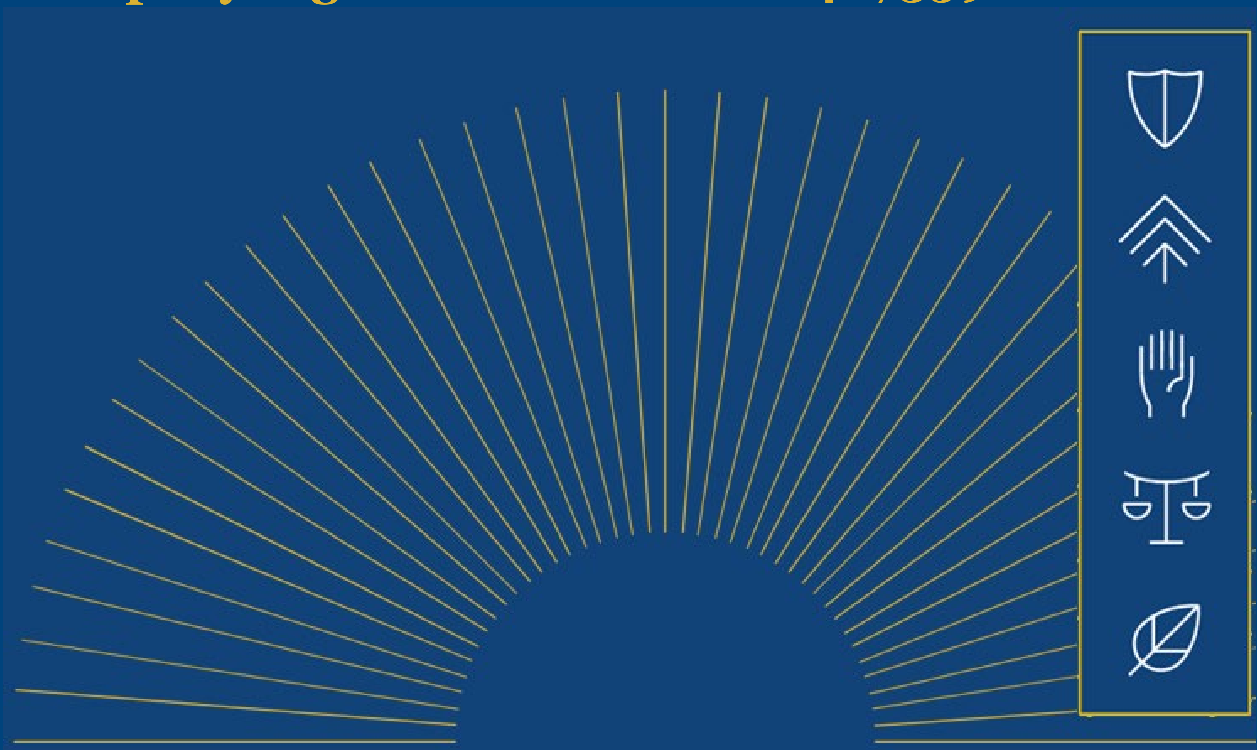
Daiwa
Capital Markets

Annual Report and Financial Statements

For the Year Ended 31 March 2025

Daiwa Capital Markets Europe Limited

Company registered number: 01487359



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1. Chair of the Board Statement

The financial year end March 2025 marks the first anniversary of my appointment as Chair of the Board of Daiwa Capital Markets Europe Limited ("DCME"). Last year, we took steps to simplify the Board of Directors and have seen the benefits of those changes, and in September 2024 we welcomed Jim Gollan as Chair of the Remuneration Committee.

The world economy has continued to face challenging times this financial year. High inflation remains and initial indications that rates would begin to fall rapidly have eased. Geo-political tensions have also continued as a result of the imposition of trade tariffs and the ongoing war in Ukraine.

Against this backdrop DCME is advancing in its plan to deliver sustained success for our stakeholders including our clients, our people and our shareholder. We continue to drive forward our strategy and are assessing areas of technology that can help the business generate efficiencies and automate processes.

We have continued to embrace ESG in both our client offering and throughout our organisation. We have expanded our research reports to include ESG with particular focus on the Social aspect, and hosted a cross product ESG conference. We have also maintained a focus on the diversity of our Board, our Executives and all our teams.

