Daiwa
Capital Markets

Annual Report and Financial Statements

For the Year Ended 31 March 2024

Daiwa Capital Markets Europe Limited

Company registered number: 01487359

Daiwa Capital Markets

Contents

1. Chair of the Board Statement

After two and a half years on the Board of Daiwa Capital Markets Europe Limited ("DCME"), I was appointed Chair of the Board in April 2024, taking over from Douglas van den Aardweg. During the financial year we made several other changes to our Board of Directors, reducing the size to make it more proportionate to our new business model and balance sheet profile. Shiko Yanagisawa, Tsutomu Kobayashi, Melanie Czarra and Douglas van den Aardweg retired during the financial year, and I would like to thank them very much for their valuable contribution to the Board and wish them well for the future. When we complete our hiring process for a new Chair of the Remuneration Committee, it will take our Board to an optimal size of six. As a reformed Board we aim to build on the strong foundations which have been laid to meet any challenges ahead, create opportunities for growth and continue to deliver excellent performance.

The world economy has faced a challenging time in recent years, with high inflation following the pandemic leading to elevated interest rates and the energy price crisis caused by the war in Ukraine driving many national economies into recession. As we start FY25 we see inflation normalising with economies emerging from stagnation and beginning to show tentative signs of growth, this in turn is leading to the prospect of rate cuts in the near to mid-term.

Against this backdrop DCME has defined an action plan to deliver sustained success for our stakeholders including our clients, our people and our shareholder. We have continued to revise our booking model and further reduced our balance sheet size over the financial year. The new operating model and the associated restructuring ensured we were well positioned to drive our strategy forward. We have focused on the areas where we are already strong, leveraging our Group relationships and Japanese heritage, and maximised these opportunities through increased client activity. We will continue to identify efficiencies where we can and drive individual and team performance so we can reinvest in our people and our businesses.

By taking these steps we have created the capacity to embrace ESG in both our client offering and throughout our organisation. Using education programmes, external partnerships and the way we develop our people, we are introducing our clients to ESG opportunities with a particular focus on social good. We also continue to focus on the diversity of our Board, our Executives and all our teams, recognising the benefits of a diverse mix of gender, social and ethnic backgrounds.

The changes we have made and our clear vision have underpinned a successful financial performance in the year ended 2024 producing an operating profit of £14.4m. We believe that DCME is now well positioned to deliver sustained value for all our stakeholders beyond 2024.

Lastly, I would like to thank our clients for their ongoing support and our employees who continue to work together to produce excellent results.

Yours sincerely,

M Bentley

Maria Bentley

Chair of the Board

Daiwa Capital Markets Europe Limited

2. Strategic Review

2.1. Introduction

The purpose of this report is to provide an insight into Daiwa Capital Markets Europe's ("DCME") business strategy, the associated risks and opportunities, and how DCME's directors discharge their Companies Act 2006 Section 172 responsibilities. The report includes commentary on the company's performance, Key Performance Indicators ("KPIs"), an outline of how DCME is structured, an overview of future prospects and the risks the business faces together with the strategy to mitigate these risks.

2.2. Business Model

DCME is the UK subsidiary of Daiwa Securities Group Inc. ("DSGI") and, as such, its business model is closely aligned to that of the Daiwa Group (the "Group"). DCME's purpose, within the Group, is to provide access to Japan and Asia for European clients and access to Europe for Daiwa Group clients. That access is in both primary and secondary markets. DCME also provides services to other Group companies for which the company receives income.

DCME is structured along product lines, consistent across the Group, which allows for global product strategies and management. Global and local product heads, along with DCME senior management, work together to determine business priorities and strategy.

DCME operates a booking model that sees much of its commission revenue and all of its trading pl and trading positions reflected in the books of its parent; Daiwa Securities Co. Ltd (DSCL). Under this model the firm derives a significant proportion of its income from recharges from its group.

DCME's primary office is based at 5 King William Street, London. It has a branch office in Bahrain and a representative office in Paris. The Geneva branch office was closed in FY23.

DCME has a German subsidiary, Daiwa Capital Markets Deutschland GmbH ("DCMD"). The primary aim of DCMD is to support the Group's relationships with European Economic Area ("EEA") clients and provide access to EEA products for the Group. In the medium term, the objective is to increase client and product coverage in the EEA through a local presence. The results of DCMD are not consolidated in these financial statements.

2.3. Review of performance, businesses and strategy

2.3.1. Performance

DCME's Financial Year to 2024 pre-tax result was a profit of £14.4m (FY23: loss of £18.3m). The table below provides analysis of the Statement of Comprehensive Income:

	2024 £'000	2023 £'000	mvmt £'000	mvmt %
Recharges to Daiwa Group (note 9.3)	63,231	69,332	(6,101)	(9%)
Interest on Capital	22,756	10,642	12,114	114%
Equity primary revenue	14,454	6,600	7,854	119%
Other revenue not separately disclosed above	28,238	25,533	2,705	11%
Net Operating Income (excl. impairment of financial asset)	**128,679**	**112,107**	**16,572**	**15%**

Administrative expenses (excl. restructuring costs)	(105,461)	(112,885)	7,424	(7%)
Operating Profit/(loss) (excl. restructuring costs and impairment of financial asset)	**23,218**	**(778)**	**23,996**	
Impairment of financial asset	(7,014)	(7,635)	621	(8%)
Restructuring costs (included in Administrative expenses in statement of comprehensive income)	(1,787)	(9,928)	8,141	(82%)
Operating Profit/(loss)	**14,417**	**(18,341)**	**32,758**	

Year on year DCME recorded significantly stronger net operating income. This was mainly driven by higher interest income on the company's capital (reflecting higher interest rates) and by strong equity related primary revenue. Recharges to the Group were down 9% which due mainly to lower Administrative Expenses.

DCME's 3 year cost reduction programme continued to deliver in FY24 and therefore Administrative Expenses (excluding restructuring costs) were down 7% year on year (despite the headwinds of inflation). A further example of the programme's impact was seen in the reduction of DCME's headcount: 325 as at March 2024 year end compared with 398 a year before.

In FY24 DCME implemented a strategic decision to end all of the firm's repo and reverse repo activity and this is evidenced on the balance sheet with significantly smaller Debtor and Creditor balances year on year (Sections 9.13 and 9.17 below respectively).

Looking forward DCME anticipates a profitable outcome for FY25.

2.3.2. Business

2.3.2.1. Equities

The Equity Division includes investment research and advisory related brokerage with a core focus on Pan Asian Equities. The division provides investment advice in the form of buy and sell recommendations on listed equities to institutional clients using the Daiwa Group's research product. It offers execution services using the Group's access to the Tokyo Stock Exchange and to other Asian exchanges. In addition to secondary equity brokerage, the division distributes equity-linked primary issues originated by other parts of the Daiwa Group. The Pan Asian Equity desk serves a wide range of traditional and alternative fund managers throughout Europe and the Middle East. Additionally, the division provides European research and execution services to Japanese institutional investors and to the Daiwa Securities Group through a distribution partnership with Sanford C. Bernstein.

The Equity Division had a 5% year on year decrease in total revenue. FY24 was an excellent year for primary revenue which was up 245% year on year, however this was offset by lower secondary revenues and the impact of the closure of the Geneva branch in FY23, and the transfer of its business to DCMD.

2.3.2.2. Fixed Income ("FICC")

The FICC Division consists of the following core business lines: investment grade Credit Trading, Japanese Government Bond Trading, MTN, and Sales. The Sales desk is responsible for the placement of Daiwa's Fixed Income global product range, both secondary and primary, with European clients.

Under FICC's booking model market risk is booked and managed (and therefore economic performance generated) in DSCL with DCME revenues booked on a cost plus basis. Additionally a large proportion of FICC revenue is derived from the recharge of costs incurred in the support of DSCL booked revenue. In total recharges accounted for 60% of FY24 revenues.

The FICC Division had a 6% year on year decrease in revenue due mainly to lower cost plus income (due to lower costs) which was partly offset by higher locally booked revenue.

