

NIKKO ASSET MANAGEMENT EUROPE LTD

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



Registered Number 1803699 (England and Wales)

NIKKO ASSET MANAGEMENT EUROPE LTD
CONTENTS FOR REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

	Pages
Directors' report	3
Strategic report	5
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	7
Independent Auditor's report to the members of Nikko Asset Management Europe Ltd	8
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes In Equity	13
Cash Flow Statement	14
Notes to the financial statements	15 - 24

**NIKKO ASSET MANAGEMENT EUROPE LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The directors present their report and the audited financial statements for Nikko Asset Management Europe Ltd ("the Company"), an indirect subsidiary of Nikko Asset Management Co. Ltd ("the Group"), for the year ended 31 March 2022.

ACTIVITIES

The principal activities of the Company are the provision of investment advice and investment management services to third parties and other group members. The Company is regulated by the Financial Conduct Authority ("FCA") and is authorised to carry on investment business.

The Company is incorporated in England and Wales and is domiciled in the United Kingdom. The Company Registration Number is 1803699.

RESULTS FOR THE YEAR

The results of the Company for the year to 31 March 2022 are set out in detail on page 11. The net loss after tax for the year was £5,252,390 (2021: loss £1,040,616).

DIVIDEND

No dividends paid during the year (2021: £ Nil).

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently still in force. The Company also purchased, through its parent in Japan, and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its Directors.

CHARITABLE DONATIONS

The company made non-political charitable donations of £10,142 (2021: £7,550) during the year.

GOING CONCERN

Despite making a loss during the year, the directors have adopted the going concern basis of preparation in preparing these financial statements for the following reasons: i) the directors have prepared profit and loss forecasts for at least 12 months which incorporate severe but plausible downsides and indicate that the Company has sufficient capital reserves to withstand several years of losses before its capital level would fall to the minimum required as calculated under its ICAAP and sufficient reserves to cover its liabilities for at least 12 months from the date of these financial statements; ii) the Company has a highly liquid balance sheet with cash reserves of £31.9m (2021: £33.5m) at the year end; and iii) a significant portion of the employee cost base is variable compensation which could be adjusted in a stress scenario.

The directors have considered the impact of the Covid-19 pandemic on both the Company's position as at 31 March 2022 and its ongoing operations. The directors do not consider any assets to have been impaired nor has there been any impact large enough to affect the Company's viability as a going concern. The Company has continued to operate and serve clients throughout the pandemic without interruption or disruption. The Company has a strong and highly liquid balance sheet and a diversified client base across asset classes which the directors believe puts the Company in a position to survive a significant and sustained downturn in activity.

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue its operations for at least 12 months from the date of these financial statements. Therefore they continue to adopt the going concern basis in preparing these accounts.

DIRECTORS

The directors of the Company who were in office during the year and as at the date of this report were:

K Asai (resigned 28 April 2021)
C Basile
R Bluzmanis (appointed 24 May 2022)
D Cruise
D Goodall-Smith
J Howland Jackson
T Kurosawa
P Rudden
K Ryu (appointed 28 April 2021)

The directors who held office at the end of the year had no interest in the share capital of the Company.

**NIKKO ASSET MANAGEMENT EUROPE LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

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 each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board.



D Cruise
Director
28 July 2022

NIKKO ASSET MANAGEMENT EUROPE LTD
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The directors present their strategic report for Nikko Asset Management Europe Ltd ("the Company") for the year ended 31 March 2022.

BUSINESS REVIEW PERFORMANCE & DEVELOPMENT

The Company generated revenue in line with the previous financial year. The Company made a loss mainly as a result of higher operating expenses due to additional staff, research and IT costs. Assets under management and advice decreased by £1,050 million (2021: increased by £318 million) to end the year at £14,441 million (2021: £15,491 million).

The decrease in assets under management and advice was mainly due to outflows from certain fixed income mandates, coupled with challenging market conditions during the first quarter of 2022. This was offset by inflows to the global equity strategy. The weakening of Japanese Yen against the British Pound continued during the period and had a negative impact on the value of assets under management during the year.

The Company has continued its strategy of using a conservative interpretation of the investment criteria used by or in its portfolio management strategies. The Company continues to promote its management expertise and offer portfolio management capabilities to investors in fixed income, equity and short term cash products.

A review of the Company's business analysed using key performance indicators is shown in the table below for the years ending 31 March 2022 and 2021.

