Sumitomo Mitsui DS Asset Management (UK) Limited

Directors' report and financial statements

for the year ended
31 December 2021

Registered number 01660184

Contents

Company Introduction

Directors

Junya Okada
Takahiro Ueno
Tsuyoshi Imai (Appointed on 1 April 2021)
Naoya Miyagaki (Resigned on 31 March 2021)

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Secretary

Chie Furukawa

Solicitor

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Registered Office

PO Box 18304
5 King William Street
London
EC4N 7JA
England

Registered England No 01660184

Banker

SMBC Bank International plc
99 Queen Victoria Street
London
EC4V 4EH

Registered office of parent company

Sumitomo Mitsui DS Asset Management Company, Limited
Toranomon Hills Business Tower 26F
1-17-1 Toranomon, Minato-ku
Tokyo, 105-6426
Japan

Ultimate parent company

Sumitomo Mitsui Financial Group
1-2, Marunouchi 1-chome
Chiyoda-Ku
Tokyo
Japan

Strategic report

Our strategy

Sumitomo Mitsui DS Asset Management (UK) Limited ('the company') is the UK subsidiary of Sumitomo Mitsui DS Asset Management Company, Limited, one of leading asset managers in Japan. The company was established in 1983. The company is an active investment manager specialising in Japan and Asia ex-Japan equity products with its aim to offer quality investment advisory and fund management services to clients who seek global investments opportunities. Our clients are institutional and wholesale investors based primarily in Europe and Middle East, for whom we manage £4.3 billion as at 31 December 2021.

Our strategic focus is to deliver the best possible performance for the clients; thereby increasing Asset Under Management ('AUM') and investment management fee revenues from existing and new accounts. We are committed to maintain maximum client retention by delivering strong and consistent long-term investment performance together with providing the highest level of client services. Our long-term strategic plan also includes broadening our product ranges, geographic reach and client base.

It has been over two years since the merger of Sumitomo Mitsui Asset Management (London) Limited and Daiwa SB Investments (UK) Ltd. in 2019. The positive benefits have been reflected in strengthened position in the asset management sector. This enables us to aim to build world-class asset manager by offering wider diversified range of products to the extended geographic markets.

To achieve long term business efficiencies and maintain a healthy balance sheet, we have implemented a capital management strategy which includes cost control plans to monitor and control administrative expenses. By doing so, we will generate more revenue by growing AUM, operating an efficient business and creating long term value for our shareholders and wider stakeholders.

Financial review

For the year ended 31 December 2021, the company made a profit of £0.55m after taxation, compared to £0.62m in the previous year. Our AUM as at end of December 2021 was down by 4% to £4.3bn. The shareholders' funds increased by 7% to £8.39m.

Key Financial Results:

	31 Dec 21 12 months	31 Dec 20 12 months
Assets Under Management	£4.3bn	£4.5bn
Revenue	£11.2m	£11.4m
Profit after taxation	£0.55m	£0.62m
Dividends paid	-	£3.0m
Shareholders' funds	£8.39m	£7.83m

The directors do not recommend the payment of a dividend for the current financial year. *(31 March 2020: £3m).*

Business review

Our revenues are principally generated from the management fees we charge based on the value of AUM we manage for clients. Fee rates vary from client to client and depend on the investment strategy, amount of money we manage and channel of distributions. 2021 was the second year of the COVID-19 pandemic, yet the stock markets exhibited a relatively steady growth during the year. The Japanese stock market, where most underlying stocks are invested, advanced 4.9% in 2021, a third straight year of growth but a narrower gain than the in previous year. Despite the lower revenue, controlled administrative expenses contributed to achieve a profit after taxation to £0.55m.

Strategic report *(continued)*

Broadening and enhancing our investment capability gives us the potential to attract a wider range of clients. Our long-term strategies are to enhance our investment capabilities; expanding product range to broader client base with particular focus on private banks and wealth managers and covering a wider geographical reach. In the year ended 31 December 2021 we continued to make steady progress towards achieving our long-term strategic goals. As part of our strategic initiatives, Daiwa SBI Lux Funds SICAV and its sub-funds have been promoted worldwide since the launch.