DCME produced an operating profit of £6.3m, the first time in more than ten years that the company has attained a positive profit before tax for two consecutive years. This achievement demonstrates that the firmwide efforts and investments made over the last three years to transform DCME have yielded positive results.

During FY25, DCME laid the foundations for operational efficiencies, and in the coming year will further shift its focus towards growth and revenue generation. This will be achieved through continued investment in our businesses, our people, our products, systems and processes all whilst maintaining a strong control and regulatory compliant environment.

I would like to thank our clients for their ongoing support and express the Board's gratitude to all our colleagues for their sustained efforts and continued commitment to DCME.

Bentley

Maria Bentley

Chair of the Board

Daiwa Capital Markets Europe Limited

2. Strategic Review

2.1. 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 Group clients, in both primary and secondary markets. DCME also provides services to other Group companies for which the company receives income.

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, provide access to EEA products for the Group, and increase client and product coverage in the EEA through a local presence. The results of DCMD are not consolidated in these financial statements.

DCME is structured along product lines, as shown below, which are consistent across the Group, and 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.

The Equity Division's business mainly consists of investment research and advisory related brokerage (with a core focus on Japanese equities and pan Asian equities) and the distribution of equity-linked primary issuances originated by other parts of the Group.

The Fixed Income (FICC) Division activities comprise sales and trading of Japanese government bonds, US Treasuries and investment grade credits, MTN structuring and placement, and the placement of Daiwa's Fixed Income global product range, both primary and secondary, with European clients.

International Convertible Bonds (ICB) makes markets in Japanese, European and Asian convertible bonds to its European and Asian client base and participates in the primary market working closely with Daiwa's Equity Capital Markets teams in both Japanese and Asian markets.

Debt Capital Markets/Investment Banking Syndication has two purposes. The first is to act as an origination function to assist SSA clients in Europe and Japanese clients to access the international primary markets for debt products targeted at Japanese and non-Japanese based international investors. The second is to provide origination advice to borrowers and co-ordinates with other members of transaction underwriting syndicates.

Equity Capital Markets (ECM) is responsible for the origination and execution of international tranches of equity and convertible bonds issued by Japanese and Asian issuers.

DCME's ICB and FICC businesses operate a booking model that sees their trading profit and loss, and trading positions reflected in the books of the parent, Daiwa Securities Co. Ltd (DSCL). Consequently the firm derives a proportion of its income in the form of recharges to DSCL of costs incurred in the generation of revenues booked by the parent.

2.2. Review of performance, businesses and strategy

2.2.1. Performance

Under the leadership of our CEO the firm continues to pursue its "Journey to 2026" strategy, focused on partnering with our clients to deliver solutions that enable them to achieve the outcomes they require in a socially responsible and mutually beneficial manner. In 2024, we developed the Medium Term Plan ("MTP") which supports the delivery of the strategy. The objective of the MTP is for DCME to become a simple and effective distribution office for the Group's products. The MTP will grow our current business and products, introduce new growth opportunities to generate revenue and better serve our clients whilst continuing to streamline the operating model to support business growth and profitability.

DCME's Financial Year to 2025 pre-tax profit of £6.3m (FY24: £14.4m) represents the second consecutive year of profitability as the firm continues its' investment in transforming its business and leverages the benefits of a more efficient operating model.

Whilst the FY25 results were positive, it represents a reduction year on year, and is a reflection of a more challenging macro-economic environment (driving lower primary revenue) and reduced FICC revenue from DSCL (due to ongoing refinements to the booking model). As a result Net Operating Income was down 10% due to lower revenues across all business areas. The Equity Division had a 10% year on year decrease in total revenue mainly due to lower primary revenue (which was down 35% year on year). The FICC Division saw a 29% year on year decrease in revenue due to lower recharges and reduced JGB sales income. The ECM Division saw a revenue reduction of 52%, this drop followed on from record FY24 revenues mostly driven by the exceptional performance of the Japanese markets last year, whereas this year the market has been more subdued.

Administrative costs (excluding restructuring costs) were 5% lower year on year further reflecting the positive impact of DCME's 3 year cost reduction programme.

For FY26 DCME will look to build on these results and, with the implementation of a clear vision and strategy for the firm's development, and exploration of new business opportunities, the firm is well positioned to achieve the goals of the "Journey to 2026".