	2022	2021
Key Performance Indicators		
Revenue	£ 28,926,025	£ 28,562,441
Operating expenses	(34,453,487)	(29,706,622)
Operating loss	(5,527,462)	(1,144,181)
Comprehensive Income	(5,252,390)	(1,040,616)
Operating expenses : Revenue	119%	104%
Comprehensive Income : Revenue	-19%	-4%
Assets Under Management	£14,441m	£15,491m
Ending Headcount	83	78

PRINCIPAL RISKS AND UNCERTAINTIES, MANAGEMENT OBJECTIVES, POLICIES AND STRATEGIES

Risk management is an inherent part of Nikko Asset Management Co., Ltd. Group's ("NAM"), the intermediate parent company, business activities. To achieve this, NAM has adopted risk management policies and procedures appropriate for the size and complexity of its business. NAM has an independent risk management team, separate from the fund management teams, as well as a risk oversight committee headed by the Global Head of Risk Management of NAM, which reports to the NAM Global Executive Committee and the NAM Board of Directors. Relevant risk sub-committees have also been established to monitor risk and actively implement procedures to counter risk exposure.

NAM's risk management framework and governance structure are intended to provide comprehensive controls through a sound management system and a solid internal controls framework, having regard to relevant laws, standards, regulatory principals and rules. Subsidiary companies, of which the Company is one, exercise oversight through their Board of Directors. These Boards may delegate significant oversight functions to senior managers within the subsidiaries as is appropriate.

The Company has a robust operational risk management policy and culture whose purpose is to provide for identification, assessment, mitigation, monitoring and reporting of operational risk exposures. The directors of the Company see disciplined and controlled risk management as crucial to their success. To achieve this, the Company closely monitors market, credit, operational and fund management risk, and takes appropriate measures to minimise the impact of these potential risks.

The Company's principal risk is a collapse in the global financial markets leading to severe reductions in Assets Under Management. As part of the Internal Capital Adequacy Assessment Process (ICAAP) the Company modelled stress tests of varying severity to determine the impact of different markets and strategies.

In accordance with the rules of the Financial Conduct Authority, the Company has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. A copy of this disclosure document can be obtained from the Company's website - <https://emea.nikkoam.com>.

In response to the COVID pandemic the Company successfully managed remote working when the official advice inhibited working from the office. As no issues have been seen and performance has not suffered as a result of the COVID pandemic the directors do not consider it to be a principal risk to the Company. Nevertheless, management will continue to monitor the situation as it unfolds.

On February 24, 2022 Russia invaded Ukraine and as at the date these financial statements were approved the situation remains ongoing. The Company had no direct exposure to Russian, Belarussian or Ukrainian assets. The Company sub-advised a number of mandates with very limited exposure to Rouble-denominated assets. These holdings were subsequently liquidated and the Company has no remaining exposure. Therefore, the directors do not consider it to be a principal risk to the Company. Nevertheless, the management will continue to monitor the situation.

FUTURE DEVELOPMENT

The directors believe that the Company is strongly placed for future growth in terms of investment products, performance, staff and structure.

Approved by the Board of Directors and signed on behalf of the Board.



D Cruise
Director
28 July 2022

NIKKO ASSET MANAGEMENT EUROPE LTD
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-adopted international accounting standards and applicable law.

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, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- 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.

Approved by the Board of Directors and signed on behalf of the Board



D Cruise
Director
28 July 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIKKO ASSET MANAGEMENT EUROPE LIMITED

Opinion

We have audited the financial statements of Nikko Asset Management Europe Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes In Equity, Cash Flow Statement, and related notes, including the accounting policies in note 2

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors 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 meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NIKKO ASSET MANAGEMENT EUROPE LIMITED (continued)

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.

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-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: anti-bribery, employment law, health and safety data protection, anti-money laundering, market abuse regulations and financial services regulations including Client Assets and specific areas of regulatory capital and liquidity and certain aspects of company legislation and financial services 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 NIKKO ASSET MANAGEMENT EUROPE 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.

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.

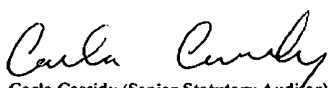
Auditor's responsibilities

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.


Carla Cassidy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 28 July 2022

NIKKO ASSET MANAGEMENT EUROPE LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Operating Revenues			
Investment management and advisory fees from third parties	3	9,349,024	7,599,020
Investment management and advisory fees from group undertakings	3,11	19,577,001	20,963,421
Total operating revenues		28,926,025	28,562,441
Operating Expenses			
Sub-advisory fees with group undertakings	11	4,058,762	3,492,870
Commissions payable		12,437	75,073
Employee related expenses	4,5,6,7	22,954,561	19,649,152
Occupancy related expenses		383,986	303,058
Information systems and technology		2,763,814	2,756,652
Fund related		367,904	422,522
Communications		75,810	94,889
Depreciation	9	532,724	612,953
Professional fees		2,856,476	1,886,204
Advertising and promotion		87,593	98,154
Travel and entertainment		116,678	62,148
Other operating and administrative expenses		242,742	252,947
Total operating expenses		34,453,487	29,706,622
Operating loss		(5,527,462)	(1,144,181)
Other Income/ (Expense)			
Finance income		2,936	20,042
Lease interest expense	9	(70,036)	(78,258)
Profit on fixed asset disposal		-	39,864
Interest income/ (expense)		5	(500)
Foreign exchange loss		(32,674)	(130,816)
Total other expenses		(99,769)	(149,668)
Loss before income tax		(5,627,231)	(1,293,849)
Income tax credit	8	374,841	253,233
Loss attributable to equity holders of the parent		(5,252,390)	(1,040,616)
Other Comprehensive Income for the year		-	-
Total Comprehensive loss for the year		(5,252,390)	(1,040,616)


All the Company's operations are classified as continuing.