The merger gave us new opportunities to enhance, develop and grow our investment capabilities. We will be aiming to strengthen our position in the asset management sector both in Europe and Middle East, aiming to build a world-class asset manager by offering a wider diversified range of products to the extended geographic markets. We remain committed to focus on growing our AUM, generate more revenues by winning mandates as well as taking in additional cash inflows though SICAV funds, thus creating long term value. This is one of our pillar strategies.

Such strategies inevitably have associated risks - macro, industry wide, as well as particular risks specific to our business. To pursue and achieve our strategic objectives, it is fundamental that we manage risks effectively. We have outlined the principal risks and concerns, and how we manage and mitigate these risks below.

Principal risks and risk management

The management of the business and the execution of the company's strategy are subject to a range of risks. Our sales strategies are principally focused on Europe and Middle East, with its key interests in Japanese economy and equity markets. Risk management continues to be the foremost priority for the company and the management emphasises rigorous disciplines and procedures to safeguard the interest of our clients and other key stakeholders.

The company has established a robust risk management process in order to ensure that there are effective systems and controls to identify, monitor and manage risks arising in the business. There is continued scrutiny of risk management and risk-based capital usage impacts on business decision making. The risk management process is overseen by the senior management, with the Board taking overall responsibility for the process.

The key risks affecting the business are:

Strategic Risks

Strategic risks are any risks that threaten the achievement of company's strategies through poor strategic decision making, implementation or response to changing circumstances. The risk that our clients will not meet their investment objectives, due to poor relative performance and/or unsatisfactory client management may lead to outflow of funds, and result in our products becoming uncompetitive.

Our investment philosophy is to provide stable, maximum returns over the medium to long term through active management. This is driven by rigorous, robust and well-tested investment process and approaches. We regularly engage with our clients on service and performance review, and evaluate any internal processes and investment decisions in light of risk profiles where necessary.

Financial risks

In the normal course of its business, the company will be exposed to a range of financial risks including market, liquidity and credit risks. Market risk is defined as the potential adverse change in position or values arising from movements in the markets; interest rates, credit spreads, stock price, foreign exchange rates or other market risk factors. The company's revenue is mainly earned from management fees, calculated on the basis of the values of AUM. The level of AUM may be impacted by underlying stock market and economic conditions.

As part of regulatory requirements, we perform stress and scenario tests to understand the sensitivities to the markets and identify any mitigating actions. The company is adequately capitalised and able to withstand decline in fees and increased costs for at least 12 months after the date of this report.

Strategic report *(continued)*

Market/Exchange rate risk

The company has no trading book positions on its balance sheet, as such, the main market risk it potentially faces relates to fluctuations in the value of its revenues due to movements in currency rates. A substantial proportion of our revenues are denominated in currencies other than sterling; the company may face potential fluctuations in the value of its revenues due to movements in currency rates.

The company has established the policy to meet its operating expenses in foreign currencies in order to mitigate the risk of possible devaluations. Debtors and creditors balances in foreign currencies are, to an extent, offset against each other when revaluation is made at the month end. As part of our risk management strategy to control and mitigate the exposures to foreign currency fluctuations, the senior management are reported the currency profile on a monthly basis, including balance sheet and the details of realised gain/losses and revaluation on foreign currency balances.

The company is also exposed to price risk in respect of the funds it manages as a significant proportion of revenue based upon the value of the funds assets under management. This risk is managed through the funds investment in a diversified portfolio of assets.

Credit risk

Credit risk is defined as the potential financial loss arising from customers failing to meet their financial obligations to the company as they become due. While the risk of concentration of client base and lack of diversifications exists, the company has an established institutional client base and there has not been a history of significant bad debts.

The company is also exposed to credit risk in respect of the cash balances at the bank, which is rated A1 by Moody's, April 2022. Whilst a credit risk is calculated in accordance with the BIPRU rules under Pillar 1 set by the Financial Conduct Authority ('FCA'), the company perceives no material risk in respect of these balances which need to be determined under Pillar 2.

Liquidity risks

Liquidity risk is that the company, despite remaining solvent, either does not have sufficient financial resources to meet payment obligations as they fall due or that can only secure such resources at excessive cost. As part of capital management, the liquidity requirements and balance sheet are closely monitored by the senior management. Any issues arising in respect of the financial or liquidity situation in the intervening periods are reported to the Board for the actions to be taken as required.

