Nomura Bank International plc
Annual Report

31 March 2007

COMPANY REGISTERED NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

BOARD OF DIRECTORS

David Young*	– Non Executive Director and Chairman
Kenji Yokoyama*	– President and Chief Executive Officer
David Benson*	– Director
Paul Spanswick *	– Director
Hirofumi Misawa	– Director
James Barratt	– Director

* Member of the Audit Committee of the Board

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS' REPORT

The directors present their report and the financial statements of Nomura Bank International plc (the "Bank", or "Company") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Bank's primary role is to support the Nomura Group's Global Wholesale Business. The principal activities identified under this strategy include:

- Issuance of guaranteed credit and equity linked notes and certificates;
- Provision of sub-participations and structured loans (including bridge and warehouse financing);
- Purchase of structured credit assets and structured loans;
- Traditional banking products such as credit facilities in major currencies, letters of credit and guarantees;
- Taking deposits (including foreign exchange and other reference linked deposits).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the Bank continued to grow its note issuance and loan businesses and focussed on those transactions that add value to both the Nomura Group and its clients.

The Bank's key financial performance indicators during the year were as follows:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	Change %
Operating Income	9,884	14,932	-34%
Profit on ordinary activities before taxation	8,043	13,246	-39%
Profit on ordinary activities after taxation	5,589	9,083	-38%
Shareholders' funds	222,329	216,740	+3%

The Bank reported a profit on ordinary activities before tax for the period of £8,043,000 (2006: £13,246,000). The 39% fall in profitability is attributable to the Bank's note issuance business. It is a direct result of a timing mismatch in recognition of funding on derivative hedges, at present value, and the loans and advances on an effective yield basis.

In August 2006, Standard and Poor's upgraded the Bank's credit rating from BBB+ to A. Later in the year the Bank successfully completed its application for an Italian EU Prospectus Directive compliant programme, allowing public distribution of certificate products in Italy.

From 1 January 2008 Nomura Bank International will be adopting the standardised approach to credit and operational risk in its implementation of Basel II, the new framework for calculating minimum capital requirements.

For the year ending 31 March 2008, the Bank will continue to focus on and expand its activities. To support such expansion, the Bank is currently undertaking a due diligence review with regards to the set up of an Italian Branch.

The Bank outsources all of its support services to Nomura International plc under Service Level Agreements including the Treasury department which continues to manage the liquidity of the Bank and provide asset and liability management for the balance sheet with a limited amount of market risk exposure.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS REPORT (CONTINUED)

RESULTS AND DIVIDENDS

The results for the year are set out on page 8. No interim dividend was paid in the year (2006: £ nil). The directors do not recommend the payment of a final dividend (2006: £ nil).

RISK MANAGEMENT

The Bank's market, operational and credit risk is managed by Nomura International plc under an outsourcing agreement. To manage market risk a wide range of models and techniques are used, some of which are proprietary and others widely used in the market. In addition, the Bank's conflicts issues, legal and reputational risk are managed through the appropriate dedicated committees of Nomura International plc via its outsourcing arrangements. The Bank's financial risk management objectives and policies are disclosed in note 24.

DONATIONS

During the year, the Bank made charitable donations of £ nil (2006: £ nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as shown below:

David Young	– Non Executive Director and Chairman
Kenji Yokoyama	– President and Chief Executive Officer
David Benson	– Director
Paul Spanswick	– Director
Hirofumi Misawa	– Director
James Barratt	– Director

None of the directors had any interest in the shares of the Bank or in any Group companies requiring disclosure under Schedule 7 of the Companies Act 1985 during the year.

DIRECTORS' INDEMNITIES

The Bank has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

CREDITORS' PAYMENT POLICY

The Bank's policy is to settle bills immediately on receipt of invoices from suppliers, dealing quickly with complaints and advising suppliers of disputes.

The components of the calculation specified under the Companies Act 1985 are not readily identifiable from the Bank's accounts which are prepared under Schedule 9 of the Companies Act 1985. However, by identifying as closely as possible the amounts that would equate to trade creditors and purchases and using the calculation specified in the Act, the trade creditor payment days for the Bank for 2007 were approximately 14 days (2006: 14 days).

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS REPORT (CONTINUED)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware: and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of the information.

