NOMURA

Nomura International plc
Annual Report

31 March 2007

COMPANY REGISTERED NUMBER 1550505

NOMURA

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2007.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Nomura International plc ("the Company") is the London based securities broker/dealer operating company within the Nomura Group headed by Nomura Holdings, Inc. The Company's activities include:

- Trading and sales in fixed income and equity products, including related derivatives;
- Investment banking services;
- Asset and principal finance business;
- Corporate finance and private equity.

The Company has a branch sales office in Spain and a representative office in Vienna.

The Company reported a profit on ordinary activities before tax of £141,039,000 in the financial year ending 31 March 2007 (2006: loss of £149,937,000).

The Company's key financial and other performance indicators during the year were as follows:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000	Movement %
Trading profit	651,224	330,174	+97%
Profit/(loss) on ordinary activities before taxation	141,039	(149,937)	+194%
Profit/(loss) on ordinary activities after taxation	99,922	(114,328)	+187%
Shareholders' funds	1,060,936	764,743	+39%
Average number of employees	1,086	1,160	-6%

The significant improvement in the Company's financial performance in the current year was predominately due to fair value gains on private equity investments following the adoption of FRS 26 "Financial Instruments: Recognition and Measurement" on 1 April 2006.

These significant gains plus strong revenue growth from the three major derivative business lines, interest rate, equity and credit, has ensured a return to profitability for the Company in the financial year ended 31 March 2007. The Company has continued to focus on keeping a tight control of costs, whilst at the same time ensuring that the right level of human and capital resources is in place to support business development growth going forward.

From 1 January 2008 the Company 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. The Basel Committee on Banking Supervision has published a new framework for calculating minimum capital requirements known as Basel II.

These financial statements have been prepared on a company only basis and do not include the results and net assets of the Company's subsidiary undertakings.

Transactions and balances with the Company's related parties are set out in note 24 to the financial statements.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS REPORT (CONTINUED)

RISK MANAGEMENT

The Company manages market, operational and credit risk through the Risk Management Committee, which is chaired by the Chief Risk Officer. In addition, the Company manages conflicts issues, legal and reputational risk through dedicated committees. The Company uses a wide range of models and techniques to manage market risk, some of which are proprietary and others widely used in the market.

The principal risks facing the Company and further risk management information are described in note 19 to the financial statements.

EMPLOYEE MATTERS

The Company's aim is to ensure each and every individual is shown respect, treated fairly and courteously and has equal access to further opportunity and reward based on contribution to the Company.

The Company operates an equal opportunities policy. The Company has taken great steps to ensure all employees are aware of their obligations in ensuring that the environment remains an atmosphere conducive to good working and high performance.

The Company is committed to taking positive action to promote equality of opportunity, which includes provision for disabled people and those who have become disabled whilst employed by the Company. The Company's recruitment, training and promotion procedures are all based on the requirements of a particular position.

Full internal communication and access to training and development opportunities support this philosophy.

The turnover and length of service of staff are respectively below and above our direct competitors. In the coming year it is intended to continue to invest in building our human capital by extending our graduate recruitment scheme to support the growth anticipated in investment banking and other areas, and by increasing our investment in learning and development activities both regionally and through international programmes.

ENVIRONMENT

As a group, Nomura is keen to follow environmental best practice guidelines and do what it can to reduce its environmental impact.

Environmental policy is a key consideration in managing our premises. The transformation of Nomura House through the extensive refurbishment programme and the implementation of an ambitious environmental policy has led to many initiatives that reduce energy consumption and manage any waste created in the most efficient way possible.

RESULTS AND DIVIDEND

The results for the year are set out on page 8. The profit transferred to reserves for the year amounted to £99,922,000 (2006: loss of £114,328,000).

No interim dividends were paid (2006: £nil). The directors do not recommend the payment of a final dividend (2006: £nil).