The regulatory required Internal Capital Adequacy Assessment Process ('ICAAP') are prepared annually and approved by the Board prior to the approval of Directors' report and financial statements. The company has established a policy of maintaining capital resources in excess of its capital resources requirement. This is considered to provide more than sufficient working capital for the purposes of meeting the needs of the business. As at 31 December 2021, the company has £6.53m surplus capital, which is more than 652% of its capital resources requirement set by the FCA.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Within the company each department has responsibilities for its own operational risks and has established appropriate process, policies and controls. In addition to regular risk assessments, from the viewpoint of business continuity in case of natural disaster or terrorism, the company has established robust operational strategies and the disaster recovery tests are carried out annually.

Regulatory and legal risk

We define regulatory and legal risks as the risk arising from violation, or non-conformance with laws, rules, regulations or ethical standards which may in turn expose the company to fines and financial damages as well as damaged reputation. The company is authorised and regulated by the FCA in the UK. The expectations of financial regulators are changing. Regulations often become more complex and onerous, and require the existing business models to be updated to a greater extent within a limited time frame.

Strategic report *(continued)*

Our compliance team, with external advisors' assistance, help ensure that key regulatory changes and developments are identified at the earliest opportunity. As well as developing policies, delivering training and performing monitoring checks, they provide advice to other divisions enabling them to comply with legal and regulatory requirements. All necessary changes, applications and implementation processes are supervised by the senior management and the Board.

Brexit

The UK left the European Union ('EU') on 31 December 2020. SMDAM (UK) lost the 'passporting' licence under MiFID and was unable to continue to provide services that had been permitted in the EU states. The company has already acquired the licence in specific countries and has been working in cooperation with third party distributors in Luxembourg. We will continue to follow developments closely and regularly review the arrangements we have in place. We are confident that we will be able to continue to provide our services to our valued existing and new clients in the EU.

COVID-19

The outbreak of COVID-19 in early 2020 brought a new set of risks and challenges to the company. 2021 was a second year under the influence of COVID-19, still affecting lives, changing the ways we live and work. Resilience and adaptability were the keys to keep our operation continuing. The company has reacted decisively, by deploying business continuity processes. There has been little operational impact on our daily operations, and able to serve our customers without major issues.

The outlook for the stock markets and our industry is still uncertain and looks turbulent and challenging. The decline of capital markets significantly affects our industry as our revenue is closely linked to the net asset values of the funds we manage. The prolonged pandemic could result in investors withdrawing from their investments. A lack of product diversification may pose an additional risk to our business. As part of our strategic focuses, we have reviewed our product range and strategy, so that our business is well placed to deal with uncertainties and the constantly changing external environment.

We continue to manage the portfolio, run operations and serve our clients despite current circumstances. Under these challenging times, it is our paramount priority that our employees' wellbeing is well looked after, as human capital is our biggest strength. We have developed a programme running to support all employees working remotely and have ensured that our workforce's wellbeing is up to strength. We are focused on what we can control, set plans to mitigate any potential risks, and have well positioned ourselves to manage through the turbulence and uncertainties ahead.

Transforming the business after merger

It has been over two years since the merger and a significant amount has been achieved. We are starting to see positive results from the merger. In June 2022 the company is relocating its office to Sumitomo Mitsui Financial Group ('SMBC') building as a final phase of integration.

By order of the Board:

Junya Okada
Managing Director

5 King William Street
London
EC4N 7JA

22 April 2022

Directors' report

The directors present their annual report on the affairs of Sumitomo Mitsui DS Asset Management (UK) Limited, together with the financial statements and independent auditor's report, for the year ended 31 December 2021.

Principal activity

The principal activity of the company is to provide a discretionary fund management service and no significant changes are presently foreseen.

Results and dividends

The audited financial statements for the year ended 31 December 2021 are set out on pages 14 to 28. The company made a profit for the year after taxation of £ 552,787 *(31 Dec 20: £618,138)*. The directors do not recommend the payment of a final dividend for the current financial year.

Business review

As at 31 December 2021, the company had net assets and shareholders' funds of £8,386,080, a 7% increase from the prior year. The profit after taxation has decreased to £552,787 due primarily to lower management fee income.

Going concern

The company's annual financial statements have been prepared on a going concern basis. This basis presumes that management neither intends to cease trading nor is required to so for at last 12 months from the date of this report. The directors are confident that the company is a going concern based on the assessment of the company's business activities, together with its financial position, cash flows and liquidity position.