AUDITORS

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the directors to determine their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

M Chapman (Signed)
Secretary

20 June 2007

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, Reconciliation of Movement in Shareholders' Funds, Balance Sheet and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC (CONTINUED)

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP (Signed)
Registered Auditor
London
26 June 2007

NOMURA BANK INTERNATIONAL PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2007

Note		Year ended 31 March 2007 £'000	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	Year ended 31 March 2006 £'000
	INCOME				
2	Interest receivable and similar income	41,406		16,006	
2	Interest payable and similar charges	(786)		(3,794)	
	NET INTEREST INCOME		40,620		12,212
	Fees and commissions receivable		1,626		281
	Fees and commissions payable		(319)		(38)
3	Dealing (losses)/profits		(32,043)		2,471
	Other income		-		6
	TOTAL OPERATING INCOME		9,884		14,932
4	Administrative expenses		(1,858)		(1,669)
	OPERATING PROFIT BEFORE PROVISIONS		8,026		13,263
6	Provisions for bad and doubtful debts		17		(17)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,043		13,246
7	Tax on profit on ordinary activities		(2,454)		(4,163)
23	**PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION**		**5,589**		**9,083**

All profits noted above are derived from continuing activities.

There are no recognised gains or losses other than the profit attributable to the Shareholders of the Company as disclosed above.

The notes on pages 11 to 33 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2007

Note		Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
	Opening Shareholders' funds	216,740	203,992
	Adjustment to opening Shareholders' funds due to adopting FRS 26	-	3,665
	Opening Shareholders' funds as restated	216,740	207,657
23	Profit for the year	5,589	9,083
	Closing Shareholders' funds	**222,329**	**216,740**

The notes on pages 11 to 33 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2007

Note		Year ended 31 March 2007 £'000	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	Year ended 31 March 2006 £'000
	ASSETS				
9	Loans and advances to banks		56,897		252,254
10	Loans and advances to affiliates		1,010,734		30,000
11	Other loans and advances		133,415		141,958
12	Reverse repurchase agreements		-		144,374
13	Financial assets designated at fair value through profit and loss				
	- Bonds and medium term notes	555,795		245,928	
	- Other financial instruments	94,533		3,960	
			650,328		249,888
	Available for sale financial investments		95		95
14	Derivative financial instruments		62,460		42,074
15	Other assets		32,167		64,504
	Prepayments and accrued income		2,215		91
	TOTAL ASSETS		1,948,311		925,238
	LIABILITIES				
16	Customer accounts		2,611		1,900
17	Borrowing from affiliates		33,862		-
18	Financial liabilities designated at fair value through profit and loss				
	- Bonds and medium term notes	1,586,515		591,241	
	- Other financial instruments	2,335		2,594	
			1,588,850		593,835
14	Derivative financial instruments		76,720		38,364
	Accruals and deferred income		4,790		1,902
19	Other liabilities		13,580		66,894
20	Provision for liabilities and charges		4,749		4,804
21	Deferred tax liability		820		799
	TOTAL LIABILITIES		1,725,982		708,498
	CAPITAL AND RESERVES				
22	Called up share capital		170,000		170,000
23	Profit and loss account		52,329		46,740
	SHAREHOLDERS' FUNDS		222,329		216,740
	TOTAL LIABILTIES AND SHAREHOLDERS' FUNDS		1,948,311		925,238

APPROVED BY THE BOARD ON: 20 June 2007

Kenji Yokoyama (Signed)
President & Chief Executive Officer

The notes on pages 11 to 33 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements are prepared under the historic cost convention, as modified by the revaluation of trading securities, derivatives and other financial instruments, in accordance with applicable accounting standards, and Statements of Recommended Accounting Practice (SORPS) issued by the British Bankers' Association (BBA). With the exception of certain accounting and disclosure requirements detailed below, the financial statements have been prepared in accordance with the special provisions of Part VII and Schedule 9 of the Companies Act 1985 relating to banking companies.

As detailed in note 1 (e)(ii) below, management has designated certain non-trading financial instruments as fair value through profit and loss. Interest receivable and payable on such instruments has been included as part of dealing profit and not disclosed separately. In so far as the disclosure of interest receivable and payable on such instruments and the valuation of those financial instruments that constitute non-trading liabilities represent a departure from the accounting requirements of the Companies Act 1985, the directors consider it necessary for the financial statements to show a true and fair view.

This follows the guidance of the Accounting Standards Board in implementation note 19 of FRS 26 which recommends the use of the true and fair override in circumstances where there would otherwise be potential for substantial artificial volatility in the financial statements. The directors believe this situation arises in relation to the Bank's issuance of credit and equity linked notes in support of client investment activity.

Where appropriate prior year figures have been restated to conform to current year presentation.

(b) **Changes in Accounting Policy**

During the year no accounting policy changes have been applied.

