

Daiwa Corporate Advisory Limited

Annual Report and Financial Statements for the year ended 31 March 2019

Company registered number: 03067616



Contents

	Page(s)
Strategic Report	3 - 5
Directors' Report	6 - 8
Independent Auditor's Report to the members of Daiwa Corporate Advisory Limited	9 - 10
Profit and Loss Account and Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 23

Strategic Report

Business Review – performance and developments during the financial year

The company provides corporate finance advice and related services principally centred on the mergers and acquisitions (“M&A”) and debt advisory markets.

During the year, the market continued to be very competitive, and against that backdrop we are pleased to present another positive set of results.

As shown in the company’s Profit and Loss Account and Other Comprehensive Income on page 11, a profit before tax of £0.4m was recorded for the year to 31 March 2019 (year to 31 March 2018: profit before tax of £12.1m). During the period the company invested in headcount in the key revenue generating areas whilst maintaining profitability. The year ended with net assets of £25.6m (year to 31 March 2018: £25.1m). There was a reduction of share capital of £22.0m during the year which can be seen in the Statement of Changes in Equity on page 13.

The company plans to maintain its focus on corporate finance advice to the mid-market. It will continue to work with its fellow subsidiaries in France, Germany (and its branch in Poland) and Spain as well as more widely through its connection with the investment banking expertise of its ultimate parent entity, Daiwa Securities Group Inc., across the Asia region and its sister company, DC Advisory, across the US region.

Key performance indicators	2019	2018
Revenue	£48.2m	£49.9m
Profit before tax	£0.4m	£12.1m
Shareholders' funds	£25.6m	£25.1m

Risk and Uncertainties Facing the Business

Damage to our reputation and competitive pressure are continuing risks for the company. The company mitigates these risks through the rigorous selection and training of all staff, providing added value services to its clients, having fast response time with dedicated sector teams and by maintaining strong relationships with clients. The company’s credit risk is primarily attributable to its trade debtors and receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The company has no third party debt and therefore has little interest rate exposure. In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company monitors its forecasted cash flow and uses a mixture of long-term and short-term intra-group debt finance where appropriate.

Following the referendum decision in June 2016 which resulted in the commencement of the process for the UK to leave the EU, the directors have considered the impact this may have on the company.

While there is continued uncertainty arising from this decision, the current pipeline of new business and the continuing ability of the company to work collaboratively with its sister companies within the EU have informed the directors’ judgement that the referendum decision has not had a material adverse impact on the ability of the

Strategic Report

company to continue as a going concern, nor has it had a material adverse impact on their assessment of the fair value of the company's assets and liabilities.

This assessment is further supported by our analysis of the respective jurisdictions of the EU territories and whether or not the provision of advisory services to clients in relation to mergers and acquisitions and debt finance requires a financial services authorisation or any other licence. This analysis shows that of the twenty-seven territories, thirteen require no such authorisation or licence and in a further eight territories the position is currently unclear. Of these eight, none are key areas of business for the company other than Poland which is accessible through the Polish branch of the DC Advisory business in Germany.

Of the six territories where some form of licence or authorisation is required none are areas where the company has previously had, nor envisages, any significant business activity.

The directors have also considered the effect the decision may have on its staff who are EU nationals. Just under 30% of the company's employees are EU nationals and the directors are aware of the uncertainty that the decision has created around the ability of these staff to remain in the UK after the completion of the UK's exit from the EU in 2019. The directors will continue to monitor the situation and will take appropriate action when the situation becomes clearer.

Going Concern

The directors' assessment of the company's ability to continue as a going concern is an ongoing management function. This assessment is based upon an assessment of liquidity & funding, capital adequacy and cash flow forecasts that are prepared by the company in the normal course of its funding and liquidity management.

On the basis of the current financial projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of these financial statements.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption.