In preparing the financial statements on a going concern basis, the Directors have considered the following matters and have considered the uncertainty including caused by COVID-19.

- The fundamental basis of company's business has not impacted by COVID-19, although fee-based revenue has been affected as a result of market volatility.
- The company has substantial cash and liquid resources as at 31 December 2021.
- The company's indicative capital surplus was £6.52m, 652% in excess of capital requirement, which was £1.18m, as at 31 December 2021.
- Stress tests and scenario analysis to determine whether there are any severe but plausible events that could cast significant doubt on the ability of the company to continue as a going concern. No such events have been identified.
- In addition, the company performed additional stress test on the most onerous economic conditions. The test shows that even under such scenarios the company's viability to meet its financial obligations was not threatened. The company is expected to continue to have sufficient headroom to maintain its liquidity for at least 12 months after the date of this report.

The company is committed to take control and manage the various risks derived by both foreseeable and unforeseeable events. The company has sufficient financial resources and is expected to continue generating steady cash inflows for foreseeable future. The directors believe that the company is well placed to manage the key risks successfully despite the current economic outlook remaining uncertain. Having performed the assessment, the directors believe there are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern for at least 12 months from the date of this report.

Directors

The directors who held office during the year were as shown below:

Takahiro Ueno
Junya Okada
Tsuyoshi Imai (Appointed on 1 April 2021)
Naoya Miyagaki (Resigned on 31 March 2021)

Directors' report *(continued)*

All of the directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

Political contributions

The company made no political donations or incurred any political expenditure during the year.

Other information

An indication of likely future developments/particulars of significant event which have occurred since the end of the financial year have been included in the Strategic report on pages 4 -7.

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 each are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, the directors will consider a resolution for the re-appointment of KPMG LLP as auditor of the company at the forthcoming Annual General Meeting.

By order of the board:

Junya Okada
Director

5 King William Street
London
EC4N 7JA

22 April 2022

Statement of directors' responsibilities in respect of the Strategic report and 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Independent auditor's report to the members of Sumitomo Mitsui DS Asset Management (UK) Limited

Opinion

We have audited the financial statements of Sumitomo Mitsui DS Asset Management (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of comprehensive income, Statement of changes in equity, Balance sheet, Statement of cash flows 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 December 2021 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.

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.

Fraud and breaches of laws and regulations – ability to detect

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 director's and Management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes; and
- 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 and taking into account our overall knowledge of the control environment, 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 the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

Independent auditor's report to the members of Sumitomo Mitsui DS Asset Management (UK) Limited *(continued)*

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

Identifying and responding to risks of material misstatement due to non-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 the Company's authority to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, anti-money laundering, market abuse regulations, Markets in Financial Instruments Directive, Securities and Market Trading asset management market legislation and financial services and market act 2000, Competition legislation, Foreign Corrupt Practices Act, PCI Compliance and financial services regulations including Client Assets, and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. 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.

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 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.

Independent auditor's report to the members of Sumitomo Mitsui DS Asset Management (UK) Limited *(continued)*

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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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.

Christopher Smart

Christopher Smart (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

22 April 2022

Statement of comprehensive income

for the year ended:		31 Dec 21 12 months	31 Dec 20 12 months
	Note	£	£
Turnover	*2*		
Management fees		5,222,469	5,552,964
Advisory fees		347,606	356,542
Other fees		5,605,271	5,531,849
		11,175,346	11,441,355
Entrusted commissions	*3*	(5,569,323)	(5,779,603)
		5,606,023	5,661,752
Operating expenses			
Administrative expenses	*4*	(4,801,834)	(4,853,339)
Operating profit before interest		804,189	808,413
Interest receivable and similar income	*5*	4,270	29,909
Interest payable and similar expenses	*5*	(113,373)	(27,463)
Profit before taxation	*6*	695,086	810,859
Tax on profit	*9*	(142,299)	(192,721)
Profit after taxation		552,787	618,138

The accompanying notes on pages 18 to 28 are an integral part of these financial statements. All the above results are derived from continuing activities.

There are no other comprehensive incomes in the year or the previous year other than the profit set out above. As such, no Statement of other comprehensive income is presented.