(c) **Foreign Currencies**

The financial statements are presented in Sterling, which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are re-translated at rates of exchange ruling on the balance sheet date. Foreign exchange gains and losses resulting from the re-translation and settlement of these items are recognised in the profit and loss account.

(d) **Operating Income**

(i) **Interest receivable**

Interest income is recognised in the profit and loss account for all interest bearing financial assets classified as Available for sale or Other loans and advances using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

1. ACCOUNTING POLICIES (CONTINUED)

(d) **Operating Income (continued)**

(ii) **Interest payable**

Interest expense is recognised in the profit and loss account for all interest bearing financial liabilities using the effective interest method, except for liabilities held at fair value through profit and loss.

(iii) **Dealing profits**

Income arising from gains and losses on trading positions and financial instruments designated as fair value through profit and loss is included in dealing profits. Interest on these positions is included, as it is integral to the dealing profit and distinct from interest on banking activities.

Dealing profits arise on a strategy basis across a range of instruments, and is managed accordingly. It is presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset on the balance sheet in accordance with the presentation requirements of FRS 25.

(iv) **Fee income/(expense)**

Fee income relating to loans and advances is recognised in the profit and loss account to match the cost of providing a continuing service, except where the fee amounts in substance to an additional interest charge, when it is recognised on an effective interest rate basis over the life of the advance as part of Interest Income.

Fees arising from the facilitation and servicing of note issuances are recognised in the profit and loss account as the service is provided.

(e) **Financial assets and liabilities**

The Bank classifies its financial instruments in the following categories: financial instruments at fair value through profit and loss, loans and receivables, available for sale financial assets and other financial liabilities. Management determines the classification of financial assets and liabilities on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. Where allowed and appropriate, management re-evaluates this designation at each financial year end. The recognition and de-recognition policies of financial assets and liabilities are set out below.

(i) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides loans and advances directly to a debtor with no intention of trading the receivable. Loans are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment or when all significant benefits and risks have been transferred to a third party.

Such assets are carried at amortised cost, using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account, when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(e) **Financial assets and liabilities (continued)**

(ii) **Financial instruments at fair value through profit and loss**

This category has two sub-categories: financial instruments held for trading and those designated at fair value through profit or loss at inception. Derivatives are categorised as held for trading unless they are designated as hedges. Management designates certain non-derivative financial instruments in this category under the fair value option including non-trading liabilities as detailed in note 1(a) above.

These instruments are recognised initially at fair value and transaction costs are taken directly to the profit and loss account. Gains and losses arising from changes in fair value are included in the profit and loss account.

Financial assets are recognised and derecognised using trade date accounting, being the date on which the Bank commits to purchase or sell the asset.

Management designates certain groups of financial instruments as fair value through profit or loss, including certain non-trading liabilities, where doing so results in more relevant information. Instruments so designated are hybrid products whose risks are managed on a fair value basis using a mixture of derivative or non-derivative products. The designation is applied to all non-derivative financial instruments within the group.

(iii) **Available for sale investments**

Available for sale investments are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are recognised and derecognised using trade date accounting, being the date on which the Bank commits to purchase or sell the asset. Amounts are initially recognised at fair value including any direct and incremental transaction costs and subsequently held at fair value.

Where applicable interest determined using the effective interest method and impairment losses are recognised in the profit and loss account. Gains and losses arising from changes in fair value are taken to the statement of recognised gains and losses until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss is transferred to the profit and loss account.

Any reversal of impairment losses on non Equity available for sale investments is taken to the profit and loss account. Reversals of impairment losses on Equity available for sale investments are taken to the statement of recognised gains and losses.

(iv) **Other liabilities**

Financial liabilities, except for those designated as fair value through profit and loss, are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment.

Such liabilities are measured at amortised cost, using the effective interest method.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) **Sale and repurchase agreements**

The Bank enters into agreements to sell certain debt securities and then repurchase them at a later date. These debt securities are retained on the company's balance sheet, and the purchase price received by the Bank shown as a liability to the purchaser.

The Bank also enters into agreements with counterparties for them to sell to the Bank certain debt securities, and then repurchase them at a later date. These debt securities are excluded from the Bank's inventory and the purchase price paid for the securities shown as an amount receivable from the vendor.

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

(g) **Derivatives**

All derivatives are recognised initially and subsequently carried at fair value. Derivatives are recorded in the balance sheet at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank uses derivatives to hedge interest rate, equity, credit and exchange rate exposures related to non-trading positions. These derivatives are treated in the same way as derivatives used for trading purposes unless they meet the specified criteria to obtain hedge accounting treatment. The Bank currently has no derivatives on which hedge accounting is applied.