The annexed notes from 1 to 15 form an integral part of these financial statements.

NIKKO ASSET MANAGEMENT EUROPE LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Assets			
Current Assets			
Cash and cash equivalents		31,911,803	33,487,304
Cash collateral on FX forward contracts		50,000	260,000
Trade and other receivables:			
Accounts receivable		2,081,554	1,919,272
Amounts receivable from affiliates	11	1,504,371	2,047,397
Amounts receivable from affiliates – group tax relief		368,521	90,680
Other receivables		234,460	199,667
Accrued income and prepaid expense		884,652	722,186
Total Current Assets		37,035,361	38,726,506
Non-Current Assets			
Property, plant and equipment	9	189,942	125,016
Right-of-use asset	9	1,881,326	2,298,832
Deferred tax asset	8	552,861	455,860
Total Non-Current Assets		2,624,129	2,879,708
Total Assets		39,659,490	41,606,214
Liabilities and Equity			
Current Liabilities			
Accrued compensation		8,938,840	6,596,217
Trade and other payables:			
Amounts payable to group undertakings	11	539,112	421,810
Other taxation and social security payables		383,057	430,460
Other payables		-	7,443
Accrued expenses and deferred income		2,901,648	1,962,129
Lease liability	12	570,120	482,095
Total Current Liabilities		13,332,777	9,900,154
Non-Current Liabilities			
Accrued Compensation		2,276,744	2,030,487
Lease liability	12	1,527,701	1,900,915
Total Non-Current Liabilities		3,804,445	3,931,402
Total Liabilities		17,137,222	13,831,556
Equity			
Capital and Reserves Attributable to Equity Holders of the Company			
Share capital (£1 par value, 2,300,000 shares authorised, 2,300,000 shares issued and outstanding at 31 March 2022 and 2021)		2,300,000	2,300,000
Capital reserve	13	248,996	248,996
Retained earnings		19,973,272	25,225,662
Total Equity		22,522,268	27,774,658
Total Liabilities and Equity		39,659,490	41,606,214

The annexed notes from 1 to 15 form an integral part of these financial statements.
The financial statements on pages 11 to 24 were approved by the Board of Directors on 28 July 2022 and authorised for issue and signed on its behalf by


D Cruise
Director
Registered Number 1803699 (England and Wales)

NIKKO ASSET MANAGEMENT EUROPE LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share Capital £	Capital Reserve £	Retained Earnings £	Total £
Balance at 31 March 2020		2,300,000	288,654	26,266,278	28,854,932
Capital Reserve adjustment	14	-	(39,658)	-	(39,658)
Total comprehensive loss for the year		-	-	(1,040,616)	(1,040,616)
Balance at 31 March 2021		2,300,000	248,996	25,225,662	27,774,658
Total comprehensive loss for the year		-	-	(5,252,390)	(5,252,390)
Balance at 31 March 2022		2,300,000	248,996	19,973,272	22,522,268

The annexed notes from 1 to 15 form an integral part of these financial statements.

NIKKO ASSET MANAGEMENT EUROPE LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £	2021 £
Cash Flows from Operating Activities		
Loss after tax	(5,252,390)	(1,040,616)
Adjustments for		
Depreciation	85,768	181,566
Lease depreciation	446,956	431,387
Net foreign exchange loss	32,674	130,815
Interest on lease liability	70,036	78,258
Interest (income)/ payable and similar	(5)	500
Stock options	44,669	(111,243)
Tax credit	(374,841)	(253,233)
Finance income	(2,936)	(20,042)
Profit on fixed asset disposal	-	(39,864)
Operational cash flows before movements in working capital	(4,950,069)	(642,472)
Changes in operating assets and liabilities		
(Decrease)/ increase in receivables (incl collateral)	(115,644)	216,615
Increase in payables	4,020,356	1,306,878
Cash generated by operations	(1,045,357)	881,021
Interest received/ (paid)	5	(500)
Income tax paid	-	(70,000)
Net Cash (Used in) / Generated from Operating Activities	(1,045,352)	810,521
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(150,694)	(84,113)
Interest income (incl group loan interest)	2,939	20,042
Net Cash from Investing Activities	(147,755)	(64,071)
Cash Flows from Financing Activities		
Lease payments	(312,358)	(269,385)
Interest on lease liability	(70,036)	(78,258)
Net cash from financing activities	(382,394)	(347,643)
Net (decrease) / increase in Cash and Cash Equivalents	(1,575,501)	398,807
Cash and cash equivalents, beginning of the year	33,487,304	33,088,497
Cash and Cash Equivalents, End of the Year	31,911,803	33,487,304

The annexed notes from 1 to 15 form an integral part of these financial statements.