Balance sheet

as at:

	Note	31 Dec 21 £	31 Dec 20 £
Fixed assets			
Tangible assets	*10*	**113,548**	211,755
Current assets			
Debtors due less than one year (including differed tax asset of £23,881 (*2020: £11,588*))	*11*	**1,676,589**	1,749,923
Cash and cash equivalents	*16*	**9,061,576**	8,706,456
		10,738,165	10,456,379
Creditors: amounts falling due within one year	*12*	**(2,465,633)**	(2,834,841)
Net current assets		**8,272,532**	7,621,538
Net assets		**8,386,080**	7,833,293
Capital and reserves			
Called up share capital	*13*	**3,000,000**	3,000,000
Profit and loss account	*14*	**5,386,080**	4,833,293
Total Equity and shareholders' funds	*15*	**8,386,080**	7,833,293

The accompanying notes on pages 18 to 28 are an integral part of these financial statements.

These financial statements of Sumitomo Mitsui DS Asset Management (UK) Limited (Registration Number 01660184) were approved by the board of directors on 22 April 2022 and were signed on its behalf by:

Junya Okada
Director

22 April 2022

Statement of changes in equity

For the year ended:

31 December 2021

	Note	Call up share capital	Profit and loss account	Total Equity and shareholders' funds
		£	£	£
Beginning of the year	*13*	3,000,000	4,833,293	7,833,293
Profit for the year	*14*	-	552,787	552,787
Dividends Paid		-	-	-
At 31 December 2021	*15*	**3,000,000**	**5,386,080**	**8,386,080**

31 December 2020

	Note	Call up share capital	Profit and loss account	Total Equity and shareholders' funds
		£	£	£
Beginning of the year	*13*	3,000,000	7,215,155	10,215,155
Profit for the year	*14*	-	618,138	618,138
Dividends Paid	*14*	-	(3,000,000)	(3,000,000)
At 31 December 2020	*15*	3,000,000	4,833,293	7,833,293

Statement of cash flows

for the year ended:

	Note	31 Dec 21 12 months £	31 Dec 20 12 months £
Cash flows from operating activities			
Operating profit before interest and tax		**804,189**	808,413
Adjustment for:			
Depreciation		**121,607**	136,175
Foreign exchange gains(losses)		**(113,374)**	(27,463)
(Increase)/Decrease trade and other debtors		**66,970**	67,487
(Decrease)/Increase trade and other creditors		**(379,523)**	219,357
Tax paid		**(125,619)**	(151,549)
Net cash from operating activities		**374,250**	1,052,420
Cash flows from investing activities			
Interest received		**4,270**	29,909
Acquisition of tangible fixed assets	*10*	**(23,400)**	(26,416)
Net cash flow from investing activities		**(19,130)**	3,493
Cash flows from financing activities			
Dividends paid	*14*	-	(3,000,000)
Net cash flows from financing activities		-	(3,000,000)
Cash and cash equivalents and movements therein			
Increase in cash in the year		**355,120**	(1,944,087)
Cash and cash equivalents as at 1 January		**8,706,456**	10,650,543
Cash and cash equivalents as at 31 December	*16*	**9,061,576**	8,706,456
Cash and cash equivalents at the end of year comprising:			
Cash at bank	*16*	**2,061,576**	1,706,456
Short term deposit (3-6 months)		**7,000,000**	7,000,000
Cash balance as at 31 December	*16*	**9,061,576**	8,706,456

Notes on pages 18 to 28 are an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 *Accounting policies*

The principal accounting policies are summarised below.

Sumitomo Mitsui DS Asset Management (UK) Limited is a limited liability company incorporated in England. The registered office is PO Box 18304, 5 King William Street, London EC4N 7JA. The company provide discretionary and advisory fund management services.

1.1 Statement of Compliance

The company's financial statements have been prepared in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland for the year ended 31 December 2021. (FRS 102).

1.2 Basis of preparation

The financial statements of the company for the year ended 31 December 2021 have been prepared in accordance with FRS102. The financial statements are prepared on going a concern basis under the historical cost basis and in accordance with Companies Act 2006. Directors' assessment on going concern is described in Directors' report. The financial statements are denominated in sterling which is the functional currency of the company and rounded to the nearest pound.

