AUM")	603,300,000	509,500,000

The Company reported a loss on ordinary activities for the year of \$921,300 compared with a loss of \$1,662,719 for the year ending 31 March 2016. Although the markets continued to be challenging during 2016-17 and despite restructuring by the Nomura Group of certain business units within the Wholesale Division having an impact on the distribution activity of the Company, the Company's AUM increased from \$509,500,000 as at March 2016 to \$603,300,000 at the balance sheet date. As a result, the Company recognised an increase in revenue compared to the previous year, mostly driven by one fund. The Company has terminated three funds during the year.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

STRATEGIC REPORT (CONTINUED)

RISK MANAGEMENT

The Company's activities involve the assumption and transfer of certain risks, including credit risk, operational risk, liquidity risk and business risk. The Company is not exposed to any material market risk. Further information on risks and the Company's risk management is provided in Note 9 to the financial statements.

These risks are managed through sub-committees of the Board of NEHS, the Company's immediate parent. These include a Prudential Risk Committee ("PRC"), having oversight of, and providing advice to, the Board on the NEHS Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework.

FUTURE DEVELOPMENTS

While regulatory pressures remain challenging, the Company will continue to explore revenue opportunities and management is expecting AUM growth during the year ending 2017-18.

Brexit

Following the Brexit referendum held in June 2016, the U.K. Prime Minister triggered Article 50 of the Treaty of the Functioning of the European Union ("EU") to start the formal exit process on 29 March 2017, meaning that the U.K. is on a course to leave the EU by the end of March 2019. In the meantime, the U.K. remains a full member of the EU. The U.K. financial services sector currently relies on access to the EU single market to conduct business across borders within the EU. However the U.K. government has said that it will not seek to remain part of the single market after Brexit. It is not yet clear whether an agreement can be reached through other means in order to maintain a similar level access for U.K.-based firms and so the precise impact of Brexit on financial services cannot yet be judged. The Nomura Group is currently working on contingency plans to ensure that they are able to provide continued service to clients.

EMPLOYEE MATTERS

The Company operates an equal opportunities policy. The Company has taken steps to ensure all employees are aware of their obligations in ensuring that the Company's environment retains an atmosphere which is conducive to good working and high performance. Full internal communication and access to training and development opportunities support this philosophy.

The Company is committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity, religion or belief, marriage and civil partnership, pregnancy & maternity, sex and sexual orientation. Our recruitment, development and promotion procedures are based on the requirements of a particular position.

The Nomura Group has an established policy of communicating with all its employees regularly, including UK employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all UK employees as well as communication and updates on the employee training programmes that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. Employee involvement in the performance of the Company is encouraged in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Company and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Company's financial performance is discussed.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT AND ENERGY

The Company believes a healthy environment is the foundation of stable economic and social conditions for future generations and is committed to acting in an environmentally responsible manner and to achieving energy performance improvement.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly goods and services;
- assesses environmental risks and continually strives to minimise pollution to mitigate our effect on climate change;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and the use of natural resources in order to minimise the impact of its footprint on the environment;
- is committed to continual improvement in energy performance;
- aims to maximise the efficiency of its property portfolio through effective asset management covering utilisation, maintenance, accessibility and disposals;
- promote the importance of biodiversity and a healthy ecosystem;
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives; and
- will make available the necessary resources to achieve our environmental and energy objectives and targets.

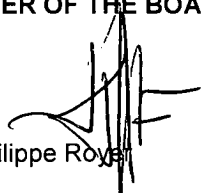
The Nomura Group makes this policy available for public viewing on request.

PRINCIPALS FOR RESPONSIBLE INVESTMENT

In September 2015 the Company became a signatory of the United Nations-backed Principles for Responsible Investment ("PRI"). PRI were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices and how these issues can affect the performance of investment portfolios. In March the Company completed its first Assessment Report which is expected to be available in July 2017.

BY ORDER OF THE BOARD AT A MEETING HELD ON 25 JULY 2017

Jean-Philippe Royer
Director



25 July 2017

Company registration number 07444745

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

DIRECTORS' REPORT

RESULTS

The results for the year are set out on page 9. The loss transferred to reserves for the year amounted to \$921,300 (2016: loss of \$1,662,719).

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Company has been discussed in the Company's Strategic Report.