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS REPORT (CONTINUED)

FIXED ASSETS

Movements in fixed assets are shown in note 8 to the financial statements. Additions in the year relate to the ongoing refurbishment of the Company's main business premises.

The Company intends to sell a significant proportion of its tangible fixed assets as part of the proposed sale and leaseback of its main premises, Nomura House, by its landlord, Nomura Properties plc. As at the balance sheet date, no agreements had been entered into regarding the disposal of the relevant fixed assets.

DIRECTORS AND THEIR INTERESTS

The Directors during all or part of the year were:

Yugo Ishida	President
Lord Marshall of Knightsbridge	Chairman (Non-executive director)
Sir Peter Walters	Non-executive director
Masanori Itatani	Non-executive director
Masafumi Nakada	Non-executive director
David Benson	Executive director

Yugo Ishida owns one share in the Company and both of the following subsidiaries, Nomura Nominees Limited and Nomura Gilts Limited.

DIRECTORS' INDEMNITIES

During the year the Company had in force an indemnity provision (given on 19 December 2005) in favour of one or more directors of Nomura Structured Holdings plc. against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985.

During the year the Company paid a premium for a contract insuring the directors and officers of Nomura International Plc, its subsidiaries and other Nomura European entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Company itself to the extent that it is obligated to indemnify directors and officers for such liability.

DONATIONS

No political donations were made during the year (2006: £nil). Charitable donations of £66,897 (2006: £115,015) have been made.

CREDITORS' PAYMENT POLICY

The Company does not follow any code or standard on payment practice with its suppliers but it is the policy of the Company to agree terms of payment when orders for goods or services are placed and to pay in accordance with those terms. Creditor days as at 31 March 2007 were 14 (2006: 14).

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

DIRECTORS REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed above. 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 that 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

Mark R. Chapman (Signed)
Company Secretary

21st June 2007

NOMURA 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 those 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; and
- prepare the financial statements on a 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 which 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 INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

We have audited the Company's financial statements for the year ended 31 March 2007, which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds, balance sheet and the related notes 1 to 27. 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 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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA 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 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
1(d), 2	**TRADING PROFIT**		651,224		330,174
3	Other operating income		4,404		-
			655,628		330,174
1(e), 4	Interest receivable and similar income	1,377,278		1,146,940	
1(e), 4	Interest payable and similar charges	(1,432,981)		(1,126,142)	
6	Other finance charges	(503)		(870)	
	Net interest (payable)/receivable		(56,206)		19,928
	General and administrative expenses		(401,300)		(471,564)
	OPERATING PROFIT/(LOSS)		198,122		(121,462)
	Interest payable on subordinated borrowings		(57,083)		(28,475)
5	**PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**		141,039		(149,937)
7	Tax on profit/(loss) on ordinary activities		(41,117)		35,609
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		99,922		(114,328)

All profits and losses noted above are derived from continuing activities.

The notes on pages 12 to 54 form part of these financial statements.

NOMURA INTERNATIONAL PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2007

Notes		2007 £'000	2006 £'000
	Profit/(loss) for the financial year	99,922	(114,328)
6	Actuarial loss on pension scheme	(2,462)	(3,625)
12	Movement on deferred tax relating to pension liability	193	425
7	Movement on current tax relating to pension liability	546	-
12	Movement on current tax transferred to deferred tax relating to pension liability	-	641
1(g)	Gain on available-for-sale investments	3,119	
1(g)	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	(11,412)	
7	Movement on current tax relating to movements on available-for-sale investments	2,455	
12	Movement on deferred tax relating to movements on available-for-sale investments	32	
	Total recognised gains and losses relating to the year	92,393	(116,887)
1(b), 25	Prior year adjustment – FRS26	203,800	-
6	Prior year adjustment – FRS17	-	(18,078)
	Total gains and losses recognised since last annual report	296,193	(134,965)

The notes on pages 12 to 54 form part of these financial statements.