Firstly, in considering going concern, the directors have reviewed the capital liquidity and financial position of the company including future plans. The company continues to maintain sufficient capital buffer in accordance with the regulatory requirements. The company does not have any external debt other than trade payable. The company also performed stress testing on different downside case scenarios that are increasingly severe but plausible situations and noted no threat to the company's going concern position. 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 approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

Secondly - with the economic and market developments caused by COVID-19 the directors reassessed these factors and have concluded the going concern basis is still appropriate. The reassessment was completed with reference to the company's client base, expenses level and working capital position. The company continues to receive revenue which is contractual based, and it has sufficient working capital to meet the operating cash outflow, even based on extreme scenario of the impact of COVID-19.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements except as noted below.

1.3 Turnover

Management and Advisory fees are recognised in profit and loss account in proportion to the agreed net asset value of the funds managed. Other fees, in respect of research and marketing support services to Tokyo head office, are recognised based on pre-fixed agreed amount. All fees are recognised as the service has been rendered and there were no fees recognised in advance.

1.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful economic lives as follows:

Furniture, fixtures and fittings	3 years
Office machinery and equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Notes *(continued)*

1.5 Foreign currency

The financial statements are presented in sterling, which is the functional currency of the company. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Where applicable, non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.6 Leases

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Operating leases were disclosed as the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

Not later than one year
Later than one year and not later than five years

1.7 Employee benefits -Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.8 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.9 Basic Financial Instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents include cash at bank including deposits held at call with banks.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account. The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Continuing operations

All operations of the company continued throughout both years. No operations were acquired or discontinued.

1.12 Related party transactions

Related party transactions are disclosed in the notes to the financial statements.

2 Turnover

Turnover comprises fees charged to customers for the provision of discretionary and advisory fund management services and the provision of information and marketing support for Sumitomo Mitsui DS Asset Management Company, Limited in Tokyo. The revenues are derived mainly from outside the UK.

3 Entrusted commissions

Entrusted commissions comprise fees payable to Sumitomo Mitsui DS Asset Management Company, Limited in Tokyo for delegated fund management services, the marketing support fees payable to Sumitomo Mitsui DS Asset Management (Singapore) and Sumitomo Mitsui DS Asset Management (Hong Kong), Daiwa Capital Markets Europe Bahrain and Genève branch, and commissions payable to third parties.

4 Operating expenses

The amount of £4,801,834 (*2020: £4,853,339)* represents general administrative costs, which include staff costs, depreciation and operating lease rental of office premise.

5 Interest receivable and similar income and Interest payable and similar expenses

Interest receivable and similar income comprise interest receivable from bank deposits and foreign exchange gain. Interest payable and similar expenses comprise foreign exchange loss. (see note 1.5)

6 Profit before taxation

	31 Dec 21 £	31 Dec 20 £
Profit before taxation is stated after charging:		
Depreciation	121,607	136,175
Operating lease rental including service charge for the office premises (see note 17)	188,814	188,264
Fees payable to the company's auditor:		
Audit of financial statements and other services pursuant to legislation	47,000	47,000
Taxation compliance services	12,550	10,450

Notes *(continued)*

7 Remuneration of directors

The remuneration of the directors was as follows:

	31 Dec 21	31 Dec 20
	£	£
Directors' emoluments	**609,817**	537,571

No directors were members of the company pension scheme.

Highest paid director

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

	31 Dec 21	31 Dec 20
	£	£
Emoluments	**330,573**	328,618

8 Staff numbers and costs

The average number of persons employed including expatriates during the year was as follows:

	31 Dec 21	31 Dec 20
Average staff numbers during the year	**23**	23

	31 Dec 21	31 Dec 20
The aggregate payroll costs of these persons were as follows:	£	£
Wages and salaries	**1,960,540**	2,161,204
Social security costs	**183,613**	132,959
Pension costs (see note 18)	**157,354**	139,649
	2,301,507	2,433,812

Notes *(continued)*

9 Taxation

	31 Dec 21	31 Dec 20
Current taxation:	**£**	£
UK corporation tax	**(150,558)**	(180,631)
Over/(under) provision in prior year	**(20,619)**	(16,420)
Total current tax charge	**(171,177)**	(197,051)
Deferred taxation:		
UK deferred tax asset on timing difference of bonus payment (note 11)	**12,293**	(8,155)
UK deferred tax asset (liability) on timing difference between the net book value and tax written down value of fixed asset	**16,585**	12,485
Tax charge on profit	**(142,299)**	(192,721)