DIRECTORS

The current Directors and those serving during all or part of the year are:

Minoru Shinohara (resigned 1 June 2017)
Jean-Philippe Royer
Jeremy Arnold
Richard Bisson

It is intended that Yasuo Kashiwagi will become a Director of the Company, subject to regulatory approval.

DIRECTORS' INDEMNITIES

NHI has effected a global Directors and Officers liability insurance programme for the benefit of the Nomura Group.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Annual Report. Its capital management procedures and available capital resources are described in note 10.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the approval of the annual report. Accordingly the financial statements have been prepared on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 4. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Auditors, Ernst & Young LLP, are deemed to be reappointed under section 487 of the Companies Act 2006.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 year. 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 Accounting Standards 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 they consider that to be inappropriate.

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 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.

BY ORDER OF THE BOARD AT A MEETING HELD ON 25 JULY 2017


Jean-Philippe Royer
Director

25 July 2017

Company registration number 07444745

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

We have audited the financial statements of Nomura Alternative Investment Management (Europe) Limited (the "Company") for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED (CONTINUED)

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

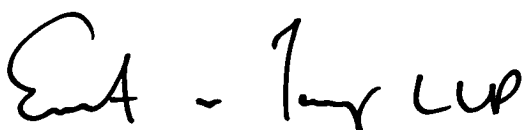
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



Gary Adams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 July 2017

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

Notes	<u>Year ended</u> <u>31 March 2017</u> \$	<u>Year ended</u> <u>31 March 2016</u> \$
2	TURNOVER	1,421,162
	Foreign exchange (loss)/gain	(17,280)
	Interest payable and similar charges	(219)
	General and administrative expenses	(2,324,963)
		<hr/>
	OPERATING LOSS	(921,300)
		<hr/>
3	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(921,300)
4	Tax on loss on ordinary activities	-
		<hr/>
	LOSS FOR THE FINANCIAL YEAR	(921,300)
		(1,662,719)

All profits and losses noted above are derived from continuing activities.

The notes on pages 12 to 27 form part of these financial statements.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Share-based payment reserve	Retained Earnings	Total
At 1 April 2016	9,000,000	125,922	(5,011,729)	4,114,193
Loss for the year	-	-	(921,300)	(921,300)
Share based payment reserve	-	7,023	-	7,023
At 31 March 2017	9,000,000	132,945	(5,933,029)	3,199,916

	Called up share capital	Share-based payment reserve	Retained Earnings	Total
At 1 April 2015	9,000,000	117,141	(3,349,010)	5,768,131
Loss for the year	-	-	(1,662,719)	(1,662,719)
Share based payment reserve	-	8,781	-	8,781
At 31 March 2016	9,000,000	125,922	(5,011,729)	4,114,193

The notes on pages 12 to 27 form part of these financial statements.

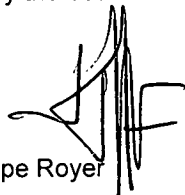
NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

BALANCE SHEET AT 31 MARCH 2017

Notes		<u>2017</u> \$	<u>2017</u> \$	<u>2016</u> \$	<u>2016</u> \$
	CURRENT ASSETS				
6	Debtors	892,648		233,919	
	Cash at bank and in hand	<u>3,560,924</u>		<u>4,936,706</u>	
		4,453,572		5,170,625	
	CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)				
7	Other creditors	<u>(1,253,656)</u>		<u>(1,056,432)</u>	
	NET CURRENT ASSETS		3,199,916		4,114,193
	TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,199,916</u>		<u>4,114,193</u>
	NET ASSETS		<u>3,199,916</u>		<u>4,114,193</u>
	CAPITAL AND RESERVES				
8	Called up share capital		9,000,000		9,000,000
13	Share-based payment reserve		132,945		125,922
	Retained Earnings		<u>(5,933,029)</u>		<u>(5,011,729)</u>
	SHAREHOLDER'S FUNDS - Equity		<u>3,199,916</u>		<u>4,114,193</u>

Approved by the board of Directors at a meeting held on 25 July 2017 and signed on its behalf on 25 July 2017 by:

Jean-Philippe Royer
Director



Company registration number 07444745

The notes on pages 12 to 27 form part of these financial statements.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Company adopted Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") for all periods presented as is permitted under the standard. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and have been prepared on a going concern basis.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 regarding the reconciliation of outstanding shares;
- b) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments so that only the descriptions of the share-based payments, the range of exercise prices and weighted average remaining contractual life of the share options outstanding; and the weighted average share price on exercised options is required to be disclosed;
- c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose standards that have been issued but are not yet effective;
- d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation; and
- e) the requirements of paragraph 18 in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- f) the requirements of paragraphs 10(d) and 111 of IAS 1 and IAS 7 regarding the Statement of Cash Flows.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report.