2.3.2.3. International Convertible Bonds ("ICB")

ICB makes markets in Japanese and Asian convertible bonds to its European and Asian client base, aiming to generate revenues by capturing bid-offer spreads. The division has a presence in both London and Hong Kong which allows it to service clients in both Asian and European time zones. In addition to market making activity, ICB seeks to participate in the primary market working closely with Daiwa's Equity Capital Markets presence in both Japanese and Asian markets. The Japanese market is where Daiwa has strong corporate relationships and the business retains a market leading position in primary convertible bond deals.

ICB adopted a back to back booking model in May 2023 and therefore all of its revenues and trading positions are reflected in the books of DSCL with DCME being remunerated on a cost plus basis.

The division had a 3% year on year increase in revenue.

2.3.2.4. Debt Capital Markets ("DCM")/ Investment Banking ("IB") Syndication

DCM/IB Syndication forms part of the Investment Banking Division and has two purposes. The first, performed by DCM is to act as a marketing and co-ordination function to develop business with international borrowers in the primary/new issue market for debt products targeted at Japanese and non-Japanese based retail and institutional investors. The second, performed by the Syndication desk, provides origination advice to borrowers and co-ordinates with other members of transaction underwriting syndicates.

For FY24 combined DCM/IB Syndication Division revenues were up 13% year on year.

2.3.2.5. Equity Capital Markets ("ECM")

ECM forms part of the Investment Banking Division and its main role is the origination and execution of international tranches of equity and convertible Bonds issued by Japanese and Asian issuers.

The Japanese equity market experienced a positive year in 2023/24 with the Topix gaining circa 25% making it one of the top performing markets. ECM enjoyed a strong year linked to this success, with revenues up 190% year on year.

2.3.2.6. Key Performance Indicators ("KPIs")

DCME's core financial objectives are to maximise the return for our shareholder whilst maintaining a strong capital base. KPIs are therefore focused on measuring return on equity and providing clear visibility on the management of capital, funding and liquidity.

Actual Performance	**2024**	**2023**
Return on Equity	3.16%	(4.16%)
Voluntary staff turnover	11.3%	9.8%
Profit/(loss) on ordinary activities before tax	£14.4m	(£18.3 m)

Capital	2024	2023
	£m	£m
Regulatory Capital Resources	423	407
Unsecured Funding – Daiwa Group	£bn	£bn
Usage	0.0	0.0
Limit	0.08	0.4

DCME funds business activity from capital, however an unsecured finding line from DSCL remains in place should it be required.

2.3.3. Strategy

Under the leadership of our CEO the firm is pursuing a "Journey to 2026" strategy, focused on becoming a client centric organisation and enabling longer better lives through an emphasis on ESG. The firm will partner with our clients to deliver solutions that enable them to achieve the outcomes they require in a socially responsible and mutually beneficial manner.

DCME is optimistic that for FY25, the business operating model, European restructure and continued focus on cost control will continue the establishment of DCME as a stable, profitable organisation. This, coupled with the implementation of a clear vision and strategy for the firm's development and exploration of new business opportunities positions DCME well in order to achieve the goals of the "Journey to 2026".

2.4. Principal Risks and Uncertainties Facing the Company

2.4.1. High Inflation

Whilst the inflation trend is one of decline, consumer price inflation remains above the government target of 2% at 3.4% as of March 2024 (Source: Letter from Governor of the BofE to the Chancellor). The decline was driven principally by factors such as lower energy and food costs. The service sector inflation however, whilst also beginning to decline, remains elevated. This ongoing situation has led to a challenging cost environment where DCME is working hard to mitigate the impact from a business perspective and in its capacity as an employer.

DCME continues to monitor the inflationary situation closely.

2.4.2. Cybersecurity Risk

As financial services have become increasingly digitised firms have become increasingly vulnerable to cybercrime and operational IT deficiencies. This has been exacerbated in part by the prevalence of remote working since the pandemic. Such attacks could create significant economic and financial disruption to DCME and lead to operational issues restricting our ability to manage the business. DCME is committed to resisting ever-more sophisticated attacks from cyber-criminals and has invested in state-of-the-art controls to detect and prevent these.

2.4.3. Geographic and Market Exposure

DCME's business is focused principally in capital markets, with its key geographic focus being Japan, Asia (ex Japan) and Europe. As such, the company is exposed to the economic and regulatory challenges that impact the industry and geographic locations as a whole. The economy has experienced a period of high inflation in recent years which has been slowing in the last 12 months. The IMF expects that global inflation reduction is entering its "last mile" and that monetary policies will begin to ease and therefore the near term global financial stability risks have receded. In the mid-term the build-up of both private and national debt could lead to vulnerability should it prove difficult to service the debt in the future.

2.4.4. Group Exposure

While the company operates as a stand-alone entity, the reality is that it operates within a wider Group construct and its fortunes are allied to the successes and failures of the Group.

The Daiwa Group has a distinctly Japanese domestic bias, with a significant retail franchise within the Japanese market. As such, the wider strategic risks and uncertainties faced by the company are similar to those which are relevant to our parent company and the Japanese economy as a whole.

The principal source of revenues for FICC and ICB are fees from DSCL on a cost plus basis and as such these businesses are heavily reliant on the Group in order to undertake their business.

A significant portion of DCME's revenue comes from primary activity (i.e. the origination and distribution of new debt and equity issues for our clients). DCME is reliant on other Daiwa affiliates for revenue relating to transactions originating in Japan and Asia. DCME is thus a beneficiary of primary revenue that originates elsewhere within the Group, and the outturn related to primary activity could result in both positive and negative deviations from plan. Conversely, transactions originated by DCME and sold into the Daiwa network will result in a distribution of the fee pool across the Group. While our expectation is that DCME would be a net beneficiary of this two-way activity, we are reliant on the rest of the Group for the origination and quantum.

Changes in Group product line strategy could have a direct impact on DCME. The inclusion of Group senior management on DCME's Board of Directors (the "Board"), and close communication between DCME division heads and their global product heads helps to ensure alignment. DCME is subject to the Senior Managers Regime, in the UK, which helps further embed strong governance and autonomy of decision making within the organisation.

2.4.5. Operational Risk

DCME has undertaken a major Operational Risk Management enhancement programme in the last few years which has driven an improvement in the processes by which DCME identifies and monitors these risks and the skill set of the Operational Risk department. This focus on strengthening the control environment has led to significant enhancements in areas such as governance and information security risk. The steps taken have been received positively by the FCA.

2.5. Section 172 Compliance

Under Section 172 of the Companies Act 2006, DCME's directors have a responsibility to promote the success of the company for the long-term benefit of its members and in doing so have regard to:

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, clients and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the company.

This section explains how DCME's Board has discharged these responsibilities. These include the setting, monitoring and upholding the firm's culture, values, standards, ethics and reputation to ensure that its obligations to its shareholder, employees, clients and other stakeholders are met. Management drives the embedding of the desired culture throughout the organisation. The Board considers it crucial that DCME maintains a reputation for high standards of business conduct, and monitors adherence to DCME's policies and compliance with local corporate governance requirements.

2.5.1. Shareholder

DCME has only one shareholder (Daiwa Securities Group Inc. ("DSGI")) and therefore meets the requirement to act fairly between members of the company.

DCME is an important part of Daiwa Group's global footprint, providing access to Japan and Asia for European clients and access to Europe for Group clients. DCME also provides outsourced services to the Daiwa Group.

The directors discharge their primary responsibility to DSGI by ensuring that the company's strategic objectives and business plans are closely aligned with those of its parent Group and these are taken into account when approving the annual DCME plan and budget. This includes the alignment of long-term business plans and adopting the 'Daiwa Spirit'.

2.5.2. Business Culture

The Board believe that fostering and maintaining a positive culture within DCME is essential to the long-term success of the company and, in addition to ensuring compliance with the Financial Conduct Authority's ("FCA") conduct rules, have adopted an enhanced framework of Company Purpose, Principles and Values. This framework established five values:

- **Integrity:** We do the right thing for our people, clients, regulator, shareholder and society.
- **Development:** We recognise our achievements, develop our skills and continuously learn.
- **Accountability:** We take accountability for our actions and the decisions we make.
- **Fairness:** We embrace all forms of diversity and provide a safe inclusive and empowering workplace.
- **Sustainability:** We take a long-term view of our business decisions, our client relationships and the impact we have on our world.