Factors affecting the tax charge for the current year

The current tax charge for the year is at 19%. The differences are explained below:

Current tax reconciliation:	**31 Dec 21**	31 Dec 20
	£	£
Profit before tax	**695,086**	810,859
Current tax at 19%. *(2020: 19%)*	**(132,066)**	(154,063)
Factors affecting the charge for the year:		
Expense not deductible for tax purposes	**(767)**	(6,853)
Capital allowances for year in excess/(less) than depreciation	**(17,725)**	(19,715)
Adjustments to tax charges in respect of previous years	**(20,619)**	(16,420)
	(171,177)	(197,051)

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was enacted on 3 May 2021. The deferred tax position as at 31 December 2021 has been calculated based on these rates.

Notes *(continued)*

The movements of deferred tax assets during the year were:

	31 Dec 21	31 Dec 20
	£	£
Balance at 1 January	**11,588**	19,743
Debit /(Credit) to profit and loss account (note 9)	**12,293**	(8,155)
Balance at 31 December	**23,881**	11,588

The movements of deferred tax liabilities during the year were:

	31 Dec 21	31 Dec 20
	£	£
Balance at 1 January	**(33,903)**	(46,388)
Debit /(Credit) to profit and loss account (note 9)	**16,585**	12,485
Balance at 31 December	**(17,318)**	(33,903)

Comprising:	31 Dec 21	31 Dec 20
	£	£
Timing difference on bonus accruals (note 11)	**23,881**	11,588
Deferred tax asset (liability) on timing difference between the net book value and tax written down value of fixed assets (note 12)	**(17,318)**	(33,903)

Notes *(continued)*

10 Tangible assets

The movement in the year was as follows:

	Furniture fixtures and fittings	Office machinery and equipment	Total
	£	£	£
Costs			
At beginning of year	127,671	853,094	980,765
Additions	-	23,400	23,400
Disposals	-	(14,983)	(14,983)
At end of year	127,671	861,511	989,182
Depreciation			
At beginning of year	106,440	662,570	769,010
Charge for year	12,132	109,475	121,607
Disposals	-	(14,983)	(14,983)
At end of year	118,572	757,062	875,634
Net book value			
At 31 December 2021	9,099	104,449	113,548
At 31 December 2020	21,231	190,524	211,755

Notes *(continued)*

11 Debtors

	31 Dec 21	31 Dec 20
	£	£
Trade debtors	1,277,182	1,341,134
Amounts owed by the parent company	28,950	30,508
VAT recoverable	40,567	36,282
Other debtors	75	-
Prepayments and accrued income	291,457	311,754
Deferred tax asset	23,881	11,588
Personal/Corporation. tax recoverable	14,477	18,657
	1,676,589	1,749923

All debtors are due within one year, with the exception of deferred tax assets, which will be due after one year.

12 Creditors: amounts falling due within one year

	31 Dec 21	31 Dec 20
	£	£
Amounts owed to parent company	1,547,895	1,798,178
Amounts owed to group companies	411,801	414,539
Corporate tax payable	26,901	-
Deferred tax liability	17,318	33,903
Accruals and deferred income	383,734	498,966
Other creditors	77,984	89,255
	2,465,633	2,834,841

13 Share capital

	31 Dec 21	31 Dec,20
	£	£
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000

Notes *(continued)*

14 Movements on reserves

	31 Dec 21	31 Dec 20
	£	£
Profit and loss accounts		
	4,833,293	7,215,155
At beginning of the year		
Retained profit for the year	**552,787**	618,138
Dividends paid	-	(3,000,000)
At end of the year	**5,386,080**	4,833,293

Amounts paid as distribution to shareholders of the company in the year were as follows:

	31 Dec 21	31 Dec 20
Interim dividend of £1 per share paid during the year,	£	£
	-	(3,000,000)
	-	(3,000,000)

The directors do not recommend of a final dividend for the year ended 31 December 2021. (*2020: Nil*)

15 Reconciliation of movements in shareholders' funds

	31 Dec 21	31 Dec 20
	£	£
Shareholders' funds brought forward	**7,833,293**	10,215,155
Dividends paid	-	(3,000,000)
Profit for the year	**552,787**	618,138
Shareholders' funds carried forward	**8,386,080**	7,833,293