2.2.2. 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 generating growing but sustainable profits and providing visibility on the firm's contribution to the Group.

Actual Performance	**2025**	**2024**
Profit on ordinary activities before tax	£6.3m	£14.4m
Percentage of women on the DCME Board	50%	66%

Capital	2025 £m	2024 £m
Regulatory Capital Resources	431	423

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

2.3. Principal Risks and Uncertainties Facing the Company

2.3.1. 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.

While at the start of the year the growth outlook for the UK, Europe and Japan looked to be improving, this has been tempered as the implications of trade tariffs begins to take effect. Whilst this has resulted in uncertainty and volatility in global markets, the outlook remains uncertain as trade deals continue to be negotiated.

DCME is partially insulated from market volatility and macroeconomic shocks by virtue of its booking model, whereby risk is booked in DSCL rather than on the local balance sheet.

2.3.2. Cybersecurity Risk

As financial services have become increasingly digitised firms have become more vulnerable to cybercrime and operational IT deficiencies. Whilst cyber-attacks could cause material financial and operational disruption to DCME, restricting our ability to operate the business, the firm has invested in technology and controls to detect and prevent ever-more sophisticated attacks from cyber-criminals.

2.3.3. Group Exposure

While remaining an independent stand-alone entity, DCME operates within a wider Group construct. As such, the strategic risks and uncertainties faced by DCME are similar to those which are relevant to our parent company and the Japanese economy as a whole.

DCME is often a net beneficiary of a two way revenue sharing model where Daiwa affiliates benefit from transactions originated elsewhere in the Group. As such DCME is reliant on the Group for the origination and quantum of these revenues. Close communication between DCME divisions and global product heads helps to ensure alignment across this model.

The DCME Board operates independently from the Group and is subject to the Senior Managers and Certification Regime ("SMCR"), which helps further embed strong governance and autonomy of decision making within the organisation. The firm's strategy aims to diversify revenue streams thereby strengthening independence and stability.

2.3.4. Operational Risk

DCME has undertaken a major Operational Risk Management enhancement programme in the last few years which has improved both 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 continues with strong governance and information security risk management in place.

2.4. 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. This section explains how DCME's Board has discharged these responsibilities. These include the setting, monitoring and upholding of the firm's culture, values, standards, ethics and reputation to ensure that its obligations to its shareholder, employees, clients and other stakeholders are met. 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.

2.4.1. Shareholder

DCME is wholly owned by Daiwa Securities Group Inc. ("DSGI") and therefore meets the requirement to act fairly between members of the company.

2.4.2. Business Culture

The Board is focused on fostering and maintaining a positive culture within DCME and believes it is essential to the long-term success of the company, and in ensuring compliance with the Financial Conduct Authority's ("FCA") conduct rules and SMCR. The firm has adopted an enhanced framework of principles and values which reflect the FCA's conduct rules as follows:

- **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.

DCME participates in various industry wide forums and events, with the CEO holding various roles such as being a Board member of the Association of Foreign Banks (AFB), and a member of the Prudential Regulation Authority (PRA) Practitioner Panel, an independent statutory panel that covers a wide range of topics relevant to the prudential regulation of financial institutions.

2.4.3. Suppliers

DCME's relationship with its suppliers is governed by internal control processes to ensure the company meets the highest ethical standards. 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. DCME assures compliance with the Bribery Act (2010) and Modern Slavery Act (2015) via robust processes and attestations from its suppliers.

2.4.4. Society

DCME, as part of the broader Group, supports the UN's 17 Sustainable Development Goals ("SDG's"), where we recognise the importance of our role as a financial institution in creating a positive impact on society.

DCME supports charitable activities emphasising initiatives that 'enable longer better lives' in line with DCME's strategy. DCME was a founding partner of the inaugural FT Nikkei Ekiden relay race in June 2024, and DCME's donations supported an innovative AI project to investigate early stage pulmonary hypertension at the Royal Brompton Hospital.

The firm is a signatory to the Women in Finance Charter, a HM Treasury initiative which aims to encourage the financial services sector to improve gender balance at senior levels. DCME has demonstrated its commitment to increase the representation of women in finance, particularly at senior levels - 25% of our Executive Committee and 50% of our Board, including the Chair, are women.