No derivatives are currently used for trading purposes. Any realised and unrealised gains and losses would be recognised in the profit and loss account.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

(h) **Fair Values**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of quoted investments are determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions) at the close of business on the balance sheet date, without any deduction for transactions costs. Where there is no active market, fair value is determined using valuation techniques. The fair value of derivatives is determined using independent price sources and industry standard modelling techniques, as appropriate.

When entering into a transaction, the financial instrument is initially recognised at the transaction price which is the best indicator of fair value. Where the fair value obtained from a valuation model differs to the transaction price, this initial difference in fair value is recognised in the profit and loss account provided the market data used within the model is observable. Where the fair value obtained from the valuation model is not based solely on data from observable markets, this initial difference is not recognised in the profit and loss account until such data becomes observable.

1. ACCOUNTING POLICIES (CONTINUED)

(i) **Impairment**

The Bank assesses at the balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the assets original effective interest rate. The amount of the loss is included in the profit and loss account. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed in the profit and loss account.

For debt securities classified as Available for sale the amount of impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss in that investment previously recognised in the profit and loss account.

The calculation of the present value of the expected future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure cost for obtaining and selling the collateral whether or not foreclosure is possible.

(j) **Collateral and Netting**

The Bank enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral.

The Bank holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

Amounts due/owed from counterparties are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to/owed from other companies have been netted.

(k) **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Bank's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

1. ACCOUNTING POLICIES (CONTINUED)

(k) **Taxation (continued)**

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to be reversed based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(l) **Retirement Benefits**

Defined Benefit Scheme:
The Bank is a member of a funded scheme comprising certain UK Nomura companies administered by a fellow subsidiary undertaking, Nomura International plc. The scheme is run on a basis that does not enable the Company to identify its share of assets and liabilities. Financial Reporting Standard 17 ‘Retirement Benefits’ requires that for group schemes run on a basis that does not allow the individual companies participating within the group scheme to identify their share of the underlying assets and liabilities, the company should account for the scheme as a money purchase scheme.

(m) **Provisions for liabilities and charges**

A provision can be recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(n) **Cash flow statement**

The Bank has taken advantage of the exemption under FRS 1 (revised) and has not produced a cash flow statement, since the company has more than 90% of its voting rights controlled by Nomura Holdings, Inc. in whose publicly available financial statements it is consolidated.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

2. INTEREST INCOME

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interest Income		
Deposits	31,109	9,840
Reverse repos	3,697	1,051
Interest on commercial term loans	6,560	5,078
Other interest income	40	37
	41,406	16,006
Interest expense		
Banks and customers	209	40
Loans	12	3,754
Interest on tax provision	434	-
Other interest expense	131	-
	786	3,794

3. DEALING (LOSSES)/PROFITS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Financial instruments held for trading	(41,413)	6,279
Financial instruments designated at fair value through profit and loss	9,370	(3,808)
	(32,043)	**2,471**

All amounts included within Dealing profits arise from changes in fair values that have been estimated using valuation techniques.

There were no significant gains or losses attributable to changes in own credit risk included in Dealing profits on Financial instruments designated at fair value through profit and loss in 2007.

With regard to segmental analysis, all of the Bank's gross and net assets and profit before taxation arose from banking business transacted within the United Kingdom.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

4. ADMINISTRATIVE EXPENSES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Administrative expenses		
Staff costs		
Wages and salaries	40	35
Social security costs	5	4
Support service charges	1,758	1,535
Audit fees	55	50
Other expenses	-	45
	1,858	**1,669**

The Bank has outsourced all its support services and has no employees but utilises the services of five executive directors and one non-executive director.

5. DIRECTORS' EMOLUMENTS

The aggregate emolument of directors was £40,000 (2006: £35,000).

The highest paid director received emoluments of £40,000 (2006: £35,000). As at 31 March 2007 his accrued pension totalled £ nil per annum (2006: £ nil) and no contributions were made to the Group Personal Pension plan.

Directors received total emoluments of £317,681 (2006: £578,272) for their services to the Bank, the cost of which was borne by Nomura International plc.

6. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	31 March 2007			31 March 2006		
	Specific £000	General £000	Total £000	Specific £000	General £000	Total £000
At the beginning of year	17	-	17	-	-	-
Charge/(Credit) against income	(17)	-	(17)	17	-	17
Amounts written off	-	-	-	-	-	-
Recoveries of amounts written off in previous years	-	-	-	-	-	-
At end of year	**-**	**-**	**-**	**17**	**-**	**17**

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
UK Corporation tax at 30% (2006: 30%)	(2,502)	(3,906)
Tax over provided in prior years	68	-
	(2,434)	(3,906)
Deferred Taxation:		
- Adjustment in respect of prior years	21	-
- Current year timing differences	(41)	(257)
Total tax charge for the year	(2,454)	(4,163)

(b) RECONCILIATION OF CORPORATION TAX CREDIT

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net Profit before Tax	**8,043**	**13,246**
UK Corporate tax charge at 30% (2006: 30%)	(2,413)	(3,974)
Effects of:		
Permanent differences	(130)	(189)
Adjustment relating to prior year	68	-
Timing differences	41	257
Current corporation tax charge for the year	**(2,434)**	**(3,906)**

8. PENSION

The Bank participates in a group scheme which is operated for the former employees of the Bank and certain of its fellow subsidiaries. The scheme is a defined benefit scheme, funded by the payment of contributions to a separately administered trust fund. The contributions to the scheme are determined by a qualified actuary. A full actuarial valuation was undertaken as at 31 March 2006 and updated to 31 March 2007, details of which are disclosed in the accounts of Nomura Europe Holdings plc, the parent company. As at 31 March 2007 the group deficit was £19,519,500 net of deferred tax (2006: £19,070,000). The Bank has no liability with regard to this deficit.

No pension contributions were made in the year as disclosed in note 5 (2006: £ nil).

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

9. LOANS AND ADVANCES TO BANKS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Repayable on demand	33,146	471
Remaining maturity:		
- 3 months or less	23,751	251,783
	56,897	**252,254**

10. LOANS AND ADVANCES TO AFFILIATES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Repayable on demand	-	-
Remaining maturity:		
- 3 months or less	1,010,734	30,000
	1,010,734	**30,000**

Included within loans and advances to affiliates are subordinated loans of £ nil (2006: £30,000,000). The legal nature of the subordinated loan differs from that usually associated with debt. In a winding up of the borrower, no amount will be paid to the bank in respect of the subordinated loan until all other creditors of the borrower have been paid in full.

11. OTHER LOANS AND ADVANCES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Commercial term loans	114,641	129,633
Other loan	18,035	11,585
Cash collateral	740	740
	133,415	**141,958**

The commercial term loan relates to a collateralised loan. The collateral is corporate bonds which are guaranteed by the Federal Republic of Germany. It has an interest rate of Libor plus 25 basis points and is due to mature 11th April 2010.

The remaining maturity of both the Commercial term loan and the Other loan is within one to five years of the balance sheet date.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

12. REVERSE REPURCHASE AGREEMENTS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Remaining maturity:		
- 3 months or less	-	144,374
	-	**144,374**

There were no reverse repos as at 31 March 2007.

13. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Bonds and medium term notes, by remaining maturity:		
- less than 1 year	176,501	150,009
- 5 years or less but over 1 year	81,347	81,531
- over 5 years	297,947	14,388
Other financial instruments	94,533	3,960
	650,328	**249,888**

Included within financial assets at fair value through profit and loss are loans to the value of £90,563,991 (2006: £ nil).

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into various types of transactions in the ordinary course of business that involve derivative financial instruments with off-balance sheet risk. The Bank also uses derivative financial instruments for market risk management of certain non-trading assets and liabilities. These instruments may also be used by the Bank for trading purposes, both on its own account and on behalf of its customers.

Analysis by maturity of the notional principal amounts and the positive and negative fair values of the Bank's derivative financial instruments:-

31 March 2007:

	Notional principal amounts				Positive fair values				Negative fair values			
	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000
Derivatives												
Interest rate swaps	34,769	298,848	85,756	419,373	150	-	1,163	1,312	(114)	(667)	(247)	(1,028)
Credit derivatives	259,079	209,170	30,028	498,277	12	2,582	235	2,829	(22)	(941)	(868)	(1,831)
Equity derivatives	88,445	680,017	533,191	1,301,653	2,515	24,473	31,330	58,319	(1,714)	(25,092)	(42,204)	(69,010)
FX swaps	260,245	-	-	260,245	-	-	-	-	(4,817)	-	-	(4,817)
Bond Option	-	-	1,277,313	1,277,313	-	-	-	-	-	-	(34)	(34)
Total derivative financial instruments	**642,538**	**1,188,035**	**1,926,288**	**3,756,861**	**2,677**	**27,055**	**32,728**	**62,460**	**(6,667)**	**(26,700)**	**(43,353)**	**(76,720)**
Analysis by counterparty												
Affiliates				2,894,970				62,445				(57,763)
Other Financial institutions				861,891				15				(18,957)
Total derivative financial instruments				**3,756,861**				**62,460**				**(76,720)**

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

31 March 2006:

The Bank enters into various types of transactions in the ordinary course of business that involve derivative financial instruments with off-balance sheet risk. These instruments are used by the Bank for trading purposes, both on its own account and on behalf of its customers. The Bank also uses derivative financial instruments for market risk management of certain non-trading assets and liabilities.