The financial statements are presented in US Dollars ("USD"). The Sterling to USD rate of exchange at the balance sheet date was 1.2519 (2016: 1.4381).

Where appropriate, prior year figures have been restated to conform with current year presentation.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company has not made any significant estimates in the preparation of the financial statements.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017

1. ACCOUNTING POLICIES (CONTINUED)

(c) Turnover

Turnover includes fees received for management of investment funds and is credited to the profit and loss account on an accruals basis.

(d) Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Income and expenses denominated in a foreign currency are retranslated using appropriate weighted average exchange rates. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(e) Taxation

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised.

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset 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 accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities shall not be discounted.

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, shall be recognised in other comprehensive income.
- directly in equity, shall be recognised directly in equity.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Share-based payments

The ultimate holding company, NHI, operates share-based awards schemes for the purpose of providing incentives and rewards to eligible participants. Such share-based awards are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

Share-based awards such as Stock Acquisition Rights ("SARs") which are expected to be settled by the delivery of the ultimate holding company's common stock are classified as equity-settled transactions. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

Share-based awards such as Collared Notional Stock Units ("CSUs") which are expected to be settled in cash are classified as cash-settled transactions. Other awards such as Notional Index Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as cash-settled transactions. Cash-settled transactions are re-measured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in profit and loss over the vesting period.

The cost of equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted. The fair value of the stock options as of the grant date is estimated using a Black-Scholes option-pricing model.

The cost of equity-settled transactions is recognised in the statement of comprehensive income, together with a corresponding increase in reserves, representing the contribution received from the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date'). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Certain new deferred awards granted since May 2013 include "Full Career Retirement" provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The vesting period for these awards ends on the earlier of the contractual vesting date and the date that the recipient becomes eligible for Full Career Retirement.

Cash-settled transactions such as CSUs and NIU which will be settled in cash are classified as liability awards. These are re-measured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in the statement of comprehensive income over the vesting period.

(g) Share Capital

Share capital meeting the definition of an equity instrument under IAS 32 is disclosed within shareholder's funds. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(h) Cash Flow Statement

FRS 101.7(h) exempts the Company from presenting a statement of cash flows.

(i) Reserves

The Company has the following reserve accounts:

- Share-based payment expense reserve: the cost of equity-settled transactions is recognised in the statement of comprehensive income, together with a corresponding increase recorded within this reserve.
- Retained Earnings: represents the accumulated profits and losses of the Company.

2. TURNOVER

The Company generates revenues through advisory or investment management fees from Assets under Management. The Company does not hold any trading positions.

Segmental Analysis

The Turnover is attributable to fees received net of advisory fee.

Substantially all of the Company's business activity originates in Europe, with a small portion of fees coming from off-shore funds.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before tax for the Company is stated after charging:

	<u>Year ended</u> <u>31 March 2017</u>	<u>Year ended</u> <u>31 March 2016</u>
	\$	\$
Salaries and other personnel costs	1,647,588	1,535,231
Pension costs – defined contribution	93,475	108,768
Auditor's remuneration	42,693	51,630
Service charges from group undertakings	226,987	241,923
Market data services	198,344	204,373
Professional fee	59,674	24,475
Irrecoverable VAT	4,674	5,130
Bank Charges	7,736	8,761
Business development	43,792	7,338
	<u>2,324,963</u>	<u>2,187,629</u>

4. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of tax for the year

	<u>Year ended</u> <u>31 March 2017</u>	<u>Year ended</u> <u>31 March 2016</u>
	\$	\$
UK corporation tax for the year at 20% (2016: 20%)	-	-
Tax on loss on ordinary activities	-	-