2.4.5. 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, and building an equitable and inclusive culture, thus ensuring we have a truly diverse workforce. Daiwa Group operates a system whereby they place group employees in the global affiliate companies, such as DCME, to gain further experience of the wider group operations. These secondees provide a valuable resource for the affiliates and ensure communication and strategic alignment with the group priorities remains strong.

DCME is a responsible employer in terms of pay and benefits, creating a safe, supportive and collaborative workplace environment. 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 company's designated Whistleblowing Champion.

2.4.6. Clients

Our clients are at the core of our business and therefore central to the strategic development of the firm. We seek open and effective communication with clients at all times, ensuring we are able to provide appropriate products and services in line with their expectations. DCME has arrangements in place to ensure that Best Execution obligations are met.

2.4.7. Regulators

DCME is authorised and regulated by the FCA. DCME maintains an open, transparent and constructive relationship with the FCA through regular meetings and dialogue

The strategic report was approved by the Board on 11 June 2025 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 2025.

3.1. Results and Dividends

The audited financial statements for the year ended 31 March 2025 are set out from section 6 onwards. The company's profit for the year after taxation was £7.3m (2024: £15.0m). 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 (2024: £nil).

3.2. Employee Policy

All employees are kept fully informed about the company business performance through a variety of internal communication channels including the company intranet, team and divisional meetings and Town Hall events. In addition, we have a number of platforms where employees can provide feedback to Management, such as the employee engagement survey and our messaging service to senior management.

During the recruitment and on-boarding process, as well as throughout their employment, employees are encouraged to disclose any health conditions, disabilities or requests for reasonable adjustments. Where required, referrals to occupational health are made and, expert guidance is provided to ensure appropriate support is put in place.

The company is committed to fostering an inclusive environment where all employees, including those with disabilities, have equitable access to development and career enhancement opportunities. This approach reflects our aim to create a workplace that values diversity, promotes fairness, and enables every individual to achieve their full potential.

3.3. Environmental Measures

The company continues to support the UN's Sustainable Development Goals, or SDGs, and strives to reduce its carbon footprint and its impact on the environment. As announced in May 2021, Daiwa Securities Group formulated its management vision "Vision 2030". It includes Green & Social as one of the pillars, 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 its own operations by 2030, and net zero greenhouse gas emissions across its investment and loan portfolios by 2050.

DCME has continued its efforts to reduce energy usage in our 5 King William Street office benefitting from data produced by the Building Management System. DCME will continue to reduce carbon emissions as it relocates to a smaller footprint in a newly renovated, all electric, energy efficient office in FY27.

DCME works with all our third party suppliers to ensure the best environmental practices are used in delivering services to the company.

3.4. Streamlined Energy & Carbon Reporting (SECR)

For the year ended 31 March 2025, DCME produced 475 tonnes of Greenhouse Gas emissions, a 4% reduction from the previous year.

	2025	2024
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1)/tCO2e	113	120
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based)/tCO2e	360	373
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)/tCO2e	1	1
Total gross emissions/tCO2e	475	493
Energy consumption used to calculate above emissions:/KWH	2,364,690	2,458,170
Intensity ratio: tCO2e/m2	0.0623	0.0648

3.5. 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, funding and capital adequacy forecasts that are prepared by the company and its subsidiaries in the normal course of its financial resource management. For the purpose of the ongoing assessment, various severe yet plausible stress scenarios to the normal operating environment have been assessed.

The company's directors believe there are no material uncertainties 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.

3.6. 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 20th March 2025.

3.7. 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 Memberships**
Maria Bentley	Chair of the Board	Appointed - 22 September 2021 (appointed as Chair of the Board 1 April 2024)	RC, NC
Megan McDonald	Chief Executive Officer	Appointed - 1 June 2022	EC
Naoki Suzuki	Group Non-Executive Director	Appointed 1 April 2025	RC, ARC ,NC
Ewa Kerin	Senior Independent Non-Executive Director	Appointed - 24 September 2020	RC, ARC, NC
Jim Gollan	Independent Non-Executive Director	Appointed – 2 September 2024	RC, ARC, NC
Retired			
Shuntaro Nagashima	President: Strategic Business Development	Appointed - 15 June 2022 Retired – 31 March 2025	-
Hidenobu Shirota	Group Non-Executive Director	Appointed - 1 June 2021 Retired – 31 March 2025	-

3.8. Disclosure of Information to Auditor

Each of the directors who held office at the date of approval of this report confirm the following:

- So far as the director is aware, there is no relevant audit information of which the company's auditor are unaware, and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor are aware of that information.