Analysis by maturity of the notional principal amounts and the positive and negative fair values of the Bank's derivative financial instruments:-

	Notional principal amounts as restated				Positive fair values				Negative fair values			
	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000	< 1 year £'000	1-5yr £'000	5yr + £'000	Total £'000
Derivatives												
Interest rate swaps	-	41,433	637,555	678,988	-	800	1,043	1,843	-	(194)	(1,148)	(1,342)
Credit derivatives	-	2,878	-	2,878	-	32	-	32	-	-	-	-
Equity derivatives	11,696	131,051	188,651	331,398	451	3,425	6,507	10,383	(14)	(2,597)	(3,080)	(5,691)
FX options	1,019,736	-	-	1,019,736	-	-	-	-	(29,791)	-	-	(29,791)
FX forwards	994,309	-	-	994,309	29,789	-	-	29,789	-	-	-	-
FX funding swaps	421,030	-	-	421,030	27	-	-	27	(1,540)	-	-	(1,540)
Total derivative financial instruments	**2,446,771**	**175,362**	**826,206**	**3,448,339**	**30,267**	**4,257**	**7,550**	**42,074**	**(31,345)**	**(2,791)**	**(4,228)**	**(38,364)**

Analysis by counterparty	Notional Total £'000	Positive Total £'000	Negative Total £'000
Affiliates	3,124,563	41,334	(37,842)
Other Financial institutions	323,776	740	(522)
Total derivative financial instruments	**3,448,339**	**42,074**	**(38,364)**

15. OTHER ASSETS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Financial instruments in the course of settlement	31,335	64,257
Other assets	832	247
	32,167	**64,504**

All amounts are receivable within one year.

16. CUSTOMER ACCOUNTS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Customer accounts:		
- Repayable on demand	2,611	1,900
	2,611	**1,900**

17. BORROWING FROM AFFILIATES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Borrowing from affiliates		
Remaining maturity:		
- 3 months or less	33,862	-
	33,862	**-**

18. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Bonds and medium term notes, by remaining maturity:		
- less than 1 year	197,710	12,196
- 5 years or less but over 1 year	970,810	325,085
- over 5 years	417,995	253,960
Other financial instruments	2,335	2,594
	1,588,850	**593,835**

There were no significant gains or losses attributable to changes in own credit risk on Financial instruments designated at fair value through profit and loss in 2007.

19. OTHER LIABILITIES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Foreign exchange and interest rate contracts	-	2
Corporation tax	3,670	3,707
Financial Instruments in the course of settlement	8,996	57,551
Payable to others	914	533
Collateral payable	-	5,000
Other	-	101
	13,580	**66,894**

20. PROVISION FOR LIABILITIES AND CHARGES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Balance at 1 April	4,804	4,615
Provisions during the year	(55)	189
	4,749	**4,804**

The information usually required by FRS 12 is not disclosed as the directors feel that it could prejudice the outcome of discussions with HM Revenue & Customs.

21. DEFERRED TAXATION

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Capital allowances	579	772
General Provisions	15	-
FRS 26 adjustment	(1,414)	(1,571)
	(820)	(799)
Deferred taxation movements are:		
Balance at 31 March	(799)	1,029
Accounting policy adjustment (FRS 26)	-	(1,571)
Balance as at 1 April	(799)	(542)
Credit to profit and loss account	(21)	(257)
Balance at 31 March	**(820)**	**(799)**

Deferred taxation has been recognised at 30% (2006: 30%) being the UK corporation tax rate at the balance sheet date. As of 1 April 2008 the UK corporation tax rate will become 28%. The impact of the rate change on the deferred tax liability expected to reverse in more than one year would be a reduction of £44,167.
There is no un-provided deferred taxation in the Bank as at 31 March 2007 (2006: £ nil).

22. SHARE CAPITAL

31 March 2007	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	200,000	170,000	170,000

31 March 2006	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	200,000	170,000	170,000

23. PROFIT AND LOSS RESERVES

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
At 31 March	46,740	33,992
Adjustment due to adopting FRS 26	-	3,665
As at 1 April	46,740	37,657
Retained Profit for the year	5,589	9,083
	52,329	**46,740**

With regard to segmental analysis, all of the Bank's gross and net assets and profit before taxation arose from banking business transacted within the United Kingdom.