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 1 – General Information

Nikko Asset Management Europe Ltd (“the Company”) is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the Company’s registered office is 5th Floor, City Tower, 40 Basinghall Street, London, EC2V 5DE, UK. The principal activities of the Company are the provision of investment advice and investment management services to third parties and other group members.

Note 2 – Summary of Significant Accounting Policies

The principal accounting policies adopted are set out below.

Basis of preparation

The Company’s financial statements have been prepared in accordance with UK-adopted international accounting standards (“UK-adopted IFRS”), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. As at 31 March 2022, the Company had adopted all IFRSs and interpretations that had been issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRIC and its predecessor body.

Despite making a loss during the year, the directors have adopted the going concern basis of preparation in preparing these financial statements for the following reasons: i) the directors have prepared profit and loss forecasts for at least 12 months which incorporate severe but plausible downsides and indicate that the Company has sufficient capital reserves to withstand several years of losses before its capital level would fall to the minimum required as calculated under its ICAAP and sufficient reserves to cover its liabilities for at least 12 months from the date of these financial statements; ii) the Company has a highly liquid balance sheet with cash reserves of £31.9m (2021: £33.5m) at the year end; and iii) a significant portion of the employee cost base is variable compensation which could be adjusted in a stress scenario.

The directors have considered the ongoing impact of the Covid-19 pandemic on both the Company’s position as at 31 March 2022 and its future operations. Throughout, the Company has continued to operate and serve clients throughout the current period without interruption or disruption. The Company has a strong and highly liquid balance sheet and a diversified client base across asset classes which the directors believe puts the Company in a position to survive a significant and sustained downturn in activity. Therefore they continue to adopt the going concern basis in preparing these accounts.

New accounting standards adopted

The directors do not consider that any new accounting standards had a material impact on the Company in the current year.

Measurement convention

The financial statements have been prepared under the historical cost convention.

Estimates and critical judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The assumptions and estimates, which are continuously reviewed, are based on past experience and other factors, including expectations regarding likely developments in the future.

The directors do not consider there to be any significant estimates or critical judgements involved in the preparation of these financial statements.

Operating revenues

Operating revenues include investment management, investment advisory and performance fees. Operating revenues are measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts, trail fees, VAT and other sales related taxes.

Investment management and advisory fees and associated charges are recognised when the services concerned are rendered. Investment management and advisory fees are calculated as a percentage of assets under management. Performance fees are recognised when they become due and collectable.

Foreign currencies

The functional and presentational currency of the Company is pounds sterling (£).

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Note 2 – Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment is capitalised if its acquisition or production costs can be reliably determined, if it will bring future economic benefit in excess of its cost and if its expected period of use exceeds one year. Minor purchases and renovation/maintenance costs that do not create added value are charged directly to administrative expenses.

Property, plant and equipment are valued at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Art work	Not depreciated
Computer and electrical equipment	3 years
Furniture	5 years
Leasehold improvements	Shorter of useful economic life and the life of the lease

At each statement of financial position date, the Company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

Lease accounting as a lessee

The Company's lease agreements relate to the rental of its London and Edinburgh offices.

The Company recognises a Right of Use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to restore the asset less any lease incentives received.

The ROU asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured this way a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has reduced to zero.

The Company presents right of use assets in property plant and equipment and lease liabilities under Non-Current Liabilities in the statement of financial position. In respect of payment commitments, these are the rental payments due in relation to the Company's offices in London and Edinburgh.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Current and deferred income tax

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

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.

The Company may apply current tax credits on losses during the year to be utilised against tax losses of other Group entities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Note 2 – Summary of Significant Accounting Policies (continued)

Current and deferred income tax (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled and the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is dealt with in equity.

Financial instruments

The vast majority of the Company's financial instruments are cash and receivables which are measured at amortised cost. Net gains and losses on financial instruments at fair value through profit and loss ("FVTPL") comprise realised gains or losses on FX forward rate contracts which are used to mitigate foreign exchange rate risk on fees receivable and payable. These financial assets and liabilities are carried at historical cost due to the short maturity profile of these assets and liabilities (all are less than three months to maturity) as this is considered to approximate fair value.