The Board monitors compliance with all conduct regulations. The 'Senior Manager and Certification Regime' operated by the firm's regulator (the FCA) is fully embraced by the Board as a positive culture enabler, and the FCA Conduct rules are reflected in DCME's Principles and Values.

2.5.3. Suppliers

DCME's relationship with its suppliers is governed by internal control processes. These ensure that supply risk is managed appropriately in relation to client outcomes, data security, corporate responsibility and financial, operational, contractual and reputational damage caused by inadequate oversight of potential supplier failure. A uniform procurement approach is adopted to ensure that DCME receives the best value in terms of price and quality, whilst ensuring that the company meets the highest ethical standards. DCME assures compliance with the Bribery Act (2010) and Modern Slavery Act (2015) via robust processes and procedures.

2.5.4. Society

DCME, as part of the broader Group, support the UN's 17 Sustainability Development Goals ("SDGs"), where we recognise the importance of our role as a securities company by connecting investment to SDGs, creating positive impact for society.

DCME has continued to support charitable activities with an emphasis on initiatives that enhance the surrounding society. The three house charities are Royal Brompton Hospital, Hackney Foodbank and Smartworks. These charities focus on health, support for local food banks and assisting women to return to employment. Each is aligned to our objective of longer better lives.

The firm is a signatory to the Women in Finance Charter and has joined the Japan Diversity and Inclusion Group. DCME has demonstrated its commitment to increase the representation of women in banking, particularly at senior levels - 50% of our Executive Committee and 66% of our Board, including the new Chair, are women. Positive progress has also been demonstrated by the reduction of the DCME's mean gender pay gap from 30.9% to 29.5% in 2024. The Board and Executive Committee recognise the necessity of ensuring that we have an inclusive and diverse workforce and an environment where everyone can thrive regardless of their background and personal characteristics.

2.5.5. Employees

The Board recognises that our employees are fundamental to the success of DCME's business and strategic ambitions. The directors are committed to attracting and retaining the best talent, harnessing the discretionary effort of our people and building an equitable and inclusive culture, thus ensuring we have a truly diverse workforce.

Management puts employee wellbeing at the core of our operations. DCME is a responsible employer, both in terms of pay and benefits and from the perspective of health and safety, including creating a positive workplace environment. This includes our internal communication channels, regular Town Halls, e-communications and social events.

DCME has a robust and well communicated Whistleblowing Policy. This provides a mechanism for employees to confidentially raise any concerns they may have with the Chair of the Audit and Risk Committee, who acts as the company's designated Whistleblowing Champion.

Improving diversity is a key objective of the directors and DCME has a number of policies and practices in place to support diversity and inclusion, including flexible working and enhanced adoption, maternity and paternity leave. The People & Culture department's resourcing strategy supports the firm's commitment to Equity, Diversity and Inclusion.

2.5.6. Clients

DCME's clients are at the core of our business and therefore central to the strategic development of the firm. DCME seeks open and effective communication with clients at all times, ensuring our online platforms are tailored to the expectations of the firm's clients. DCME adheres to Best Execution processes. Its corporate values, robust complaints process and a New Product Approval process ensure we provide clients with appropriate products in line with market expectations.

2.5.7. Regulators

DCME is authorised and regulated by the FCA. DCME maintains constructive and open relationships with the FCA via a programme of regular meetings between our supervisor and members of the Board.

The strategic report was approved by the Board on 12 June 2024 and signed on their behalf by:

Megan McDonald

CEO

3. Directors Report

The directors present their annual report on the affairs of Daiwa Capital Markets Europe Limited ('the company'), together with the financial statements and independent auditor's report, for the year ended 31 March 2024.

3.1. Results and Dividends

The audited financial statements for the year ended 31 March 2024 are set out from section 6 onwards. The company's profit for the year after taxation was £15.0 m (2023: Loss of £18.0m). The Strategic Review provides commentary and background on the company's performance. The directors do not recommend payment of a dividend in respect of the current financial year (2023: £nil).

3.2. Employee Consultation

All employees are kept fully informed about the company business performance through a variety of internal communication bulletins, team and division meetings and town halls. In addition, we have a number of channels where employees can provide feedback to our leadership, such as our anonymous messaging service, which is monitored by the CEO.

3.3. Disabled Employees

During the recruitment and on-boarding process and within employment, employees are able to flag if they have any health issues/disabilities and/or require reasonable adjustments. Where required, occupational health referrals will be made and guidance from qualified professionals given in relation to support provisions. The company aims to provide an inclusive environment where all employees, including those with disabilities, have equitable access to development and career enhancement opportunities.

3.4. Environmental Measures

The company continues to support the UN's Sustainable Development Goals (SDGs) and strives to reduce its carbon footprint and reduce its impact on the environment.

As announced in May 2021, the Daiwa Securities Group formulated its management vision "Vision 2030" putting the SDGs at the centre of its strategy, and is promoting initiatives towards the transition to a carbon-neutral society.

The Group has formulated the "Daiwa Securities Group Net Zero Carbon Declaration" that commits to achieve net zero greenhouse gas emissions within our own operations by 2030, and net zero greenhouse gas emissions across our investment and loan portfolios, etc. by 2050.

Through our business activities, the Group will continue to provide support for our clients' efforts towards de-carbonisation and for new technologies that contribute to the delivery of a carbon neutral society.

The Group will continue to aim for the realisation of the SDGs by creating a sustainable capital cycle, as well as contributing to the creation of a sustainable and prosperous society.

DCME has continued its efforts to reduce energy usage, in the year we have made a number of efficiencies including the upgrade of our air-conditioning infrastructure, reducing winter gas consumption by 16% year on year, the expansion of LED light fittings and the early shut down of the boiler precipitated by the mild winter/spring temperatures saving circa 120,000 kWh of energy based on the same period of the prior year.

DCME works with all our third party suppliers to ensure the best environmental practices are used in delivering services to the company and to look for new initiatives to improve on what we currently do.

3.5. Streamlined Energy & Carbon Reporting (SECR)

For the year ended 31 March 2024, DCME produced 504 tonnes of Greenhouse Gas emissions, a 2% reduction from the previous year.

	2024	**2023**
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1)/tCO_2e	121	170
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based)/tCO_2e	382	343
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)/tCO_2e	1	1
Total gross emissions/tCO2e	504	514
Energy consumption used to calculate above emissions:/KWH	2,458,623	2,709,547
Intensity ratio: tCO_2e/m^2	0.0661	0.0675

3.6. Going Concern

The directors' assessment of the company's ability to continue as a going concern is an ongoing management function. This is based upon an assessment of liquidity and funding and capital adequacy forecasts that are prepared by the company and its subsidiaries in the normal course of its resource management. For the purpose of the ongoing assessment, various severe yet plausible stress scenarios to the normal operating environment have been identified and considered.

The company's directors believe there are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern for at least 12 months from the date that the financial statements are approved.

3.7. Directors' and Officers' Indemnities

The company maintained insurance against liabilities for all directors and officers of the company during the financial year and at the date of this report. The Board approved the renewal of the insurance on 15th March 2024.

3.8. Directors

The following directors have held office throughout the financial year and to the date of these accounts except where otherwise noted:

ARC – Audit Risk Committee **RC** - Remuneration Committee, **EC** - Executive Committee, **NC** - Nominations Committee

Name	Title	Appointed/Resigned/ Retired as a Director	Committee Members *
Maria Bentley	Chair of the Board	Appointed - 22 September 2021 (appointed as Chair of the Board 1 April 2024)	RC, ARC, NC
Megan McDonald	Chief Executive Officer	Appointed - 1 June 2022	EC
Shuntaro Nagashima	President: Strategic Business Development	Appointed - 15 June 2022	EC
Hidenobu Shirota	Non-Executive Director	Appointed - 1 June 2021	ARC, RC, NC
Ewa Kerin	Senior Independent Non-Executive Director	Appointed - 24 September 2020	RC, ARC, NC
Retired			
Shiko Yanagisawa	Non-Executive Director	Appointed - 1 October 2017 Retired - 31 October 2023	-
Tsutomu Kobayashi	Non-Executive Director	Appointed - 7 April 2022 Retired – 31 March 2024	-
Douglas van den Aardweg	Chair of the Board	Appointed - 15 May 2017 Retired – 31 March 2024	-
Melanie Czarra	Independent Non-Executive Director	Appointed - 13 August 2021 Retired - 31 October 2023	-

3.9. Disclosure of Information to Auditor

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

3.10. Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the strategic review on page 4.