3.9. 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.

3.10. 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.

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By order of the Board:

Ellen Hastings-Jones

Company Secretary

5 King William Street

London

EC4N 7DA

11 June 2025

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:
Ellen Hastings-Jones
Company Secretary

11 June 2025

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 2025 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 9.1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2025 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, 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 14, 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 2025

Daiwa Capital Markets

6. Statement of Comprehensive Income

For the Financial Year ended 31 March 2025

	Note	2025	2024
		£'000	**£'000**
Fee and commission income	9.2	43,481	54,275
Fee and commission expense	9.2	(13,919)	(11,976)
Other income	9.3	59,599	64,002
Total non-interest income		**89,161**	**106,301**
Interest income and similar receivables	9.4	21,404	37,387
Interest payable and similar charges	9.5	(543)	(15,009)
Net interest income		**20,861**	**22,378**
Impairment of financial asset	9.6	-	(7,014)
Net operating income		**110,022**	**121,665**
Administrative expenses	9.7	(103,703)	(107,248)
Operating profit		**6,319**	**14,417**
Tax credit on ordinary activities	9.9	1,051	603
Profit for the financial year		**7,370**	**15,020**
Movement on fair value reserve		2	12
Total comprehensive profit for the financial year		**7,372**	**15,032**

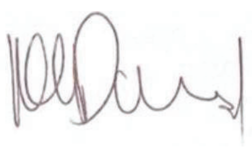
The accompanying Notes to the Financial Statements in section 9 are an integral part of the financial statements.

7. Balance Sheet

As at 31 March 2025

Company registered number: 01487359	Note	2025	2024
Fixed assets		**£'000**	**£'000**
Intangible assets	9.10	1,305	2,322
Tangible assets	9.11	5,912	6,665
Investment in subsidiary undertaking	9.12	30,918	30,918
		38,135	**39,905**
Current assets			
Debtors	9.13	38,477	52,247
Financial assets held for trading	9.14	154,066	181,993
Available for sale assets	9.15	450,207	370,586
Other investments	9.16	15,719	19,148
Cash at bank and in hand		17,797	64,774
		676,266	**688,748**
Current liabilities			
Creditors: amounts falling due within one year	9.17	(91,434)	(86,542)
Financial liabilities held for trading	9.14	(153,215)	(179,985)
Provisions for liabilities	9.18	(601)	(529)
		(245,250)	**(267,056)**
Net current assets		**431,016**	**421,692**
Total assets less current liabilities		**469,151**	**461,597**
Creditors: amounts falling due after more than one year	9.19	(1,998)	(1,816)
Provision for end of building lease costs	9.20	(4,000)	(4,000)
Net assets		**463,153**	**455,781**
Called-up share capital	9.21	732,121	732,121
Reserves		(268,968)	(276,340)
Shareholders' funds (all equity interests)		**463,153**	**455,781**

These financial statements were approved by the Board on 11 June 2025 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 2025:

	Called-up Share Capital	Fair Value Reserve	Capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Beginning of year	732,121	12	13,908	(290,260)	455,781
Revaluation of available for sale assets	-	2	-	-	2
Profit for the financial year	-	-	-	7,370	7,370
End of year	732,121	14	13,908	(282,890)	463,153

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 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

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 2025 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 9.29 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 9.28.

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), foreign exchange revaluation of the balance sheet and net recovery on previously impaired financial assets and bad debts.

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 (2024: £nil).

9.1.16. Collateral

The company receives collateral in the form of cash in respect of derivative contracts in order to reduce credit risk. 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.

9.1.17. 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.

9.1.18. 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.

9.1.19. 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 clawback provisions.

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

9.1.20. 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.

9.1.21. 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.

9.1.21.1. 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.

9.1.21.2. 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.

9.1.22. 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 9.1.21 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.

9.1.23. Forthcoming changes to accounting policies

As noted above DCME's financial accounting is prepared in accordance with FRS 102 and this standard was amended in 2024. DCME will be required to implement the revised FRS102 for the year ended 31 March 2027 (i.e. for the financial year commencing April 2026). The principle impact for DCME will be the requirement to adopt an on balance sheet model for the accounting for leases.