The Company has evaluated potential credit losses on all financial assets that are measured at amortised cost. Factors considered in determining whether a default is likely or possible include whether a payment is overdue (and the length of that period), any known deterioration in the credit quality of a client/ counterparty or other issues that could adversely affect a client's/ counterparty's credit quality.

For financial assets where there is no known issues affecting credit quality, expected credit losses are calculated based on the losses that are expected to be incurred over a rolling twelve-month period. Given the nature of the Company's financial assets (i.e. mostly cash at bank), there is a very low credit risk.

For any financial assets where the contractual payment is more than 30 days past due, the default position is to assume an increase in credit risk. However, default levels in the past have been immaterial and there were no fee receivables past due as at 31 March 2022.

Trade and other receivables

Trade and other receivables include amounts due for management, advisory and performance fees and amounts due from customers and others. All trade and other receivables are repayable on demand or within one year. They are recorded in the statement of financial position at cost, reduced by appropriate allowances for estimated irrecoverable amounts. Amounts owed by group undertakings are unsecured, interest free and have no fixed terms of repayment.

Trade and other payables

Trade and other payables include amounts due for sub-advisory services and performance fees and amounts due to vendors and others. All trade and other payables are classified according to the substance of the contractual arrangement entered into. They are payable on demand or within one year and are recorded on the statement of financial position at cost. Amounts owed to group undertakings are unsecured, interest free and have no fixed terms of repayment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and in hand and short-term deposits with an original maturity of three months or less and foreign currencies held by the Company. Cash earns interest at market rates dependent on the size of the balance. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Interest income is accrued on cash and cash equivalents on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Employee benefits

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are invested with an insurance company and are held separately from those of the Company. Contributions to the scheme are charged to net profit/ (loss) throughout the qualifying employment period of the employee and according to the rate applicable to the individual employee as defined by the rules of the scheme.

Equity-settled share based payments

The Company issued equity-settled share based payments of its intermediate holding company to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is measured by use of the Monte Carlo simulation technique in combination with the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 3 – Revenue from Contracts with Customers

The activities of the Company are the provision of investment advice and investment management services. In the following table, revenue is disaggregated by primary geographical market:

Country	2022 £	2021 £
Australia	901,950	679,492
Cayman Islands	5,364,166	6,330,058
Hong Kong	4,814	-
Ireland	576,922	-
Japan	8,554,380	9,447,306
Kuwait	1,883,323	1,424,980
Luxembourg	1,860,748	2,017,905
New Zealand	941,083	549,065
Saudi Arabia	2,454,376	2,333,143
Singapore	3,590,539	3,154,022
United Kingdom	2,506,944	2,355,905
United States	286,780	270,565
	28,926,025	28,562,441

Note 4 – Employee Related Expenses

The average number of employees of the Company during the years ended 31 March 2022 and 2021, including directors with service contracts, and their aggregate emoluments were as follows:

	2022	2021
Management	5	4
Administration	78	74
Total	83	78

The aggregate payroll of these persons was as follows:

	2022 £	2021 £
Wages and salaries	18,290,715	16,122,981
Equity-settled share based payments	268,333	(76,893)
Social security costs	2,649,627	2,122,477
Pension costs	615,092	547,147
Recruitment	270,943	145,896
Other	859,851	787,544
Total	22,954,561	19,649,152

Note 5 – Directors' remuneration

The remuneration of the directors of the Company for the years end 31 March 2022 and 2021 is set out in aggregate below. Only the directors of the Company are considered to be the key management.

Directors' Emoluments	2022 £		2021 £	
	Total	Highest Paid Director	Total	Highest Paid Director
Salary costs (including benefits in kind)	1,499,765	749,787	1,310,747	659,247
Pension contributions	10,360	-	61,906	22,460
Total	1,510,125	749,787	1,372,653	681,707

For the year ended 31 March 2022 a total of 2 (2021:2) directors had retirement benefits accruing under personal pension arrangements.

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 6 – Share based payments

In the year ended 31 March 2012, the Board of Directors of Nikko Asset Management Co., Ltd (“NAM”), the Company’s intermediate holding company, approved the terms, conditions and awards of a 2011 Stock Option Plan. Under the terms of this plan, eligible employees received stock options in NAM. Each stock option is convertible into 3,300 shares, if exercised with one-half of the stock options vesting two years after the grant date, one-quarter after another year, and the remaining one-quarter after one subsequent additional year. Under the terms of the plan, if an initial public offering of NAM does not occur by 6 October 2016, the recipient, during set liquidation windows, can request NAM to purchase their stock options back at the fair value of NAM at the time of the sale. For options vested, the exercise period must be between an initial public offering date or 6 October 2016, if no initial public offering has taken place, and 6 October 2021, the end date of the plan. Vested options in the plan terminate automatically if not exercised by the end date of the plan. If the initial public offering price is set as any amount exceeding ¥737 of the strike price, the strike price shall be adjusted on the initial public offering date to an amount equal to the initial public offering price. Unvested options are forfeited at the discretion of the Board of Directors of NAM.