3.11. Independent Auditor

Pursuant to Section 489 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:

Jason Lee

Company Secretary

5 King William Street

London

EC4N 7DA

12 June 2024

4. Statement of Directors' responsibilities in respect of the Strategic Report, the Directors Report and the Financial Statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal controls as they enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

By order of the Board:

Jason Lee

Company Secretary

12 June 2024

5. Independent Auditor's Report to the Members of Daiwa Capital Markets Europe Limited

5.1. Opinion

We have audited the financial statements of Daiwa Capital Markets Europe Limited ("the Company") for the year ended 31 March 2024 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

5.2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

5.3. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5.4. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted by infrequent users, those posted to seldom used accounts, those containing certain key words and material post close journal entries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

5.5. Other Information

The directors are responsible for the other information, which comprises the strategic report, the directors' report and the Chair of the Board Statement *included in the annual report.* Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

5.6. Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

5.7. Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

5.8. Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

5.9. The purpose of our audit work and to whom we owe our responsibilities

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.

Alexander Snook (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

12 June 2024

6. Statement of Comprehensive Income

For the Financial Year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Fee and commission income	9.2	54,275	46,015
Fee and commission expense	9.2	(11,976)	(14,397)
Net trading revenue		-	(1,356)
Other income and expense	9.3	64,002	67,873
Total non-interest income		**106,301**	**98,135**
Interest income and similar receivables	9.4	37,387	56,966
Interest payable and similar charges	9.5	(15,009)	(42,994)
Net interest income		**22,378**	**13,972**
Impairment of financial asset	9.6	(7,014)	(7,635)
Net operating income		**121,665**	**104,472**
Administrative expenses	9.7	(107,248)	(122,813)
Operating profit/(loss)		**14,417**	**(18,341)**
Tax credit on ordinary activities	9.9	603	354
Profit/(loss) for the financial year		**15,020**	**(17,987)**
Movement on fair value reserve		12	-
Total comprehensive profit/(loss)loss for the financial year		**15,032**	**(17,987)**

The accompanying Notes to the Financial Statements in section 9 are an integral part of the financial statements.

7. Balance Sheet

As at 31 March 2024

Company registered number: 01487359	Note	2024	2023
Fixed assets		**£'000**	**£'000**
Intangible assets	9.10	2,322	3,288
Tangible assets	9.11	6,665	8,253
Investment in subsidiary undertaking	9.12	30,918	30,918
		39,905	**42,459**
Current assets			
Debtors	9.13	52,247	2,141,526
Financial assets held for trading	9.14	181,993	271,187
Available for sale assets	9.15	370,586	35
Other investments	9.16	19,148	-
Cash at bank and in hand		64,774	53,057
		688,748	**2,465,805**
Current liabilities			
Creditors: amounts falling due within one year	9.17	(86,542)	(1,792,134)
Financial liabilities held for trading	9.14	(179,985)	(266,512)
Provisions for liabilities	9.18	(529)	(3,204)
		(267,056)	**(2,061,850)**
Net current assets		**421,692**	**403,955**
Total assets less current liabilities		**461,597**	**446,414**
Creditors: amounts falling due after more than one year	9.19	(1,816)	(1,665)
Provision for end of building lease costs	9.20	(4,000)	(4,000)
Net assets		**455,781**	**440,749**
Called-up share capital	9.21	732,121	732,121
Reserves		(276,340)	(291,372)
Shareholders' funds (all equity interests)		**455,781**	**440,749**

These financial statements were approved by the Board on 12 June 2024 and signed on their behalf by:

Megan McDonald

CEO

The accompanying Notes to the Financial Statements in section 9 are an integral part of the financial statements.

8. Statement of Changes in Equity

The table below presents the changes in Equity for the year ended 31 March 2024:

	Called-up Share Capital	Fair Value Reserve	Capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Beginning of year	732,121	-	13,908	(305,280)	440,749
Revaluation of available for sale assets	-	12	-	-	12
Profit for the financial year	-	-	-	15,020	15,020
End of year	732,121	12	13,908	(290,260)	455,781

Capital Reserve: The capital reserve represents exchange gains on translation of the original share capital (previously denominated in Yen).

The table below presents the changes in Equity for the year ended 31 March 2023:

	Called-up Share Capital	Fair Value Reserve	Capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Beginning of year	732,121	-	13,908	(287,293)	458,736
Loss for the financial year	-	-	-	(17,987)	(17,987)
End of year	732,121	-	13,908	(305,280)	440,749

The accompanying Notes to the Financial Statements in section 9 are an integral part of the financial statements.

9. Notes to the Financial Statements

9.1. Accounting policies

Daiwa Capital Markets Europe Limited ("the company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 01487359 and the registered address is 5 King William Street, London, EC4N 7DA.

A summary of the principal company accounting policies is set out below.

Except where indicated, they have been applied consistently throughout the current and preceding year.

9.1.1. Statement of compliance

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain assets, including investments and financial instruments and in accordance with the Companies Act 2006.

The financial statements of the company for the year ended 31 March 2024 have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued by the Financial Reporting Council.

9.1.2. Basis of preparation

The results of the company's overseas branches are incorporated within the company's results. Any exchange gains and losses are reported through the company's profit and loss account.

In accordance with s401 of the Companies Act 2006 the company has not prepared consolidated financial statements on the basis that it is exempt from the obligation to prepare and deliver group financial statements. The company is a wholly owned subsidiary of Daiwa Securities Group Inc. incorporated in Japan, which prepares group financial statements.

These financial statements present information about Daiwa Capital Markets Europe Limited as an individual undertaking and not about its Group.

9.1.3. Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors' assessment of the company's ability to continue as a going concern is an ongoing management function. This analysis consists of an assessment of liquidity & funding, capital adequacy and revenue/profit forecasts for a period of at least 12 months from the date of the approval of the financial statements, which are prepared by the company in the normal course of its resource management. For the purpose of the going concern assessment, various severe yet plausible stress scenarios to the normal operating environment have been considered. These assessments indicate that, taking account of reasonably plausible downsides, the company will have sufficient funds through its own capital to meet its liabilities as they fall due during the going concern assessment period.

As set out in note 9.17 to these financial statements, Daiwa Securities Corporation Limited ("DSCL"), provides DCME with an unsecured borrowing facility to fund its ongoing business and liquidity needs. This unsecured funding facility is covered by a letter of support from DSCL that states DSCL's intention to continue to provide DCME with an unsecured credit line for the foreseeable future and the going concern period. Similarly, there is an additional letter of support from Daiwa Securities Group Inc. ("DSGI") confirming its intention to continue to provide financial and other support to DCME through DSCL during the going concern period.

As with any company placing reliance on its parent company for financial support, the directors acknowledge that there can be no absolute certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of the approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

9.1.4. Disclosure exemptions

In accordance with disclosure exemptions (for which DCME is considered to be a qualifying entity) available under FRS 102 set out in paragraph 1.12 (except for the disclosure exemptions from Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues), the directors have adopted certain disclosure exemptions. The directors have not prepared a cash flow statement for the year on the grounds that a parent undertaking included the company in its own published consolidated financial statements.

A reconciliation of the number of shares outstanding at the beginning and at the end of the year has not been presented. The company is exempt from specific share based payment disclosures under share based payment arrangements that existed during the period and the directors have not made full disclosures. The equivalent disclosures required by FRS 102 are included in the consolidated financial statements of Daiwa Securities Group Inc. in Japan in which the company's results are consolidated. See note 9.30 for details on where the company's ultimate parent company, Daiwa Securities Group Inc.'s, consolidated financial statements may be obtained from.

The company is also exempt from disclosing key management compensation in total under Section 33 Related Party Disclosure of FRS 102. Directors' remuneration is disclosed as required by the Companies Act 2006 in note 9.29.