24. THE ROLE OF FINANCIAL INSTRUMENTS

The Bank's primary role is to support the Nomura Group's Global Wholesale business. To this end, the Bank issues debt with returns linked to equity, credit instruments or other indices. The Bank actively manages the resultant risk on a fair value basis using a combination of derivative and non-derivative financial instruments with the express intention of eliminating significant currency and market risk arising from such transactions.

The Bank also continues to offer traditional banking products to facilitate Global Wholesale customer business such as credit facilities, guarantees and letters of credit.

In addition to the debt issuance noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

Risk Policies

The Bank's activities involve both the assumption and transfer of certain risks. The most important types of risk are market risk, credit risk (including counterparty credit risk), liquidity risk and cash flow interest rate risk. Market risk includes equity price risk, issuer credit risk, currency risk and fair value interest rate risk.

The Board of directors formulates high level risk policies which require that the Bank, wherever possible, retains no significant market or sub-investment grade credit risk. Mitigation of such risks is achieved by transferring such risks to other Nomura Group companies. The Bank ensures that it maintains sufficient liquidity to meet its obligations as they fall due.

The Management Committee of the Bank, under authority delegated by the Board of directors, receives reports on a regular basis to ensure these risk policies are adhered to.

All new credit risk exposures where the credit risk is retained by NBI, with the exception of counterparty credit risk, are subject to prior approval by the NBI Risk Management Committee.

Risk Management

The Bank has outsourced all of its support services to Nomura International plc. Responsibility for risk reporting and control is undertaken by the following departments within Nomura International plc:

- The Treasury department monitors compliance with the Bank's liquidity and interest rate risk policies.
- The Corporate Risk Management (CRM) Department and Investment Evaluation and Credit (IEC) Department, who are both completely independent of the business areas, monitor and report compliance with market risk and credit limits respectively.
- The Finance department monitors compliance with regulatory limits and guidelines

Risk reporting and control is administered via the Management Information System (MIS) which provides daily financial indicators including profit and loss, Value at Risk (VaR), Nomura Capital Allocation Target (NCAT), inventory, regulatory capital, unsecured funding and all related limits.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

24. THE ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Within the Nomura European Group, there is a formal process for the allocation and management of Economic Capital (NCAT) which is facilitated through the capital allocation agenda discussed by the Executive Committee on a semi-annual basis. The Executive Committee is chaired by the President and Chief Executive Officer of Nomura International plc. Day to day responsibility for the NCAT calculation and the setting and monitoring of risk limits, within the risk control framework, rests with the independent Risk Management function, the head of which reports to the Chief Financial & Administrative Officer of Nomura International plc and the Global Head of Risk Management in Tokyo.

NCAT is the potential economic loss over a one-year horizon given a confidence interval of 99.95%. NCAT captures market, liquidity, credit, event, counterparty, loan and private equity risk. The NCAT regime was introduced in April 2006, replacing ARC (Asset Risk Capital), to provide a consistent group wide framework for performance evaluation.

NCAT is an effective tool for performance evaluation and capital allocation, but not for capital adequacy. In order to ensure capital adequacy, financial soundness is assessed under stressed conditions i.e. worst-case risk factor moves. Stress testing is undertaken quarterly, within Nomura Europe, on the basis of historical scenario analysis.

The primary mechanism for measuring and reporting market risk is a framework consisting of VaR and numerous business focused risk limits, such as option risk factors. The effectiveness of VaR is assessed by a comparison of actual daily trading gains/losses with the estimated VaR, a process known as backtesting. VaR is only applied to those assets for which it provides a meaningful estimate of risk. Specifically VaR is not applied to private equity type of assets for which no transparent market exists.

a) Equity Price Risk and Issuer Credit Risk

The primary sources of equity price risk and issuer credit risk for the Bank arise from the issuance of debt with returns linked to equity, credit instruments or other indices. The Bank mitigates such risks through either the purchase of the underlying debt or equity products as direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

As described in note 1(e)(ii) management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held For Trading items.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

24. THE ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

An analysis of the risks for non-trading liabilities designated at fair value on a notional basis at 31 March 2007 is shown in the table below:

	Equity Risk £'000	Credit Risk £'000	Total £'000
Financial instruments designated at fair value through profit and loss:			
- Financial liabilities	(1,395,412)	(199,565)	(1,594,977)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	262,615	89,065	351,680
Derivative Financial Instruments			
- Credit derivatives	-	110,500	110,500
- Equity swaps	1,132,797	-	1,132,797
	-	-	-