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

	2025 £'000	2024 £'000
Costs recharged to Group companies	57,958	63,231
Profit on balance sheet foreign exchange revaluation	609	771
Net recovery on previously impaired financial assets and bad debts	1,032	-
	59,599	64,002

9.4. Interest income and similar receivables

	2025 £'000	2024 £'000
Interest income – financial assets	21,404	37,387

Included in the above is interest received from Group companies amounting to £0.1 m (2024: £11.8m).

9.5. Interest payable and similar charges

	2025 £'000	2024 £'000
Bank loans and overdrafts	121	2,675
Interest expense – held for trading	158	316
Interest expense – financial liabilities	264	12,018
	543	15,009

Included in the above is interest paid to Group companies amounting to £0.1m (2024: £5.3m).

9.6. Impairment of financial asset

	2025 £'000	2024 £'000
Impairment provision expense	-	7,014

The expense reflected 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:	2025 £'000	2024 £'000
Permanent staff costs (see note 9.8)	63,700	67,094
Non-permanent staff costs	918	512
Amortisation of intangible assets (see note 9.10)	798	1,097
Depreciation of tangible assets (see note 9.11)	2,141	2,151
Premises costs	4,951	4,999
External technology, communication and data costs	13,903	13,847
Net costs recharged by Group companies	6,793	9,293
Other costs	7,411	6,468
Restructuring Costs	3,088	1,787
	103,703	107,248

Administrative expenses include the following fees paid to the company's auditors:	2025 £'000	2024 £'000
Fees payable to the company's auditor for the audit of the company's financial statements	398	374
Fees payable to the company's auditor and its associates for audit related services	182	170

9.8. Staff costs

Employee costs during the year amounted to:	2025 £'000	2024 £'000
Wages and salaries	52,091	55,579
Social security costs	6,607	6,606
Pension costs – defined contribution plan	5,002	4,909
	63,700	67,094

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

	2025 Number	2024 Number
Front Office	84	88
Back Office Support	247	273
	331	361

9.9. Tax credit on ordinary activities

The tax credit is based upon the standard UK corporation tax rate of 25% (2024: 25%) and comprises:

	2025 £'000	2024 £'000
UK and overseas corporation tax:		
Group relief for the current year	(1,034)	(229)
Group relief for the prior year	(110)	(374)
Adjustment to overseas tax receivable	93	-
Company credit for the year	(1,051)	(603)

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

	2025 £'000	2024 £'000
Profit on ordinary activities before tax	6,319	14,417
Taxation at UK standard corporation rate of 25% (2024: 25%)	1,580	3,604
Effects of:		
Permanent differences	107	97
Effects of unrecognised timing differences including losses	(1,687)	(4,075)
Adjustment to overseas tax receivable	93	-
Group relief surrendered	(1,034)	-
Prior year adjustment	(110)	(229)
Company tax credit for the year	(1,051)	(603)

A residual deferred tax asset totalling £102.2m (2024: £104.8m) 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	Assets in course of construction	Total
	£'000	£'000	£'000
Cost			
Beginning of year	30,745	171	30,916
Additions	-	693	693
Disposals	(2,513)	-	(2,513)
Transfers	429	(429)	-
End of year	28,661	435	29,096
Amortisation			
Beginning of year	28,594	-	28,594
Charge	798	-	798
Impairment	912	-	912
Disposals	(2,513)	-	(2,513)
End of year	27,791	-	27,791
Net book value			
At 31 March 2025	870	435	1,305
At 31 March 2024	2,151	171	2,322

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	18,604	8,451	453	27,508
Additions	-	-	1,388	1,388
Disposals	(39)	(1,885)	-	(1,924)
Transfers	-	989	(989)	-
End of year	18,565	7,555	852	26,972
Depreciation				
Beginning of year	13,790	7,053	-	20,843
Charge	1,540	601	-	2,141
Disposals	(39)	(1,885)	-	(1,924)
End of year	15,291	5,769	-	21,060
Net book value				
At 31 March 2025	3,274	1,786	852	5,912
At 31 March 2024	4,814	1,398	453	6,665

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 2025.