9.1.5. Intangible assets

9.1.5.1. Computer software

Computer software is shown at cost less accumulated amortisation and impairment, if any, and reviewed for impairment if necessary. Where appropriate, the labour costs of the company's own employees are capitalised if an asset is self-constructed, provided that those costs are directly attributable to bringing the asset into working condition. Amortisation is provided on these assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Intangible assets:	**Rate per annum**
Computer software	20 – 33%

Amortisation is not charged on intangible assets until they have been completed and brought into operation.

9.1.6. Tangible assets

Tangible assets are shown at cost less accumulated depreciation and impairment, if any, and reviewed for impairment if necessary. Depreciation is provided on these assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Tangible assets	Rate per annum
Computer hardware and other office machinery	20 – 33%
Office furniture, fittings and equipment	0 – 33%

Depreciation is not charged on assets in course of construction until they have been completed and brought into operation.

9.1.7. Financial assets and liabilities

The company has adopted the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement, and the disclosure requirements of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments. The scope of IAS 39 applies to all of the company's financial instruments at the balance sheet date.

The company classifies its financial assets in the following categories:

9.1.7.1. Financial assets

The company classifies its financial assets in three categories:

- financial assets at fair value through profit and loss;
- loans and receivables (measured at amortised cost);
- available for sale financial assets (measured at fair value with fair value changes recorded in other comprehensive income).

Management determines the classification of financial assets and liabilities at initial recognition. The company had no assets in the category "held to maturity investments" in the current or prior year.

9.1.7.2. Financial assets at fair value through profit or loss

Financial assets are classified in this category if they are held for trading. Instruments are classified as held for trading if they are:

(i) acquired principally for the purposes of selling or repurchasing in the near term, including marketable securities; or

(ii) part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) a derivative.

Purchases and sales of financial assets held for trading are recognised on settlement date basis, being the date on which legal title to the traded instruments changes hands.

9.1.7.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method.

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence of impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

9.1.7.4. Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and are not recognised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included in a fair value reserve until sale when the cumulative gain or loss is transferred to the profit and loss account. The available for sale assets are reviewed for impairment if necessary.

9.1.7.5. Financial liabilities

Financial liabilities are measured at amortised cost, except for financial liabilities held for trading, which are measured at fair value through profit and loss. Financial liabilities include non-derivative marketable securities, derivative financial instruments or trading liabilities. Other financial liabilities (including other payables) are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or when appropriate, a shorter period, to the carrying amount of the financial liability on initial recognition. The effective interest rate is determined on the basis of the carrying amount of the financial liability at initial recognition.

9.1.8. Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment.

9.1.9. Income and expense

9.1.9.1. Fee and commission

Fee and commission income is recognised in the profit and loss account when the related services are provided. Fee and commission expense is recognised when services are received.

9.1.9.2. Net trading revenue

Gains and losses arising from changes in fair value of financial assets and liabilities held for trading are included in the profit and loss account as net trading revenue.

9.1.9.3. Other income

Other income consists of costs recharged to Group companies for services, (which are recognised when the services are provided) and foreign exchange revaluation of the balance sheet.

9.1.9.4. Interest income and similar receivables, interest payable and similar charges

Interest income and interest expense are recognised in the profit and loss based upon the effective interest method.

Arrangement and Exit Fees on loans are treated as part of the funding aspect of the loan and are recognised over the life of the loan using the effective interest method. They are disclosed as interest in the financial statements.

9.1.10. Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or offer price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset or liability, the company uses a valuation technique to arrive at the fair value including the use of prices obtained in recent arms-length transactions, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants.

Where appropriate, valuations are adjusted to account for various factors including time value, volatility factors and underlying share prices in respect of options, warrants and convertible bonds; and counterparty credit quality, bid/offer and future administration costs for OTC derivatives.

Profits and losses are only recognised on initial recognition when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

For each class of financial assets and/or liabilities recognised at fair value, the company utilises the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

9.1.11. Offsetting of assets and liabilities

Assets and liabilities, which are considered to be financial assets and liabilities for the purposes of FRS 102, are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously.

9.1.12. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is recognised for the amount of tax payable (or receivable) in respect of the taxable profit (or loss) for the current or prior periods using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences arising when items are included in a tax assessment in one period and recognised in the financial statements in another. Deferred tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Deferred tax assets are only recognised to the extent that it is probable they will be recoverable against future taxable profits or deferred tax liability reversals. Deferred tax balances are not discounted.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to offset and the amounts relate to taxes levied by the same taxation authority.

9.1.13. Pension costs

Pension benefits are provided through a defined contribution scheme (group personal pension plan) to which the company contributes a percentage based on each member's earnings. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

9.1.14. Foreign currency

The financial statements are presented in Sterling, which is the functional currency of the company. Items included in the financial statements are measured using their functional currency, being the currency of the primary economic environment in which the company operates.

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported in the functional currency at the rates of exchange prevailing at the year-end. Income and expenses denominated in foreign currency are recorded in the functional currency at the exchange rate prevailing at the end of the month in which they arise and any gains or losses arising are reflected in the profit and loss account.

9.1.15. Leases

The company enters into operating leases as described in note 9.22. Rentals under operating leases are charged on a straight-line basis over the lease term. The company has not entered into any finance leases during the year (2023: £nil).

9.1.16. Securities purchased/sold subject to resale/repurchase agreements (including stock borrowing and lending)

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained on the balance sheet when, substantially, all the risks and rewards of ownership remain with the company, and the counterparty liability is included separately on the balance sheet as appropriate.

Similarly, where the company borrows or purchases securities subject to a commitment to resell them (a 'reverse repo') but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value. Any subsequent gains or losses are included in net trading income.

9.1.17. Collateral

The company enters into master agreements with counterparties and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

The company obtains collateral in respect of client liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the client's assets and gives the company a claim on these assets for both existing and future liabilities. The company also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

The company measures the market value of the securities borrowed and loaned against collateral on a daily basis. Additional collateral is obtained as necessary to ensure such transactions remain adequately collateralised.

9.1.18. Related party transactions

In accordance with exemptions granted under FRS 102, the directors have not disclosed related party transactions with other entities included in the consolidated financial statements of Daiwa Securities Group Inc.

9.1.19. Share based payments to employees

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

9.1.20. Deferred Compensation

The company has various deferred compensation arrangements in place at the year-end. Staff compensation may include awards in the form of deferred bonuses in cash and cash-settled share based payments. The vesting of deferred bonuses is dependent on future service and can be subject to claw back provisions.

In accordance with FRS102 DCME recognises the cost over the stipulated service period to match the provision of the service by the employee.

9.1.21. Provisions and contingent liabilities

Provisions are recognised if the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised. The amount recognised as a provision is measured at the directors' best estimate of the consideration required to settle the obligation as of the balance sheet date, the expense is recognised in the profit and loss account, taking into account the risks and uncertainties surrounding the obligation.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless they are remote.

9.1.22. Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, such as the investment in subsidiary, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The investment in subsidiary is carried at cost and reviewed for impairment at each reporting date.

Impairment losses are recognised in the profit and loss account.

9.1.22.1. Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

For an asset that does not generate largely independent income streams, the recoverable amount is determined for the cash generating unit to which the asset belongs.

9.1.22.2. Reversals of impairment

Where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

9.1.23. Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The company's accounting policy for investments in subsidiaries and recognising impairment on these investments are described in 9.1.8 and 9.1.22 respectively. The method involves the use of historical information coupled with forward looking information to assess various scenarios, supplemented with management judgement to determine whether there is indication of impairment. Each of the variables or inputs requires management to exercise judgement in making assumptions and estimations.

The company's accounting policy for Loans and Receivables and the recognition of impairment are described in 9.1.7.3 The process followed involves management using its judgement to determine whether there is objective evidence of impairment, and if so management will then determine (using forward looking information) the likely outcomes for the asset under review, and appropriate probability weights to be assigned to each scenario. Having agreed on the scenarios and probability weights, the impairment loss (if any) for each scenario is calculated in accordance with 9.1.7.3 (the difference between the asset's carrying value and the present value of the estimated future cash flows). These financial outcomes will then be weighted in order to arrive at the required impairment provision. Each of the variables or inputs requires management to exercise judgement in making assumptions and estimations.

9.2. Fee and commission income and expense

Fee and commission income and expense consists mainly of equity related brokerage commissions and new issue related fees, expenses and shared commissions.