In the year ended 31 March 2018, the Board of Directors of NAM approved the terms, conditions and awards of a 2016 (2) Stock Option Plan. Under the terms of this plan, eligible employees received stock options in NAM. Each stock option is convertible into 1,000 shares, if exercised with one-third of the stock options vesting two years after the grant date, one-third after another year, and the remaining one-third after one subsequent additional year. Under the terms of the plan, if an initial public offering did not occur by 26 April 2020, the recipient, during set liquidation windows, could request NAM to purchase their stock options back at the fair value of NAM at the time of the sale. For options vested, the exercise period must be between an initial public offering date or 26 April 2021, if no initial public offering had taken place, and 30 April 2027, the end date of the plan. Vested options in the plan terminate automatically if not exercised by the end date of the plan. Unvested options are forfeited at the discretion of the Board of Directors of NAM.

Under the 2017 (1) Stock Option Plan, eligible employees, including operating officers and other employees, received stock options in the Company. Each stock option is convertible into 1,000 shares, if exercised with one-third of the stock options vesting two years after the grant date, one-third after another year, and the remaining one-third after one subsequent additional year. Under the terms of the plan, if an initial public offering does not occur by April 26, 2021, the recipient, during set liquidation windows, can request the Company to purchase their stock options back at the fair value of the Company at the time of the sale. For options vested, the exercise period must be between an initial public offering date or April 26, 2021, if no initial public offering has taken place, and April 30, 2028, the end date of the plan. Vested options in the plan terminate automatically if not exercised by the end date of the plan. Unvested options are forfeited at the discretion of the Board of Directors.

As of 31 March 2022, 88 stock options convertible into 88,000 shares of NAM were issued and outstanding. None of these options are exercisable. The grant-date fair value of outstanding unvested employee awards after taking into consideration expected forfeitures for which no compensation expense has been recognized as of 31 March 2022 is £496 (31 March 21 £35,459) with no expense (year ended 31 March 2021: nil) recognized during the current year. In determining the expected forfeiture rate, management used historical average Company turnover information.

All stock options to date have been awarded at the fair value of NAM common stock at the respective grant dates. Fair value is measured by use of the Black Scholes or Monte Carlo pricing models. As at 31 March 2022, there were no outstanding options relating to the 2011 and 2016(2) plans (2021: ¥737 (£4.84) and ¥553 (£3.64) respectively). The exercise price for outstanding options under the 2017(1) plan at 31 March 2022 was ¥694 (£4.32) (2021: ¥694 (£4.56)). The weighted-average remaining contractual life for these options is 6.10 years (2021: 7.10 years). Additional information regarding the Company’s stock options is as follows:

	2022			2021		
	Weighted average exercise price			Weighted average exercise price		
	Shares	(Yen)	(£)	Shares	(Yen)	(£)
Outstanding, beginning of year	152,800	700	4.60	649,800	659	4.95
Granted	-	-	-	-	-	-
Transferred	-	-	-	-	-	-
Forfeited	(64,800)	707	4.40	(497,000)	646	4.25
Outstanding, end of year	88,000	694	4.32	152,800	700	4.60
Exercisable, end of year	-	-	-	-	-	-

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 7 – Auditor’s Remuneration

Professional fees included the following fees paid to the Company’s Auditor during the years ended 31 March 2022 and 2021:

	2022 £	2021 £
Fees payable to Company’s auditor for the audit of these financial statements	72,500	55,000
Fees payable to Company’s auditor for other services		
Audit related assurance services (CASS)	16,500	12,500
Audit related assurance services (ISAE 3402 control report)	140,000	122,000
Total auditor’s remuneration	229,000	189,500

Note 8 – Income Tax Expense

Taxes on income for the years ended 31 March 2022 and 2021 were as follows:

	2022 £	2021 £
Current Tax		
UK corporation tax at 19% based on net income (2021: 19 %)	277,841	65,680
Total Current Tax Credit	277,841	65,680
Deferred Tax		
Origination of temporary differences	97,000	187,553
Total Deferred Tax	97,000	187,553
Total Income Tax Credit	374,841	253,233

Deferred Tax Asset

	Deferred Compensation £	Fixed Assets £	Total £
As at 31 March 2020	203,294	65,013	268,307
Movement in the year	187,553	-	187,553
As at 31 March 2021	390,847	65,013	455,860
Movement in the year	97,000	-	97,000
As at 31 March 2022	487,847	65,013	552,860