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")	29,753	1,603	Tower 185, 26. OG, Friedrich-Ebert-Anlage 35 - 37 60327 Frankfurt am Main, Germany	Ordinary Shares	100%

	2025	2024
	£'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:

	2025 £'000	2024 £'000
Trade debtors	5,431	5,373
Amounts owed by parent Group undertakings	12,603	16,970
Amounts owed by subsidiary undertakings	1,552	2,002
VAT	794	857
Other debtors	6,606	17,722
Corporation tax recoverable	1,289	245
Prepayments and accrued income	10,202	9,078
	38,477	52,247

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.

	2025	2024
Financial Assets	**£'000**	**£'000**
Non-Derivative marketable securities		
Equity Securities	608	-
Convertible Bonds	-	1,392
Total	608	1,392
Derivative financial instruments		
Futures & Forwards	-	60
Options	1,601	22,748
Swaps	151,857	157,793
Total	153,458	180,601
Total financial assets held for trading	154,066	181,993
Financial Liabilities		
Derivative financial instruments		
Futures & Forwards	-	60
Options	1,601	22,748
Swaps	151,614	157,177
Total financial liabilities held for trading	153,215	179,985

9.15. Available for sale assets

	2025 £'000	2024 £'000
Unlisted investment	47	46
Marketable securities	450,160	370,540
Total	450,207	370,586

The movement in the year was as follows:	2025 £'000	2024 £'000
Beginning of year	370,586	35
Additions	450,160	370,540
Disposals	(370,540)	-
Revaluation profit transferred to reserves	2	12
Exchange differences	(1)	(1)
End of year	450,207	370,586

9.16. Other Investments

	2025 £'000	2024 £'000
Money Market Funds	15,719	19,148

9.17. Creditors: amounts falling due within one year

	2025 £'000	2024 £'000
Trade creditors	28,089	8,147
Amounts owed to parent Group undertakings	29,269	39,236
Amounts owed to subsidiary undertakings	5,240	5,129
Social security and PAYE liability	1,566	1,713
Other creditors	8,645	12,152
Accruals and deferred income	18,625	20,165
	91,434	86,542

The carrying amount of creditors approximates to their fair value.

The company had a total unsecured borrowing facility of ¥6bn/£0.03bn (2024: ¥16bn/£0.08bn) from Daiwa Securities Company Ltd which was provided on an uncommitted basis, as at 31 March 2025 (and at 31 March 2024). At 31 March 2025 ¥nil/£nil (2024: ¥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:

	2025 £'000	2024 £'000
Provision for redundancy and restructuring	601	529

The movement in the year was as follows:	2025 £'000	2024 £'000
Beginning of year	529	3,204
Provision adjustment	541	469
Utilised during the year	(469)	(3,144)
End of year	601	529

9.18.1. Pending litigation

As at 31 March 2025, there were no pending litigation cases against the company, (and as at 31 March 2024).

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

	2025 £'000	2024 £'000
Accruals for deferred compensation costs and related social security	1,998	1,816

9.20. Provision for end of building lease costs

	2025 £'000	2024 £'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. DCME retains a provision of £4m as a best estimate of the likely end of lease costs. 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

Allotted, called-up and fully paid	2025 £'000	2024 £'000
732,121 Ordinary shares of £1 each	732,121	732,121

9.22. Financial commitments

9.22.1. Capital commitments

As at 31 March 2025, capital expenditure contracted for but not provided for amounted to £nil (2024: £nil).

9.22.2. Contingent liabilities

As at 31 March 2025, there were no contingent liabilities (and at 31 March 2024).

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	Other	2025 Total	Property	Other	2024 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
within 1 year	54	15	69	18	2	20
within 2-5 years	3,008	10	3,018	3,063	25	3,088
after 5 years*	1,820	-	1,820	-	-	-
	4,882	25	4,907	3,081	27	3,108

*After 5 years reflects the rental lease cost on DCME's new office at Peterborough Court.

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.

	2025	2024
	£'000	£'000
The amount recognised as an expense for the defined contribution was:	5,002	4,909

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 ¥108.99 (2024: ¥95.07) and the total charge for the year was £32,800 (2024: £8,663).

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 (credit)/charge for the year for deferred bonuses that was related to the change in the value of DSGI shares was (£106,808) (2024: 550,611l) and the deferred bonus liability under the scheme is £2,066k (2024; £1,485k).