Environmental measures undertaken during the year include the recycling of waste, the use of biodegradable disposables and the efficient disposal of obsolete electrical items.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Strategic Report

By order of the Board

A handwritten signature in black ink, appearing to read 'MJ Parker', written in a cursive style.

MJ Parker, Secretary
5 King William Street
London
EC4N 7DA

Date: 24 June 2019

Directors' Report

The directors present their report on the affairs of Daiwa Corporate Advisory Limited ('the company'), a private company limited by shares and incorporated in England and Wales, together with the strategic report, financial statements and independent auditor's report for the year ended 31 March 2019.

Principal Activities

The company provides corporate finance advice and related services principally centred on the mergers and acquisitions ("M&A") and debt advisory markets. There have not been any significant changes in the company's principal activities during the year. The directors are not aware of any likely major changes in the company's activities in the next year. The company is authorised and regulated by the Financial Conduct Authority.

Results and Dividends

The audited financial statements for the year ended 31 March 2019 are set out on pages 11 to 23. The company's profit for the year before taxation was £0.4m (2018: profit of £12.1m).

The directors do not recommend payment of a dividend in respect of the current financial year (2018: £nil).

Business Review, New Developments, Risk, Going Concern, Environment and Employees

Detailed information around each of these reported items is provided as part of the Strategic Report on pages 3 and 5.

Disclosure of Information to Auditor

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

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Directors' Report

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 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, 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.

Directors' Report

Directors

The following directors have held office throughout the year and to the date of this report except where otherwise noted:

Name	Title	Appointed / Resigned
R J G Madden	Chief Executive	
J Arrowsmith	Director	Resigned on 16 November 2018
A J Cunningham	Director	
J Holland	Director	Appointed on 11 October 2018
A Judge	Director	Resigned on 13 June 2018
A Luycx	Director	Appointed on 1 November 2018
M Mariaz	Director	
N Marvin	Director	
C A O'Neill	Director	
M F Parkinson	Director	
R G Pulford	Director	
N Quach	Director	
S Ronga	Director	
A Strudwick	Director	
J C G Trower	Director	

The company maintains insurance against liabilities for all directors and officers of the company during the financial year and at the date of this report.

By order of the Board:



MJ Parker, Secretary
5 King William Street
London
EC4N 7DA

Date: 24 June 2019

Independent auditor's report to the members of Daiwa Corporate Advisory Limited

Opinion

We have audited the financial statements of Daiwa Corporate Advisory Limited ("the company") for the year ended 31 March 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 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 2019 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.

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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial

Independent auditor's report to the members of Daiwa Corporate Advisory Limited

statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports 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.

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.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.

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.

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.



Zaffarali Khakoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
24 June 2019

Profit and Loss Account and Other Comprehensive Income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Fees and commissions income		48,186	49,863
Fees and commissions expense		(618)	(2,192)
Gross profit		<u>47,568</u>	<u>47,671</u>
Administrative expenses	2	(46,784)	(35,509)
Operating profit		<u>784</u>	<u>12,162</u>
Interest receivable and similar income	3	(105)	67
Interest payable and similar charges	4	(278)	(179)
Net interest income		<u>(383)</u>	<u>(112)</u>
Profit before tax		401	12,050
Tax on profit	6	21	(1,711)
Profit for the financial year		422	10,339
Other comprehensive income		-	-
Total comprehensive income for the year		<u>422</u>	<u>10,339</u>

All transactions are in respect of continuing operations.

For the year to 31 March 2019 gross profit was £26,619,067 from the UK (2018: £35,075,296) and £20,948,830 from overseas transactions (2018: £12,595,341).

The accompanying notes on pages 14 to 23 are an integral part of the financial statements.