Tax Reconciliation

	2022 £	2021 £
Loss before taxes	(5,627,462)	(1,293,849)
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,069,218	245,831
Tax effect of:		
Non-deductible expenses	(698,479)	(155,151)
Capital allowances in excess of depreciation	5,597	(14,643)
Other timing differences	(1,495)	187,553
Adjustment for under-provision in prior year	-	(10,357)
Total Income Tax Credit/ (expense)	374,841	253,233

In the 2021 Spring Budget, the Government announced that from 1 April 2023, the main rate of UK corporation tax rate will increase to 25%. This was substantively enacted in May 2021 and the deferred tax assets have been calculated using this rate as it is the rate that will be applicable at the date the deferred tax assets are expected to be utilised. This will have a consequential effect on the Company’s future tax charge and the deferred tax asset.

The Company utilised the current tax credit during the year against tax losses in other entities in the Group. The amount due from affiliates in relation to group tax relief is included as a receivable in the statement of financial position

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 9 – Property, Plant and Equipment and Right-of-use asset

The Company leases two properties for which it recognises a right-of-use asset. Information about these leases and other assets such as Property, plant and equipment are set out below:

	Right of use assets £	Computer and electrical equipment £	Furniture and artwork £	Leasehold improvement £	Total £
Cost					
As at 31 March 2020	2,676,337	710,017	203,313	484,032	4,073,699
Additions in year	1,786,277	74,929	9,184	-	1,870,390
Disposals in year	(1,930,880)	-	-	-	(1,930,880)
As at 31 March 2021	2,531,734	784,946	212,497	484,032	4,013,209
Additions in year	29,450	76,616	3,098	70,980	180,144
Disposals in year	-	-	-	-	-
As at 31 March 2022	2,561,184	861,562	215,595	555,012	4,193,353
Accumulated Depreciation					
As at 31 March 2020	372,461	628,191	154,512	392,190	1,547,354
Charged in year	431,387	57,514	32,210	91,842	612,953
Disposals in year	(570,946)	-	-	-	(570,946)
As at 31 March 2021	232,902	685,705	186,722	484,032	1,589,361
Charged in year	446,956	62,789	9,281	13,698	532,724
Disposals in year	-	-	-	-	-
As at 31 March 2022	679,858	748,494	196,003	497,730	2,122,085
Net book value					
As at 31 March 2022	1,881,326	113,068	19,592	57,282	2,071,268
As at 31 March 2021	2,298,832	99,241	25,775	-	2,423,848

Amounts recognised in profit or loss relating to leases

	2022 £	2021 £
Interest on lease liabilities	70,036	78,258
Depreciation on ROU asset	446,956	431,387
	516,992	509,645

Amounts recognised in statement of cashflows

	2022 £	2021 £
Total cash outflows on leases of right to use assets	382,394	347,643
	382,394	347,643

Note 10 – Financial Risk Factors

The main risks associated with the Company's financial assets and liabilities are set out below:

Credit risk

Credit risk is defined as the risk of financial loss due to a counterparty's failure to honour its obligation principally in relation to transactions where the Company provides goods or services on deferred terms and where it invests or deposits surplus cash. The Company does not believe that it is materially exposed to credit risk as its sales debtors are managed group funds and therefore management, advisory and performance fees receivable are governed by its agreements with these funds. To mitigate any residual risk of these assets failing to be delivered, the Company ensures that the terms of these agreements in relation to payments of management, advisory and performance fees are adhered to by monitoring its aged debtor analysis against the agreed service level agreements.

The Company adopts the policy of dealing with customers of appropriate credit history. For other financial assets, the Company adopts the policy of dealing with financial institutions and other counterparties with high credit ratings. There are no financial assets past due and/or impaired as at 31 March 2022 and 2021. Trade receivables are due at least quarterly and are normally settled within 30 days of their due date.

Further, with regard to bank deposits, the Company only deposits money with approved counterparties on agreed terms.

Market risk

Market risk (or systemic risk) is defined as that risk which is common to an entire class of assets or liabilities whereby their value can fluctuate simply because of economic changes or other events that impact large portions of the market. The Company does not believe that it is exposed to material market risk as the assets the Company manages are held by and for the benefit of fund holders through separate legal entities.

Currency risk

Currency risk is defined as the risk that the value of Company assets and liabilities denominated in currencies other than the functional currency of the Company will change in value due to movements in foreign exchange rates. The Company is exposed to currency risk arising from cash balances and fees receivable in various currencies.

During the year any foreign exchange risk on the Company's fees receivable and payable is mitigated by the use of derivative instruments, specifically forward foreign exchange contracts. As at 31 March 2022 and 2021, the Company had several forward foreign exchange transactions outstanding, but none longer than three months in duration.