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. Financial risk management

9.25.1. 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 on DCME's balance sheet, however DCME retains a small amount of market risk from managing its capital resource. Credit risk exposure mainly arises from unsettled/outstanding trades in the event of counterparty failure. 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.

9.25.2. 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 credit risk, liquidity risk and enterprise 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.

9.25.3. Market risk

Through its back to back model the firm does not hold any trading inventory, with market risk transferred to DSCL. Front Office Control monitor the daily position to ensure this remains the case. DCME retains a small amount of market risk on its banking book from managing its capital resource.

9.25.4. 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 legal agreements and guarantees. 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:

Credit Rating	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**Sub-I G £'000**	**2025 Total £'000**	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**Sub-IG £'000**	**2024 Total £'000**
Debtors	-	2,138	16,180	2,519	17,640	38,477	-	14,872	12,307	4,181	20,887	52,247
Derivative financial instruments	-	355	152,747	-	356	153,458	-	83,476	96,885	1	239	180,601
Marketable securities	-	-	608	-	-	608	-	-	680	712	-	1,392
Available for sale assets	60,059	390,101	47	-	-	450,207	5,763	364,777	46	-	-	370,586
Other Investments	-	15,719	-	-	-	15,719	-	19,148	-	-	-	19,148
Cash at bank and in hand	-	5,618	9,133	788	2,258	17,797	-	1,040	53,386	233	10,115	64,774
	60,059	413,931	178,715	3,307	20,254	676,266	5,763	483,313	163,304	5,127	31,241	688,748

9.25.5. 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,

- 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	2025 Total £'000
Derivative Financial Instruments	153,215	-	-	-	-	153,215
Creditor Balances	64,120	8,272	13,133	5,909	1,998	93,432
Total	217,335	8,272	13,133	5,909	1,998	246,647

	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

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 2025, the undiscounted contractual cash flows approximate to the carrying amounts on the balance sheet (2024: approximate to the carrying amounts).

9.26. Capital risk management

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 (Capital) and Liquid Assets Requirements.

2) Additional Own Funds and Liquidity Requirements.

3) Public Disclosure.

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

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

Formal procedures are in place to monitor and manage capital resources on a 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 both to local senior management and to the Daiwa head office in Tokyo.

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

Regulatory Own Funds	2025 £'000	2024 £'000
Common Equity Tier 1 Capital	430,930	422,541
Regulatory Own Funds Resources	430,930	422,541

	2025 £'000	2024 £'000
Shareholders' Funds	463,153	455,781
Less Material Holdings	(30,918)	(30,918)
Less Intangible Assets	(1,305)	(2,322)
Regulatory Own Funds Resources	430,930	422,541

9.27. Fair Value estimation

The following table sets out fair value measurements as at 31 March 2025 using the FRS 102 fair value measurement hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2025 Total £'000
Assets				
Financial assets at fair value through profit and loss:				
Non-derivative marketable securities	608	-	-	608
Derivative financial instruments	-	153,458	-	153,458
Available for sale assets	450,160	-	47	450,207
Total assets	450,768	153,458	47	604,273
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivative financial instruments	-	153,215	-	153,215
Total liabilities	-	153,215	-	153,215

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 2025.

	2025 Available for sale assets £'000
Beginning of the year	46
Revaluation	2
Exchange differences	(1)
End of year	47

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

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

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

9.28. Related party transactions

Director's remuneration

The remuneration of the directors was as follows:

	2025 £'000	2024 £'000
Emoluments	2,976	2,871
Company contributions to Group personal pension plans	37	37
	3,013	2,908

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

	2025 Number	2024 Number
Money purchase schemes	1	1

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

	2025 £'000	2024 £'000
Emoluments	1,677	1,477
Company contributions to Group personal pension plans	37	37
	1,714	1,514

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

9.29. 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.

9.30. Post Balance Sheet Events

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

9.31. 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 Paid	Average Headcount
	£'000	£'000	£'000	
DCME				
United Kingdom	107,177	6,034	-	323
Bahrain	2,551	634	-	6
France	294	(349)	-	2
Total DCME	110,022	6,319	-	331
DCMD				
Germany	9,193	1,854	252	23
Elimination	(1,941)	-	-	-
Consolidated Total	117,274	8,173	252	354

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 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.