Balance Sheet
As at 31 March 2019

Company registered number: 03067616

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	7	168	262
Tangible fixed assets	7	994	586
		<u>1,162</u>	<u>848</u>
Current assets			
Assets available for sale	8	341	341
Debtors	9	31,403	26,348
Cash at bank and in hand		24,498	25,074
		<u>56,242</u>	<u>51,763</u>
Current liabilities			
Creditors: amounts falling due within one year	10	<u>(20,215)</u>	<u>(17,291)</u>
Net current assets		<u>36,027</u>	<u>34,472</u>
Total assets less current liabilities		37,189	35,320
Creditors: amounts falling due after more than one year	10	<u>(11,638)</u>	<u>(10,191)</u>
Net assets		<u>25,551</u>	<u>25,129</u>
Capital and reserves			
Called-up share capital	11	20,000	42,000
Profit and loss account	12	5,551	(16,871)
Shareholders' funds		<u>25,551</u>	<u>25,129</u>

These financial statements were approved by the Board of Directors and signed on their behalf on 24 June 2019 by:


 RJG Madden
 Director


 MF Parkinson
 Director

The accompanying notes on pages 14 to 23 are an integral part of the financial statements.

Statement of Changes in Equity

The table below presents the changes in Equity for the year ended 31 March 2019

	Called-up Share capital	Profit and loss account	Total
	£'000	£'000	£'000
Beginning of the year	42,000	(16,871)	25,129
Profit for the financial year	-	422	422
Capital reduction	(22,000)	22,000	-
End of year	<u>20,000</u>	<u>5,551</u>	<u>25,551</u>

The table below presents the changes in Equity for the year ended 31 March 2018

	Called-up Share capital	Profit and loss account	Total
	£'000	£'000	£'000
Beginning of the year	42,000	(27,210)	14,790
Profit for the financial year	-	10,339	10,339
Capital reduction	-	-	-
End of year	<u>42,000</u>	<u>(16,871)</u>	<u>25,129</u>

The accompanying notes on pages 14 to 23 are an integral part of the financial statements.

Notes to the Financial Statements

Daiwa Corporate Advisory Limited is a private company limited by shares and incorporated in England and Wales. Its registered office is at 5 King William Street, London EC4N 7DA.

1 Accounting policies

A summary of the company's principal accounting policies is set out below. Except where indicated, they have been applied consistently throughout the current and preceding year.

(a) Accounting convention

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 in accordance with the Companies Act 2006.

The financial statements of the company for the year ended 31 March 2019 have been prepared in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (FRS 102) issued by the Financial Reporting Council.

(b) Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) Presentation of financial statements

Due to the fact the nature of the business is the provision of corporate finance services, the directors are of the opinion that it is more appropriate to use Fees and commissions income rather than Turnover in presenting the profit and loss.

Figures presented in the financial statements are rounded to the nearest thousand pounds unless stated otherwise.

(d) Disclosure exemptions

In accordance with disclosure exemptions 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.

The equivalent disclosures required by this FRS are included in the consolidated financial statements of the Daiwa Securities Group Inc. in Japan in which the company's results are consolidated. See note 16 on page 23 for details on where the company's ultimate parent company, Daiwa Securities Group Inc.'s, consolidated financial statements may be obtained from.

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 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 shown in note 15 on page 22.

(e) Fees and commissions income and expense

Fees and commissions income or expense which are earned / incurred are recognised in accordance with the specific terms of the engagement letter with each individual client, on the execution of a significant act as defined in the engagement letter or as services provided.

Notes to the Financial Statements

(f) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at cost less accumulated depreciation or amortisation and less provisions for impairment, if any. Depreciation or amortisation on these assets is calculated to write off their cost over their estimated useful lives by equal annual instalments as follows:

Fixtures and fittings	20% - 33%
Intangible fixed assets – software	33%

Depreciation and impairment losses, if any, are recognised in the profit and loss account.

(g) Taxation

The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(h) Pensions

Contributions within defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

(i) 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. Non monetary assets and liabilities are translated into the functional currency at their historical rate. Income and expenses in foreign currency are recorded in the functional currency at the rate of exchange on the date of the transaction and any translation gains or losses arising are reflected in the profit and loss account.