(b) Reconciliation of corporation tax

	<u>Year ended</u> <u>31 March 2017</u>	<u>Year ended</u> <u>31 March 2016</u>
	\$	\$
(Loss) on ordinary activities before tax	(921,300)	(1,662,719)
UK corporate tax (credit) at 20% (2016: 20%)	(184,260)	(332,544)
Effects of:		
Expenses not deductible for tax purposes	192	846
Unutilised losses for the year carried forward	195,938	329,942
Deferred tax not recognized on temporary differences	(11,870)	1,756
UK corporation tax	-	-

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. DEFERRED TAX

	<u>31 March 2017</u>	<u>31 March 2016</u>
	\$	\$
Short term temporary differences	20,000	26,429
Unutilised tax losses	1,002,159	874,810
Deferred tax asset not recognised	<u>1,022,159</u>	<u>901,239</u>

A deferred tax asset of \$1,022,159 (2016: \$901,239) has not been recognised on the trading losses and other temporary differences given the uncertainty surrounding future taxable profits.

Deferred tax has been disclosed at 17% in the accounts (2016: 18%) reflecting the reduction in the UK corporation tax rate to 17% which takes effect from 1 April 2020 and which has been enacted by the balance sheet date.

From 1 April 2015 there is a 50% restriction on the amount of taxable profits that can be relieved by brought forward losses in existence at 31 March 2015. This restriction was legislated by Finance (No.2) Act 2015. A further restriction to 25% on the on the amount of taxable profits that can be relieved by brought forward losses was enacted at the balance sheet date and took effect from 1 April 2016.

6. DEBTORS

	<u>31 March 2017</u>	<u>31 March 2016</u>
	\$	\$
Debtors	271,023	124,042
Accrued income	621,625	109,877
	<u>892,648</u>	<u>233,919</u>

Included within Debtors above is \$ 713,172 (2016: \$123,481) due from a fellow Nomura Group undertaking. The Company has no amounts which are past due or impaired.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

7. OTHER CREDITORS

	<u>31 March 2017</u>	<u>31 March 2016</u>
	\$	\$
Accrued expenses	1,252,223	1,056,432
Trade creditors	<u>1,433</u>	<u>-</u>
	<u>1,253,656</u>	<u>1,056,432</u>

Included within creditor balances above is \$659,429 (2016: \$419,395) due to a fellow Nomura Group undertaking. The balances are non-interest bearing and repayable on demand.

8. SHARE CAPITAL

<u>2017</u>	<u>Number</u>	<u>Fully paid</u> <u>consideration</u>
		\$
US Dollar Ordinary shares of \$1 each	9,000,000	<u>9,000,000</u>
		<u>9,000,000</u>

<u>2016</u>	<u>Number</u>	<u>Fully paid</u> <u>consideration</u>
		\$
US Dollar Ordinary shares of \$1 each	9,000,000	<u>9,000,000</u>
		<u>9,000,000</u>

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's activities are credit, liquidity and operational risks.

The Capital Requirements Directive IV ("CRD IV"), including the Capital Requirements Regulation ("CRR"), requires the Company to publish country by country reporting disclosures. The information has been made publically available on the below website.

<http://www.nomuraholdings.com/company/group/europe>

Risk Management Structure

The responsibilities of the Board of Directors of the Company include authorising appropriate policies for risk management and internal control. These risks are managed by the Company directly and Committees and sub-committees of the Board of NEHS and through the support from risk functions of Nomura International plc ("NIP") under the service level agreements.

Credit Risk Management

Credit Risk Management measures, monitors and controls credit risk. This department is completely independent from the business divisions.

Operational Risk Management

Operational Risk Management is responsible for implementing the Operational Risk Management policy and for providing challenges to the business divisions in their management of operational risk. The department is completely independent from the business divisions and from the Internal Audit department.

Finance Department

The Finance department monitors compliance with internally and externally set regulatory limits and guidelines.

Internal Audit

The Nomura Group Internal Audit department has responsibility to examine, evaluate and make recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents.

The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Internal Audit (continued)

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing.

Internal Audit reports its findings and the agreed action plans, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate.

The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for action plans which Management represents as having been completed.

Credit Risk

Credit risk is the risk of loss arising from an obligor or counterparty's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms.

Credit Risk Management Process

Credit Risk Management ("CRM") operates a credit risk control function within the Risk Management Division, reporting to the Chief Risk Officer. The process for managing credit risk at the Company includes:

- evaluation of likelihood that a counterparty defaults on its payments and obligations;
- assignment of internal credit ratings to all active counterparties;
- approval of extensions of credit and establishment of credit limits;
- measurement, monitoring and management of the firm's current and potential future credit exposures;
- setting credit terms in legal documentation including margin terms; and
- use of appropriate credit risk mitigants including netting, collateral and hedging.