9.3. Other income and expense

	2024 £'000	2023 £'000
Costs recharged to Group companies	63,231	69,332
Profit/(loss) on balance sheet foreign exchange revaluation	771	(1,459)
	64,002	67,873

9.4. Interest income and similar receivables

	2024 £'000	2023 £'000
Interest and dividend income – held for trading	6,140	9,656
Interest income – financial assets	31,247	47,310
	37,387	56,966

Included in the above is interest received from Group companies amounting to £11.8m (2023: £20.5m).

9.5. Interest payable and similar charges

	2024 £'000	2023 £'000
Bank loans and overdrafts	2,675	6,682
Interest expense – held for trading	316	319
Interest expense – financial liabilities	12,018	35,993
	15,009	42,994

Included in the above is interest paid to Group companies amounting to £5.3m (2023: £27.3m).

9.6. Impairment of financial asset

	2024 £'000	2023 £'000
Impairment provision expense	7,014	7,635

The expense reflects the cost of impairing a loan made in accordance with the accounting policies explained in accounting policy note 9.1.7.3 "Financial Assets - Loans and receivables".

9.7. Administrative expenses

Administrative expenses are analysed as follows:

	2024 £'000	2023 £'000
Permanent staff costs (see note 9.8)	67,094	72,039
Non-permanent staff costs	512	1,150
Amortisation of intangible assets (see note 9.10)	1,097	1,130
Depreciation of tangible assets (see note 9.11)	2,151	2,055
Premises costs	4,999	5,376

External technology, communication and data costs	13,847	16,359
Net costs recharged by Group companies	9,293	8,974
Other costs	6,468	5,802
Restructuring Costs	1,787	9,928
Total	107,248	122,813

Administrative expenses include the following fees paid to the company's auditors:	2024 £'000	2023 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	374	368
Fees payable to the company's auditor and its associates for other services:		
- audit related assurance services	170	160
Fees payable to non-KPMG auditor in respect of overseas branch regulatory requirements	-	74

9.8. Staff costs

Employee costs during the year amounted to:	2024 £'000	2023 £'000
Wages and salaries	55,579	60,115
Social security costs	6,606	6,994
Pension costs – defined contribution plan	4,909	4,930
	67,094	72,039

The average monthly number of staff employed by the company during the year was as follows:

	2024 Number	2023 Number
Front Office	88	99
Back Office Support	273	322
	361	421

9.9. Tax credit on ordinary activities

The tax credit is based upon the standard UK corporation tax rate of 25% (2023: 19%) and comprises:

	2024 £'000	2023 £'000
UK and overseas corporation tax:		
Group relief for the current year	(229)	(539)
Group relief for the prior year	(374)	185
Company credit for the year	(603)	(354)

The tax assessed on the profit/loss on ordinary activities for the year is lower than the standard UK corporation tax rate. The reconciliation is provided below:

	2024 £'000	2023 £'000
Profit/(loss) on ordinary activities before tax	14,417	(18,341)
Taxation at UK standard corporation rate of 25% (2023: 19%)	3,604	(3,485)
Effects of:		
Permanent differences	97	74
Effects of unrecognised timing differences including losses	(4,075)	2,872
Prior year adjustment	(229)	185
Company tax credit for the year	(603)	(354)

A residual deferred tax asset totalling £104.8m (2023: £108.8m) for all timing differences including UK tax losses and capital allowances has not been recognised because it is the directors' assessment that it is not sufficiently certain that there will be sufficient taxable profits available in the foreseeable future against which these losses and allowances can be utilised.

9.10. Intangible assets

	Software £'000	Assets in course of construction £'000	Total £'000
Cost			
Beginning of year	33,452	67	33,519
Additions	-	131	131
Disposals	(2,734)	-	(2,734)
Transfers	27	(27)	-
End of year	30,745	171	30,916
Amortisation			
Beginning of year	30,231	-	30,231
Charge	1,097	-	1,097
Disposals	(2,734)	-	(2,734)
End of year	28,594	-	28,594
Net book value			
At 31 March 2024	2,151	171	2,322
At 31 March 2023	3,221	67	3,288

The assets in course of construction comprise computer software.

9.11. Tangible assets

	Furniture, fittings and equipment	Computer hardware	Assets in course of construction	Total
	£'000	£'000	£'000	£'000
Cost				
Beginning of year	18,580	8,311	126	27,017
Additions	-	-	563	563
Disposals	-	(72)	-	(72)
Transfers	24	212	(236)	-
End of year	18,604	8,451	453	27,508
Depreciation				
Beginning of year	12,250	6,514	-	18,764
Charge	1,540	611	-	2,151
Disposals	-	(72)	-	(72)
End of year	13,790	7,053	-	20,843
Net book value				
At 31 March 2024	4,814	1,398	453	6,665
At 31 March 2023	6,330	1,797	126	8,253

The assets in course of construction comprise furniture, fittings and equipment, and computer hardware.

9.12. Investment in subsidiary undertaking

The company had one subsidiary undertaking as at 31 March 2024.

Name of company	Aggregate of capital and reserves £'000	Profit for the year £'000	Registered Office	Class of shares held	Percentage of equity and voting rights held
Daiwa Capital Markets Deutschland GmbH ("DCMD")	28,739	1,833	Tower 185, 26. OG, Friedrich-Ebert-Anlage 35 -37 60327 Frankfurt am Main, Germany	Ordinary Shares	100%

	2024	2023
	£'000	£'000
Investment in subsidiary undertaking	30,918	30,918

In the opinion of the directors, there is no indication of impairment to the investment in DCMD and therefore the cost is the appropriate carrying value.

9.13. Debtors

Debtors comprise the following amounts:

	2024 £'000	2023 £'000
Trade debtors	5,373	2,291
Amounts owed by parent Group undertakings *	16,970	1,031,105
Amounts owed by subsidiary undertakings	2,002	880
VAT	857	896
Deposits paid for reverse repurchase agreements and securities borrowed	-	1,055,551
Other debtors	17,722	38,137
Corporation tax recoverable	245	447
Prepayments and accrued income	9,078	12,219
	52,247	2,141,526

*Amounts owed by parent Group undertakings includes £nil for Deposits paid for reverse repurchase agreements (2023: £1,014m).

The carrying amount of debtors approximates to their fair value.

9.14. Financial assets and liabilities held for trading

The company's financial assets and liabilities are held at fair value. Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest.

Financial Assets	2024 £'000	2023 £'000
Non-Derivative marketable securities – Convertible Bonds	1,392	-
Derivative financial instruments		
Futures & Forwards	60	421
Options	22,748	35,662
Swaps	157,793	235,104
Total	180,601	271,187
Total financial assets held for trading	181,993	271,187

Financial Liabilities		
Derivative financial instruments		
Futures & Forwards	60	422
Options	22,748	35,662
Swaps	157,177	230,428

Total financial liabilities held for trading	179,985	266,512

9.15. Available for sale assets

	2024 £'000	2023 £'000
Unlisted investment	46	35
Marketable securities	370,540	-
Total	370,586	35

The movement in the year was as follows:

	2024 £'000	2023 £'000
Beginning of year	35	33
Addition	370,540	-
Revaluation profit transferred to reserves	12	-
Exchange differences	(1)	2
End of year	370,586	35

9.16. Other Investments

	2024 £'000	2023 £'000
Money Market Funds	19,148	-

9.17. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Trade creditors	8,147	11,716
Amounts owed to parent Group undertakings *	39,236	408,384
Amounts owed to subsidiary undertakings	5,129	9,017
Deposits received for repurchase agreements and securities lent	-	1,331,651
Social security and PAYE liability	1,713	1,809
Other creditors	12,152	9,703
Accruals and deferred income	20,165	19,854
	86,542	1,792,134

*Amounts owed to parent Group undertakings includes £nil for Deposits received for repurchase agreements (2023: £355m).

The carrying amount of creditors approximates to their fair value.

The company had a total unsecured borrowing facility of ¥16bn/£0.08bn (2023: ¥65bn/£0.4bn) from Daiwa Securities Company Ltd which was provided on an uncommitted basis, as at 31 March 2024 (and at 31 March 2023). At 31 March 2024 ¥nil/£nil (2023: ¥nil/£nil) was drawn on the facility.