(j) Long-term staff incentives

Long-term benefits are expensed in the profit and loss account for the period of service to which they relate although the payment may be deferred over a number of years.

(k) Leases

The company enters into operating leases as described in note 14. 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 period (2018: £nil).

(l) Related party transactions

In accordance with exemptions granted under the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the directors have not disclosed related party transactions with other entities included in the consolidated financial statements of its ultimate parent entity, Daiwa Securities Group Inc.

Notes to the Financial Statements

(m) Intergroup balances

Intergroup debtor and creditor balances are netted off when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Impairment

Loans and receivables are assessed for impairment at least annually or when there is objective evidence of impairment during the accounting period. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Impairment losses are recorded as charges to the profit and loss account in the period.

(o) Financial instruments and investments

The Company has applied the recognition and measurement provisions of International Accounting Standard 39 (as adopted for use in the EU) and the disclosure requirements of Section 11 and 12 of FRS 102.

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss (FVPL), held to maturity investments (HTM), and available for sale investments (AFS). Management determines the classification of its investments at initial recognition. When financial assets are recognised initially, they are measured at fair value. Fair value is determined by reference to quoted prices in active markets.

Where the equity instrument does not have a quoted price in an active market and whose fair value cannot be reliably measured, the investment shall be measured at cost.

(p) Accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The principal area in which management make such judgments is in respect of the recoverability of debtors. These judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Notes to the Financial Statements

2 Administrative expenses

	2019 £'000	2018 £'000
Wages and salaries	32,199	24,140
Social security costs	4,554	3,367
Other pension costs	1,402	1,294
Staff costs	38,155	28,801
Other administrative costs	8,629	6,708
	<u>46,784</u>	<u>35,509</u>

The average number of persons employed by the company during the year was 123 (2018: 103) consisting of 97 professionals (2018: 78) and 26 support staff (2018: 25).

3 Interest receivable and similar Income

	2019 £'000	2018 £'000
Exchange (loss)/gain on foreign currency	(127)	63
Interest receivable	22	4
	<u>(105)</u>	<u>67</u>

4 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable	(278)	(179)
	<u>(278)</u>	<u>(179)</u>

Notes to the Financial Statements

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2019 £'000	2018 £'000
Staff costs (see note 2)	38,155	28,801
Depreciation	387	267
Amortisation	136	91
Operating lease rental :		
- property	866	828
Fees payable to the company's auditor for:		
- audit of the company's financial statements	46	44
- other services pursuant to legislation	9	9

6 Taxation

The tax charge is based upon the standard UK corporation tax rate of 19% (2018: 19%) and comprises:

	2019 £'000	2018 £'000
Prior year adjustment – UK corporation tax	(21)	17
Current year – UK corporation tax	-	1,694
Total current tax	(21)	1,711
Adjustment on UK deferred tax asset	-	-
Total deferred tax	-	-
Taxation charge on ordinary activities	(21)	1,711

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

Notes to the Financial Statements

Reconciliation to current year tax credit

	2019 £'000	2018 £'000
Operating profit before taxation	401	12,050
Tax on above operating profit at 19% (2018: 19%)	76	2,290
Disallowable expenses and other permanent differences	59	54
Timing differences	444	280
Losses utilised in the year	(579)	(930)
Prior year adjustment	(21)	17
	<u>(21)</u>	<u>1,711</u>

The company has a residual deferred tax asset totaling £4.1m (2018: £4.2m) 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 probable that there will be sufficient taxable profits available in the foreseeable future against which these losses and allowances can be utilised.

The UK corporation tax rate is 19% from 1 April 2017 and a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The effect of the rate reductions is a reduction in the residual deferred tax asset accordingly.