Credit Risk Exposure

The Company's main counterparty credit risk exposures arise from cash deposited with financial institutions. Credit exposures are monitored on a daily basis.

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below

	<u>Maximum Exposure to Credit Risk</u> <u>2017</u> \$	<u>Maximum Exposure to Credit Risk</u> <u>2016</u> \$
Debtors	892,648	233,919
Cash at bank and in hand	3,560,924	4,936,706
Total exposure to credit risk	<u>4,453,572</u>	<u>5,170,625</u>

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure (continued)

The credit quality of financial assets which are subject to credit risk, that are neither past due nor impaired, is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents

Credit Rating	<u>Maximum Exposure to Credit Risk</u> <u>2017</u> \$	<u>Maximum Exposure to Credit Risk</u> <u>2016</u> \$
A	4,286,781	4,936,706
BBB	1,677	123,481
Unrated	165,114	110,438
	<hr/>	<hr/>
Total exposure to credit risk by credit rating	<u>4,453,572</u>	<u>5,170,625</u>

Liquidity Risk

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining. All amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities. This presentation is considered to reflect the liquidity risk arising from the Company's financial liabilities and is consistent with how this risk is managed by the Company.

<u>Liabilities</u>	<u>Less than 1 year</u> <u>31 March</u> <u>2017</u> \$	<u>Total</u> <u>31 March</u> <u>2017</u> \$
Other Creditors	1,253,655	1,253,655
Total exposure to liquidity risk	<hr/> <u>1,253,655</u>	<hr/> <u>1,253,655</u>

<u>Liabilities</u>	<u>Less than 1 year</u> <u>31 March</u> <u>2016</u> \$	<u>Total</u> <u>31 March</u> <u>2016</u> \$
Other Creditors	1,056,432	1,056,432
Total exposure to liquidity risk	<hr/> <u>1,056,432</u>	<hr/> <u>1,056,432</u>

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table (continued)

The table below shows the maturity profile of the Company's financial assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised.

<u>Assets</u>	<u>On demand</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	<u>31 March</u> <u>2017</u>	<u>31 March</u> <u>2017</u>	<u>31 March</u> <u>2017</u>
	\$	\$	\$
Debtors	-	892,648	892,648
Cash at bank and in hand	3,560,924	-	3,560,924
Total exposure to liquidity risk	<u>3,560,924</u>	<u>892,648</u>	<u>4,453,572</u>

<u>Assets</u>	<u>On demand</u>	<u>Less than 1</u> <u>year</u>	<u>Total</u>
	<u>31 March</u> <u>2016</u>	<u>31 March</u> <u>2016</u>	<u>31 March</u> <u>2016</u>
	\$	\$	\$
Debtors	-	233,919	233,919
Cash at bank and in hand	4,936,706	-	4,936,706
Total exposure to liquidity risk	<u>4,936,706</u>	<u>233,919</u>	<u>5,170,625</u>

The Company has no amounts which are past due or impaired.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura Group's reputation if caused by an operational risk. The Company uses the Nomura Group's Operational Risk Management ("ORM") framework for the management of the Company's operational risk.

The Three Lines of Defence

Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising:

- 1st Line of Defence: the business which owns and manages its risks;
- 2nd Line of Defence: the ORM function, which defines and co-ordinates Nomura Group's operational risk strategy and framework and provides challenge to the 1st Line of Defence; and
- 3rd Line of Defence: Internal and External Audit, who provide independent assurance.

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Business Risk

Business risk is the risk of failure of revenues to cover costs due to deterioration in the earnings environment or deterioration in the efficiency or effectiveness of Nomura Group's business operations. Managing business risk is the responsibility of Nomura Group's Executive Managing Directors and Senior Managing Directors.

10. CAPITAL MANAGEMENT POLICY

The objectives of the Company's capital management policies are to ensure that the Company complies with externally imposed capital requirements and sufficient capital is maintained to support the Company's business and to withstand losses due to extreme market movements.

The Company reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of balance sheet size and level of capital take into consideration regulatory requirements and economic risks inherent in its business.