9.18. Provisions for liabilities

The company recognises a provision for a liability if the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The table below represents the present value of the anticipated liability of the company:

	2024 £'000	2023 £'000
Provision for redundancy and restructuring	529	3,204

The movement in the year was as follows:	2024 £'000	2023 £'000
Beginning of year	3,204	1,209
Provision adjustment	469	3,144
Utilised during the year	(3,144)	(1,149)
End of year	529	3,204

9.18.1. Pending litigation

As at 31 March 2024, there were no pending litigation cases against the company, (and as at 31 March 2023).

9.18.2. Redundancy, restructuring and onerous contracts

Provision is made for anticipated costs of restructuring and reorganisation, including redundancy costs, and contractual obligations. An obligation exists when the company has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan.

9.19. Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
Accruals for deferred compensation costs and related social security	1,816	1,665

9.20. Provision for end of building lease costs

	2024 £'000	2023 £'000
Provision for end of building lease costs	4,000	4,000

The current lease on DCME's main premises at 5 King William Street ends in March 2027, and no final decision has been taken on whether the company will negotiate a new lease. DCME retains a provision of £4m as a best estimate of the likely end of lease costs (if the company was to exit the building). An offsetting asset of £4m has been recognised in Tangible Assets (Note 9.11) under Furniture, fittings and equipment, and has been capitalised and amortised as depreciation cost.

9.21. Called-up share capital

	2024 £'000	2023 £'000
Allotted, called-up and fully paid		
732,121 Ordinary shares of £1 each	732,121	732,121

9.22. Financial commitments

9.22.1. Capital commitments

As at 31 March 2024, capital expenditure contracted for but not provided for amounted to £nil (2023: £nil).

9.22.2. Contingent liabilities

As at 31 March 2024, there were no contingent liabilities (and at 31 March 2023).

9.22.3. Lease commitments

The company leases a number of properties and certain items of office machinery under operating leases. The minimum annual rentals under these leases are as follows:

	Property £'000	Other £'000	2024 Total £'000	Property £'000	Other £'000	2023 Total £'000
Operating leases which expire:						
within 1 year	18	2	20	18	1	19
within 2-5 years	3,063	25	3,088	3,208	16	3,224
	3,081	27	3,108	3,226	17	3,243

9.22.4. VAT

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the VAT group, and failure by other members of the Group would give rise to additional liabilities for the company. The directors are of the opinion that no such liability is likely to arise.

9.23. Defined contribution Pension Scheme

The company provides a defined contribution scheme for its employees.

	2024 £'000	2023 £'000
The amount recognised as an expense for the defined contribution was:	4,909	4,930

9.24. Share based payments

DCME's ultimate parent company, Daiwa Securities Group Inc., operates a share scheme of which certain employees seconded to the company from Japan are members. Under the plan, the employees are granted share options over Daiwa Securities Group Inc. shares.

In accordance with FRS 102, the fair value of the equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the company's estimate of options that will eventually vest. The weighted average fair value of options granted in the year was ¥95.07 (2023: ¥16.9) and the total charge for the year was £8,663 (2023: £9,711).

DCME runs a cash settled share based deferred bonus scheme. Under the scheme the final cash payment of certain deferred bonuses is calculated based upon the change in the value of DSGI shares between issue date and when the bonus is paid. The total charge for the year for deferred bonuses that was related to the change in the value of DSGI shares was £550,611 (2023: nil) and the deferred bonus liability under the phantom share scheme is £1,485k (2023; £403k).

The company is exempt from specific share based payment disclosures under share based payment arrangements that existed during the period and the full disclosures as required by FRS 102 have not been disclosed as explained within accounting policies set out in note 9.1.4 The equivalent disclosures required by FRS 102 are included in the consolidated financial statements of the Daiwa Securities Group Inc. in Japan in which the company's results are consolidated.

9.25. Collateral

The company used to enter into repurchase agreements and engaged in stock borrowing and lending as part of its funding, market-making and position management activities. This activity ceased during the reporting period and there were no balances as at the year end. The table below summarises the position for the prior period:

	2024 £bn	2023 £bn
Securities Received		
Securities received as collateral/borrowed	-	2.1
Source:		
Matched Book Repo Activity	-	1.7
Liquid Asset Buffer	-	0.4
Total	-	2.1
Securities Pledged		
Securities pledged as collateral/lent	-	1.7
Use:		
Matched Book Repo Activity	-	1.7
Total	-	1.7

9.26. Financial risk management

9.26.1. Exposures to risk

In the normal course of its business, the company is exposed to a range of financial risks including market, credit and liquidity risk. The firm's booking model means that no trading book positions are held and market risk is effectively transferred to DSCL. Credit risk exposures arise from unsettled/outstanding trades in the event of counterparty failure. Similarly, the deterioration of the credit quality of issuers of debt securities, is no longer a primary risk factor for the firm due the booking model. Liquidity risk is the risk that the company does not have sufficient financial resources to meet its obligations when they fall due, or can secure such resources only at excessive cost.

9.26.2. Objectives, policies and processes for managing risk

The Board is responsible for setting and monitoring the company's risk appetite and is responsible for oversight of the risk management function. The Audit and Board Risk Committee is directly accountable to the Board and has delegated responsibility for oversight of the risk management at a high level. The company's objective is to have comprehensive, proportionate and timely control and disclosure of key risk measures and exposures with daily reports being made available to all business heads, local senior management and the immediate parent company in Tokyo. Senior management participate in the risk management process through the company's Compliance and Risk Management Committee.

Responsibility for second line of defence oversight of market risk, credit risk, liquidity risk and enterprise operational risk rests with the Risk Management Division. The day to day oversight of market risk is undertaken by Front Office Control which has a reporting line that is independent from the sales and trading areas. The Risk Management Division employs a variety of risk management tools including a policy of limit control and exception reporting for both proprietary and unsettled client positions.

9.26.3. Market risk

Through its back to back model the firm does not hold any trading inventory and therefore market risk is transferred to DSCL. Front Office Control monitor the daily position to ensure this remains the case.

9.26.4. Credit risk

Counterparty exposure is managed by regular quantitative and qualitative assessments of all trading counterparties, with internal ratings assigned that are a key component in determining the risk appetite and internal credit limit for each client. Exposure is monitored on a daily basis and mitigated where possible by the use of legally defined netting agreements, guarantees and collateral transfer. Credit risk continues to recognise the counterparty exposure on DVP settled cash trading. No trading counterparty losses were suffered during the year.

The credit quality by class of financial asset can be assessed by reference to the company's credit monitoring process, described above, as follows:

	2024						2023					
Credit Rating	**AAA**	**AA**	**A**	**BBB**	**Sub-I G**	**Total**	**AAA**	**AA**	**A**	**BBB**	**Sub-IG**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Debtors	-	14,872	12,307	4,181	20,887	52,247	66,724	228,392	1,344,628	306,248	195,534	2,141,526
Derivative financial instruments	-	83,476	96,885	1	239	180,601	-	117,022	153,117	673	375	271,187
Marketable securities	-	-	680	712	-	1,392	-	-	-	-	-	-
Available for sale assets	5,763	364,777	46	-	-	370,586	-	-	35	-	-	35
Other Investments	-	19,148	-	-	-	19,148	-	-	-	-	-	-
Cash at bank and in hand	-	1,040	53,386	233	10,115	64,774	-	9,867	34,996	147	8,047	53,057
	5,763	483,313	163,304	5,127	31,241	688,748	66,724	355,281	1,532,776	307,068	203,956	2,465,805

9.26.5. Funding and Liquidity Risk Management

The Liquidity Risk Management department provides independent oversight and challenge as it is responsible for the identification, daily assessment, monitoring and internal reporting of DCME's liquidity and funding risks under normal and stressed scenarios.

Primary sources of funding include the company's own funds which serve as the longest dated and most stable form of finance as well as access to an unsecured, uncommitted facility from the parent.

Liquidity risk is managed by:

- holding an adequate level of unencumbered liquidity reserves (e.g. Treasury Liquid Assets, "TLA"), assessed in the ICARA process under the IFPR regulation, which cover the requirements for ongoing business operations including periods of stress, as well as an orderly wind-down. The TLA portfolio is managed by the firm's Treasury Markets function, denominated in major currencies and comprises highly liquid assets in line with eligibility criteria approved by the relevant committees,
- a comprehensive Contingency Funding Plan that details senior management action during a liquidity event to ensure that the company's core franchise remains intact.