7 Tangible and intangible fixed assets

	Tangible - Fixtures and Fittings £'000	Intangible fixed assets - software £'000
Cost		
Beginning of year	3,610	1,934
Additions	794	42
Disposals	(771)	(1,205)
End of year	<u>3,633</u>	<u>771</u>
Depreciation / amortisation		
Beginning of year	(3,024)	(1,672)
Disposals	772	1,205
Charge	(387)	(136)
End of year	<u>(2,639)</u>	<u>(603)</u>
Net book value		
At 31 March 2019	<u>994</u>	<u>168</u>
At 31 March 2018	<u>586</u>	<u>262</u>

Notes to the Financial Statements

8 Assets available for sale

	2019 £'000	2018 £'000
Assets available for sale	<u>341</u>	<u>341</u>

These are non-listed securities. There is no active market for these shares due to the company being a private limited company and having a limited pool of buyers. These assets are valued at cost at the balance sheet date.

9 Debtors

	2019 £'000	2018 £'000
Trade debtors	6,580	7,047
Amounts owed by fellow group undertakings	13,267	11,531
Other debtors	5,946	1,718
Prepayments	5,610	6,052
	<u>31,403</u>	<u>26,348</u>

All debtors are due within one year. Intergroup debtor and creditor balances with Daiwa Corporate Advisory Holdings Limited have been netted off and included within debtors.

10 Creditors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed to fellow group undertakings	1,978	2,097
Other creditors including taxation and social security costs	801	686
Accruals and deferred income	17,436	14,508
	<u>20,215</u>	<u>17,291</u>

Amounts due relating to defined contribution pension schemes was £nil at the year end (2018: £nil).

Total long-term creditors of £11,638,340 (2018: £10,191,075) entirely relate to long term staff incentives. Amounts falling due after more than one year, but less than two, are £6,319,940 (2018: £6,789,735). Amounts falling due after more than two years, but less than five are £5,318,400 (2018: £3,401,340).

Notes to the Financial Statements

11 Called up share capital

	2019 £'000	2018 £'000
<i>Allotted, called-up and fully paid</i>		
Shares issued 20,000,000 (2018: 42,000,000) ordinary shares of £1 each	20,000	42,000

The Company passed a Special Resolution on 26 July 2018 to reduce the issued share capital of the Company from £42,000,000 to £20,000,000 by cancelling and extinguishing 22,000,000 ordinary shares of £1 each, each of which was fully paid up. The resolution was accompanied by a solvency statement signed by the directors on 12 July 2018. The Special Resolution and the solvency statement were entered onto the register at Companies House on 7 August 2018.

12 Profit and loss account

	2019 £'000	2018 £'000
Opening balance	(16,871)	(27,210)
Profit for the financial year	422	10,339
Capital Reduction	22,000	-
Closing balance	5,551	(16,871)

13 Pensions

For most of its employees, the company makes payments to defined contribution pension schemes. The total company pension charge for defined contribution schemes for the year was £1,376,223 (2018: £1,293,477).

14 Lease commitments

The company leases property in London and Manchester. Annual commitments under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	64	64
Over five years	519	483
Total annual commitment	583	547

Notes to the Financial Statements

15 Directors' remuneration

Remuneration

The remuneration of the directors who served on the Board for any part of the financial year (see the list of directors on page 8) was as follows:

	2019 £'000	2018 £'000
Emoluments	14,630	12,297
Company contributions to the company personal pension plan	107	125
	<u>14,737</u>	<u>12,422</u>

For the financial year to 31 March 2019, directors' emoluments included £nil (2018: £nil) compensation for loss of office.

Pensions

The number of directors who were members of the company personal pension plan was as follows:

	2019 Number	2018 Number
Defined contribution scheme	<u>11</u>	<u>11</u>

Highest paid director

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

	2019 £'000	2018 £'000
Emoluments	4,487	2,591
Company contributions to the company personal pension plan	10	10
	<u>4,497</u>	<u>2,601</u>

Loans

All employees, including directors, are eligible to apply for an interest free season ticket travel loan. No loans were made to directors in the year (2018: £nil).

Notes to the Financial Statements

16 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 whose registered office is GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6752, 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.