The Company is regulated by the FCA.

Regulatory Capital

In line with the regulatory requirements, the Company maintains Tier 1 capital resources consisting of ordinary share capital, reserves and retained earnings.

	<u>31 March</u> <u>2017</u> \$	<u>31 March</u> <u>2016</u> \$
Tier 1 capital	3,199,916	4,114,193
Tier 1 capital	3,199,916	4,114,193
Total deductions from capital	-	-
Total capital resources	3,199,916	4,114,193

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

11. EMPLOYEES

The average monthly number of persons employed by the Company during the year and their location were as follows:

	<u>Average</u> <u>Employees</u> <u>2017</u> Number	<u>Average</u> <u>Employees</u> <u>2016</u> Number
United Kingdom	6	6
	<u>6</u>	<u>6</u>

12. DIRECTORS' REMUNERATION

	<u>Year ended</u> <u>31 March</u> <u>2017</u> \$	<u>Year ended</u> <u>31 March</u> <u>2016</u> \$
Salaries, allowances and taxable benefits	297,092	345,280
Company contributions to pension	40,800	49,327
Bonuses	116,832	166,055
	<u>454,724</u>	<u>560,662</u>

The number of Directors who exercised share options during the year was 3 (2016: 3).

No Director was entitled to receive shares under long-term incentive plans during the year (2016: 1).

The highest paid Director received emoluments of \$372,588 (2016: \$450,162) and Company contributions to pension of \$40,800 (2016: \$47,091). The highest paid Director exercised 179 share options during the year (2016: nil).

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

13. SHARE BASED PAYMENTS

SAR Awards

The ultimate holding company, NHI, has a share option scheme – Stock Acquisition Right Plan B.

The share options have variable vesting periods during which the options may not be exercised.

The exercise price of Stock Acquisition Right Plan B will be 1¥ per share.

The stock options are exercisable during a certain period from the vesting date (five years at maximum from the vesting date), which is to be decided by the ultimate holding company's Board of Directors or an executive office designated by the Board of Directors.

As at 31 March 2017, the Company had participated in Stock Acquisition Right Plan B, under which the share price as at the grant date has been used as an estimate for the fair value at grant date. It has been assumed that all options within plan B will vest given that there is insignificant historical experience available to provide a reliable estimate.

The expense recognised in respect of equity settled share based payment scheme, under stock option plan B for employee services received during the year was \$7,023 (2016: \$8,781).

Collar Stock Units (CSU) Awards

CSUs are cash-settled awards linked to the price of the NHI's common stock, which have graded vesting over three years from grant date. CSUs are similar to Plan B awards but are settled in cash rather than the ultimate holding company's common stock and exposure of the employee to movements in the price of NHI's common stock is subject to a cap and floor. The fair value of CSUs is determined using the average closing NHI's share price over the five trading days up to and including the vesting date.

For CSU awards the expense recognised for employee services received during the year was \$3,965 (2016: \$2,798).

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

13. SHARE BASED PAYMENTS (CONTINUED)

Other Awards

Nomura also grants Notional Index Units ("NIUs") to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International which have graded vesting generally over three years from grant date. NIUs vest quarterly, generally over three years. The fair value of NIUs is determined using the average closing price of the Index during the five trading days up to and including the vesting date.

For NIU awards the expense recognised for employee services received during the year was \$6,768 (2016: \$13,331).

The table below illustrates the number and weighted average exercise price of the following groups of share options:

	Share option plan	Number of share options	Weighted average exercise price ¥
Outstanding at the beginning of the year	B	345	1
	CSU	303	
	NIU	3,149	
			3,797
Granted during the year	B	50	1
	CSU	4,873	
	NIU	-	
			4,923
Exercised during the year	B	179	1
	CSU	1,928	
	NIU	1,797	
			3,904
Outstanding at the end of the year	B	216	1
	CSU	3,248	
	NIU	1,352	
			4,816
Exercisable at the end of the year	B	140	1
	CSU	-	
	NIU	-	
			140

NOMURA ALTERNATIVE INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS101 from the requirement in IAS 24 for disclosing related party transactions with other entities included in the consolidated financial statements of NHI.

15. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest and smallest group of undertakings for which consolidated financial statements are prepared, is NHI, incorporated in Japan. Copies of the group financial statements of NHI may be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.