A series of controls are in place ensuring that:

- the liquidity reserves cover the requirements in normal and stress conditions, under the worst-case stress scenario,
- the liquidity reserves cover the requirements for an orderly wind-down,
- the composition of liquid asset portfolio, Treasury Liquid Assets, is complaint with internal requirements, relating to issuer, denomination currency and security maturity,
- current and planned divisional funding usage is in line with Board agreed business plans.

Measurement is against both internal as well as external regulatory requirements.

The contractual maturity profile of financial liabilities is as follows:

	On demand £'000	Less than 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	Between 1-5 years £'000	2024 Total £'000
Derivative Financial Instruments	179,985	-	-	-	-	179,985
Creditor Balances	55,739	8,796	14,119	7,888	1,816	88,358
Total	235,724	8,796	14,119	7,888	1,816	268,343

	On demand £'000	Less than 1 month £'000	1 to 3 months £'000	3 months to 1 year £'000	Between 1-5 years £'000	2023 Total £'000
Derivative Financial Instruments	266,512	-	-	-	-	266,512
Deposits received for repurchase agreements and securities lent	302,924	1,154,501	224,240		-	1,681,665
Other Creditor Balances	73,454	16,332	14,266	6,417	1,665	112,134
Total	642,890	1,170,833	238,506	6,417	1,665	2,060,311

The "On demand" time bucket includes balances with open maturity or due over night.

Derivative financial instruments and marketable securities have been included in the 'On demand' time bucket at their fair value or approximate thereto. Classification of derivative instruments in the on demand bucket, rather than presentation based on contractual maturity, is considered to be prudent given the potential for various triggers embedded in some of DCME's derivative contracts.

Financial liabilities not in the trading portfolio are presented on an undiscounted contractual cash flows basis and, with the exception of deferred staff bonuses, all fall due within one year. As at 31 March 2024, the undiscounted contractual cash flows approximate to the carrying amounts on the balance sheet (2023: approximate to the carrying amounts).

9.27. Capital risk management

9.27.1. Regulatory capital resources requirement

The company is regulated by the Financial Conduct Authority ("FCA") in the UK and is subject to minimum capital requirements imposed by the Regulator and the Investment Firms Prudential Regime ("IFPR").

IFPR streamlines and simplifies the prudential requirements for MiFID investment firms that the FCA prudentially regulate in the UK (FCA investment firms).

Although the IFPR does not explicitly refer to pillars, it adopts a similar three pillar approach used previously by DCME in the Basel standards and implemented in CRD IV:

1) Own Funds and Liquid Assets Requirements
2) Additional Own Funds and Liquidity Requirements
3) Public Disclosure

No breaches of the company's capital requirement were reported to the FCA.

9.27.1.1. Capital Management

The company's capital management objectives are to ensure that the company maintains sufficient own funds resources to support its business and planned strategic developments, and that it complies with the regulatory own funds requirements at all times. It is the company's policy to maintain a strong own funds base commensurate with its risk appetite.

Formal procedures are in place to monitor and manage own funds resources on an active and timely basis. Responsibility for day to day monitoring of capital adequacy rests with the regulatory reporting function. Daily and periodic reports are prepared and distributed to local senior management and reported to head office in Tokyo.

The company manages its own funds utilisation through limit setting, own funds allocation and own funds planning. The Compliance and Risk Committee, reporting to the Executive Committee, oversees the management of own funds and reviews periodic assessments of the company's own funds resources requirements.

Regulatory Own Funds	2024 £'000	2023 £'000
Common Equity Tier 1 Capital	422,541	406,541
Regulatory Own Funds Resources	422,541	406,541

	2024 £'000	2023 £'000
Shareholders' Funds	455,781	440,749
Less Prudent Valuation Adjustment (unaudited)	-	(2)
Less Material Holdings	(30,918)	(30,918)
Less Intangible Assets	(2,322)	(3,288)
Regulatory Own Funds Resources	422,541	406,541

9.28. Fair Value estimation

The following table sets out fair value measurements as at 31 March 2024 using the FRS 102 fair value measurement hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2024 Total £'000
Assets				
Financial assets at fair value through profit and loss:				
Non-derivative marketable securities	1,392	-	-	1,392
Derivative financial instruments	-	180,601	-	180,601
Available for sale assets	370,540	-	46	370,586
Total assets	371,932	180,601	46	552,579
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivative financial instruments	-	179,685	-	179,685
Total liabilities	-	179,685	-	179,685

A reconciliation of fair value measurement in Level 3 is set out below.

Level 3 financial assets are valued based upon parameters which are unobservable in the market.

The following table presents the changes in level 3 instruments for the year ended 31 March 2024.

	2024 Available for sale assets £'000
Beginning of the year	35
Revaluation	12
Exchange differences	(1)
End of year	46

The following table sets out fair value measurements as at 31 March 2023 using the FRS 102 fair value measurement hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 Total £'000
Assets				
Financial assets at fair value through profit and loss:				
Derivative financial instruments	-	271,187	-	271,187
Available for sale assets	-	-	35	35
Total assets	-	271,187	35	271,222
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivative financial instruments	-	266,512	-	266,512
Total liabilities	-	266,512	-	266,512

The following table presents the changes in level 3 instruments for the year ended 31 March 2023.

Assets	Available for sale assets £'000	Marketable securities £'000	2023 Total £'000
Beginning of the year	33	24,312	24,345
Sales/Maturities	-	(24,312)	(24,312)
Exchange differences	2	-	2
End of year	35	-	35

Daiwa Capital Markets

9.29. Related party transactions

Director's remuneration

The remuneration of the directors was as follows:

	2024 £'000	2023 £'000
Emoluments	2,871	2,747
Company contributions to Group personal pension plans	37	49
	2,908	2,796

The number of directors who were members of Group personal pension plans was as follows:

	2024 Number	2023 Number
Money purchase schemes	1	2

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

	2024 £'000	2023 £'000
Emoluments	1,477	1,009
Company contributions to Group personal pension plans	37	31
	1,514	1,040

Emoluments include all salary and benefits accruing to directors, plus the bonus awarded in respect of the financial year.

9.30. Ultimate parent company

The company is a wholly owned subsidiary of Daiwa International Holdings Inc., itself a wholly owned subsidiary of Daiwa Securities Group Inc. incorporated in Japan. The parent company of the largest and smallest group that includes the company and for which group financial statements are prepared is Daiwa Securities Group Inc. The consolidated financial statements of this Group, prepared under Japanese generally accepted accounting practice, are available to the public and may be obtained from 5 King William Street, London EC4N 7DA.

9.31. Post Balance Sheet Events

There are no significant subsequent events, post the balance sheet date that require disclosure/adjustment in these financial statements.

9.32. Country by Country Reporting

The following reporting has been prepared to comply with the requirements set out in the Capital Requirements (Country by Country Reporting) Regulations 2013 as amended.

Location	Turnover	Profit or (Loss) before tax	Corporation Tax	Average Headcount
	£'000	£'000	£'000	
DCME				
United Kingdom	118,797	14,043	603	349
Switzerland	414	414	-	2
Bahrain	2,174	260	-	8
France	280	(300)	-	2
Total DCME	121,665	14,417	603	361
DCMD				
Germany	8,619	1,832	-	23
Elimination	(1,091)	-	-	-
Consolidated Total	129,193	16,249	603	384

The above analysis takes into account the internal allocation of costs based upon estimated usage of support functions.

Principal activities:

DCME

- The primary activities of the DCME head office are to provide investment banking services in Equities, Fixed Income, and Convertible Bonds.
- The DCME branch in Bahrain exists to facilitate sales activity in their local regions on behalf of DCME London. The DCME branch in Geneva was in the process of being wound down for part of the year.
- The DCME representative office in France exists to source business opportunities for DCME London.

DCMD (Daiwa Capital Markets Deutschland GmbH)

- The primary activities of DCME's Germany subsidiary is to provide investment banking services in Equities, Fixed Income, and Convertible Bonds.

Public subsidies received:

- Neither DCME nor DCMD receive any public subsidies.