The Company's total exposure to current risk arising from cash balances and fees receivable in other currencies, after forward foreign exchange contracts, is £942,401 (2021: £3,463,461). As at 31 March 2022, had these currencies strengthened/ weakened by 10% against the GBP, the total exposure would have been higher by approx. £105,000 (2021: £384,000)/ lower by approx. £86,000 (2021: £315,000).

Liquidity risk and financial solvency risk

Liquidity risk is defined as the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing this risk is to ensure that it has sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions. The Company's solvency is monitored and maintained within the framework of the regulations laid down by the United Kingdom's Financial Conduct Authority. All current liabilities are fully repayable within three months.

Capital management

The Company capital position consists of share capital and reserves. The capital position is monitored on an ongoing basis to ensure that it is adequate and that it complies with the rules of the Financial Conduct Authority and the capital position exceeded the minimal capital requirement at all times. All cash is held with UK banks on overnight deposit and is considered fully liquid.

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 11 – Related Party Transactions

Transactions between the Company and related parties are disclosed below:

Year ended 31 March 2022	Operating Revenues (a) £	Sub-advisory Fees (b) £	Debtor (c) £	Creditor (c) £
Nikko Asset Management Co Ltd	8,554,380	3,847,527	734,658	404,377
Nikko Asset Management Americas Inc	118,687	25,679	10,386	2,208
Nikko AM Global Cayman Ltd	5,364,166	-	396,529	-
Nikko Asset Management Luxembourg SA	1,003,332	-	90,888	71,275
Nikko Asset Management Asia Ltd	3,590,539	66,644	186,149	11,223
Nikko Asset Management Hong Kong Ltd	4,814	118,912	-	50,029
Nikko Asset Management NewZealand Ltd	941,083	-	85,761	-
Total	19,577,001	4,058,762	1,504,371	539,112

Year ended 31 March 2021	Operating Revenues (a) £	Sub-advisory Fees (b) £	Debtor (c) £	Creditor (c) £
Nikko Asset Management Co Ltd	9,447,306	3,432,590	870,283	416,626
Nikko Asset Management Americas Inc	101,493	26,700	11,392	2,110
Nikko AM Global Cayman Ltd	6,330,058	-	529,077	-
Nikko Asset Management Luxembourg SA	701,985	-	71,767	-
Nikko Asset Management Asia Ltd	3,154,022	33,580	440,854	3,074
Nikko Asset Management Australia Ltd	679,492	-	59,693	-
Nikko Asset Management NewZealand Ltd	549,065	-	64,331	-
Total	20,963,421	3,492,870	2,047,397	421,810

- (a) Operating revenues include fees receivable under investment management, advisory and administration agreements. Operating revenues from related parties were due to the Company for providing asset management, advisory and administration services under these agreements.
- (b) Sub-advisory fees include fees payable under investment management and advisory agreements. Sub-advisory expenses paid were for fund management and advisory services under these agreements.
- (c) The amounts outstanding relate to operating revenues, sub-advisory fees and other non-material intra-group expenses, are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.
- (d) Amounts receivable from affiliates relating to group tax relief are not included in the above table. These are set out in note 8.

Nikko Asset Management Co., Ltd. is the intermediate parent of the Company. Nikko AM Global Cayman Ltd., Nikko Asset Management Americas, Inc., Nikko Asset Management Luxembourg S.A. and Nikko Asset Management Asia Ltd. are all fellow subsidiaries of the Company. Nikko Asset Management Australia Ltd ceased to be an affiliate following its acquisition by Yarra Capital Management in April 2021.

Compensation paid to key management personnel is set out in note 5.

NIKKO ASSET MANAGEMENT EUROPE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Note 12 – Commitments

The Company had no capital commitments as at 31 March 2022 and 2021.

The Company's annual financial commitments in respect of operating lease payments on buildings, plant and machinery as at 31 March 2022 and 2021 were as follows:

	2022	2021
	£	£
Due within one year	526,797	381,368
Between one to five years	1,598,187	2,034,474
More than five years	82,968	173,478
Total undiscounted lease liabilities at 31 March	2,207,952	2,589,320
Lease liabilities included in statement of financial position	2,097,821	2,383,010

Note 13 – Capital Reserve

Capital reserve as at 31 March 2022 and 2021 consisted of the following:

	2022	2021
	£	£
Share Premium	248,996	248,996

Note 14 – Subsequent Events

There were no subsequent events.

Note 15 – Immediate and Ultimate Holding Company

The Company's immediate parent is Nikko AM Global Holdings Limited, a company located in the United Kingdom. The Company is a subsidiary undertaking of Sumitomo Mitsui Trust Holdings, Inc which is the ultimate parent company in Japan.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Mitsui Trust Holdings, Inc., 1-1-2 Marunouchi, Chiyoda-ku, Tokyo, Japan. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public at <http://www.smth.jp/en/>.