16 Cash and cash equivalent

	31 Dec 21	31 Dec 20
	£	£
Cash at bank	**2,061,576**	1,706,456
Term deposits (3-6 months)	**7,000,000**	7,000,000
Cash at bank per cash flow statements	**9,061,576**	8,706,456

Notes *(continued)*

17 Financial commitments

Capital commitments

The company will be relocating its office June 2022. There are no other capital commitments either authorised or contracted as at 31 December 2021. *(2020: Nil).*

Lease commitments

The company leases the premises from Daiwa Capital Markets Europe Limited. The 12 months rental including service charge on this lease was £188,814 *(2021: £188,264).* The minimum annual rental excluding service charge under operating lease is as follows:

	31 Dec 21	31 Dec 20
	£	£
Operating lease which expires:		
- within one year	**116,136**	116,136
- in the second to fifth year inclusive	-	-
- later than five years	-	-

18 Pension arrangements

The company contributes to the Daiwa Capital Markets Europe Limited Group Personal Pension Plan, a defined contribution scheme, for which the pension cost charge for the year was £157,354 *(2020: £139,649).*

There were £12,716 outstanding contributions at the end of the financial year *(2020: £12,978).*

19 Related party transactions

The company is one of the wholly owned subsidiaries of Sumitomo Mitsui DS Asset Management Company, Limited (SMDAM). The group consists of SMDAM Tokyo in Japan, parent company, SMDAM (UK), SMDAM (USA), SMDAM (Hong Kong) and SMDAM (Singapore). Transactions with related parties have been conducted at market value on an arm's length basis and included other Daiwa group companies and its subsidiaries. Amounts include in the accounts are as follows:

Profit and loss account: Receivable /(Payable)		31 Dec 21	31 Dec 20
		£	£
SMDAM Tokyo - Parent Company	Fund management/advisory fees, other fees	**5,952,877**	5,888,391
SMDAM Tokyo - Parent Company	Entrusted commission	**(4,683,488)**	(4,914,448)
SMDAM (Hong Kong) Ltd	Entrusted commission	**(2,568)**	(7,458)
SMDAM (Singapore) Ltd	Entrusted commission	**(1,025)**	(913)
Daiwa Capital Markets Europe Limited (Bahrain/ Genève branch)	Entrusted commission	**(837,353)**	(799,974)
Daiwa Capital Markets Europe Limited	Research/Administrative expenses*	**(278,075)**	(278,939)

*Exclude staff costs paid to Daiwa Capital Markets Europe Limited. The details of staff costs are disclosed in note 8.

Notes *(continued)*

Balance sheet Receivable /(Payable)		**31 Dec 21** £	31 Dec 20 £
SMDAM Tokyo - Parent Company	Fund management/advisory fees, Other fees	**(218,912)**	(406,736)
SMDAM Tokyo - Parent Company	Entrusted commissions: payable	**(1,179,089)**	(1,227,501)
SMDAM (Hong Kong) Ltd	Entrusted commissions payable	**-**	(1,562)
SMDAM (Singapore) Ltd	Entrusted commissions payable	**(286)**	(295)
Daiwa Capital Markets Europe Limited (Bahrain/ Genève branch)	Entrusted commissions payable	**(212,300)**	(209,125)
Daiwa Capital Markets Europe Limited	Research/Administrative expenses*	**(63,268)**	(72,312)

Amounts owed by and to these companies are disclosed in notes 11 and 12.
*Exclude staff costs paid to Daiwa Capital Markets Europe Limited. The details of staff costs are disclosed in note 8.

20 Ultimate parent company

The company is a wholly owned subsidiary of Sumitomo Mitsui DS Asset Management Company, Limited incorporated in Japan. This company is ultimately owned by Sumitomo Mitsui Financial Group, Inc. (50.1%), Daiwa Securities Group Inc. (23.5%), Sumitomo Mitsui Life Insurance (15.0%), Sumitomo Life Insurance (10.4%) and Sumitomo Mitsui Trust Bank (1.0%) all of which were incorporated in Japan.

21 Subsequent Event

There have been no significant events affecting the company since the year end up to the date of signing the accounts.

23 Pillar 3 risk disclosures statement

The company's Basel II Pillar 3 disclosures on capital and risk management are available on the company's website (http://www.smd-am.co.uk/legal/pillar3). Disclosures will be updated at least annually and made available on the company's website as soon as practicable.