31 March 2006:	Equity Risk £'000	Credit Risk £'000	Total £'000
Financial instruments designated at fair value through profit and loss:			
- Financial liabilities	(593,459)	(2,878)	(596,337)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	246,892	-	246,892
Derivative Financial Instruments			
- Credit derivatives	-	2,878	2,878
- Equity swaps	346,567	-	346,567
	-	-	-

b) Currency Risk

During the course of financing activities there is often a need to swap surplus flows in one currency into another. This is achieved through the use of currency swap transactions. It is always the Bank's intention to eliminate material structural or transactional currency risk.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

24. THE ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Fair Value Interest Rate Risk

Fair value interest rate risk arises from mismatches between the future yield on financial assets and their associated funding costs as a result of interest rate changes. It is the Bank's policy to mitigate such risk through minimising the mismatch of the dates on which interest receivable on financial assets and interest payable on liabilities are next reset to the market rates or, if earlier, the date on which the instruments mature. Where applicable, derivative transactions are used to reduce this interest rate gap. In accordance with the outsourcing contract, Nomura International plc's Treasury department monitors compliance with interest rate gap policies.

At 31 March 2007, the Bank had no significant exposure to fair value interest rate risk.

<u>Counterparty Credit Risk</u>

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor based on credit rating. The Bank uses a scale of internal ratings that mirrors the credit-rating agencies' rating scales. Changes to credit policy are presented to the Management Committee, as are all credit actions.

Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Bank's regulator, the Financial Services Authority.

As described in note 1(j), the Bank enters into master netting agreements with certain counterparties to mitigate its exposure to credit loss. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the balance sheet. At 31 March 2007 no transactions meet these criteria and no amounts have been netted.

Maximum credit exposure relating to Financial Assets is represented by the carrying value at the Balance Sheet date.

<u>Liquidity Risk</u>

The Bank manages liquidity to ensure that all foreseeable financial obligations can be met as they fall due. This includes repayment at maturity of securities issued, as well as meeting commitments to lend and any obligations to pay funds due on derivative transactions.

The Bank's liquidity management includes monitoring balance sheet liquidity ratios against internal and regulatory requirements, projecting future cash flows and maintaining liquidity and funding contingency plans.

<u>Cash Flow Interest Rate Risk</u>

Future net interest income is affected by movements in interest rates. The Bank's exposure to changes in its net interest income from movements in interest rates arises from the management of its capital. This is managed through the use of interest rate swaps.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Year ended 31 March 2007		Year ended 31 March 2006	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Non Derivative Instruments:				
Assets				
Loans and receivables				
- Loan and advances to banks	56,897	56,897	252,254	252,254
- Loans and advances to affiliates	1,010,734	1,010,734	30,000	30,000
- Other loans and advances	133,415	133,415	141,958	141,958
- Reverse repurchase agreements	-	-	144,374	144,374
Financial assets designated fair value through profit and loss	650,328	650,328	249,888	249,888
Financial assets classified as available for sale	95	95	95	95
Liabilities				
Other liabilities				
- Customer accounts	2,611	2,611	1,900	1,900
- Borrowing from affiliates	33,862	33,862	-	-
- Other liabilities	13,580	13,580	66,894	66,894
Financial liabilities designated fair value through profit and loss	1,588,850	1,588,850	593,835	593,835
Derivative financial instruments held or issued to hedge the interest rate and currency profile of the Bank				
Derivative financial assets	62,460	62,460	42,074	42,074
Derivative financial liabilities	76,720	76,720	38,364	38,364

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007 (CONTINUED)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions have been applied in determining the fair values of financial instruments presented in the table above:

a) The fair value of loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values.

b) Financial assets classified as available for sale are measured at fair value by reference to quoted markets prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.

c) Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model. Such models are based wherever possible on assumptions supported by observable market prices or rates. At the balance sheet date, all fair values have been calculated using such a model.

26. CONTINGENT LIABILITIES

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs has made an assessment of £6.4 million which remains unpaid by the new owners. As at 31 March 2007, the additional interest on this tax assessment balance stands at an estimated £3.1 million.

27. RELATED PARTY TRANSACTIONS

The Bank has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in consolidated financial statements for Nomura Holdings, Inc.

28. ULTIMATE PARENT COMPANY

The Bank's ultimate parent company and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., which is incorporated in Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company which is incorporated in the United Kingdom.

Copies of the financial statements of Nomura Holdings, Inc. and Nomura Europe Holdings plc can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku. Tokyo 103-8645, and Nomura House, 1 St. Martin's–le-Grand, London EC1A 4NP, respectively.