NOMURA INTERNATIONAL PLC

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

Notes		2007 £'000	2006 £'000
	Profit/(loss) for the financial year	99,922	(114,328)
	Other recognised gains and losses relating to the year:		
6	Actuarial loss on pension scheme	(2,462)	(3,625)
12	Movement on deferred tax relating to pension liability	193	425
7	Movement on current tax relating to pension liability	546	-
12	Movement on current tax transferred to deferred tax relating to pension liability	-	641
1(g)	Gain on available-for-sale investments	3,119	
1(g)	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	(11,412)	
7	Movement on current tax relating to movements on available-for-sale investments	2,455	
12	Movement on deferred tax relating to movements on available-for-sale investments	32	
	New share capital subscribed	-	150,195
	Net addition to shareholders' funds	92,393	33,308
	Opening shareholders' funds as previously reported	764,743	749,513
1(b), 25	Prior year adjustment – FRS26	203,800	-
6	Prior year adjustment – FRS17	-	(18,078)
	Opening shareholders' funds as restated	968,543	731,435
	Closing shareholders' funds	1,060,936	764,743

The notes on pages 12 to 54 form part of these financial statements.

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2007

Note		2007 £'000	2007 £'000	2006 £'000	2006 £'000
	FIXED ASSETS				
8	Tangible assets	67,005		64,102	
9	Fixed asset investments	8,780		9,448	
			75,785		73,550
	CURRENT ASSETS				
1(g),10	Financial assets	21,673,219			
10	Inventory			18,412,311	
11	Debtors	42,303,581		49,193,446	
13	Investments - time deposits	2,346,335		2,626,872	
13	Cash at bank and in hand	179,451		129,267	
		66,502,586		70,361,896	
14	**CREDITORS (amounts falling due within one year)**	(64,247,282)		(68,429,387)	
	NET CURRENT ASSETS		2,255,304		1,932,509
	TOTAL ASSETS LESS CURRENT LIABILITIES		2,331,089		2,006,059
	CREDITORS (amounts falling due after more than one year)				
15	Subordinated debt		(1,193,500)		(1,218,380)
12	Deferred taxation		(52,570)		-
16	**Provisions for liabilities and charges**		(4,563)		(3,866)
6	**Defined benefit liability**		(19,520)		(19,070)
	NET ASSETS		1,060,936		764,743
	CAPITAL AND RESERVES				
17	Called up share capital		818,816		818,816
18	Capital redemption reserve		121,612		121,612
18	Available-for-sale reserve		(5,327)		
18	Profit and loss account		125,835		(175,685)
	SHAREHOLDERS' FUNDS - Equity		1,060,936		764,743

APPROVED BY THE BOARD ON: 21st June 2007

Yugo Ishida (Signed)
President & Chief Executive Officer

The notes on pages 12 to 54 form part of these financial statements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of trading securities, derivatives and other financial instruments at market value in accordance with applicable accounting standards, as defined in Note g below.

The Company has taken advantage of the exemption contained within the Companies Act 1985 from having to prepare consolidated financial statements since it is a wholly owned subsidiary of Nomura Europe Holdings plc, a company registered in the UK. These financial statements have been prepared on a company only basis.

(b) **Changes in Accounting Policy**

The Company has adopted FRS 23 "The effect of changes in foreign exchange rates", "FRS 26 '"Financial Instruments: Recognition and Measurement" and the disclosure requirements of FRS 25 "Financial Instruments: Disclosure and Presentation" with effect from 1 April 2006. The adoption of these standards represents a change in accounting policy. However, as permitted by FRS 25 and FRS 26, the Company has elected not to restate comparative information affected by the adoption of this standard.

Grey boxes are used in the financial statements to denote new line items where no comparatives existed in the year ended 31 March 2006. They are also used to denote old line items where no comparative exists in the year ended 31 March 2007.

Details of the prior year effect of adoption are given in note 25. Before taxation, the impact of measuring private equity investments at fair value and reserving 'Day 1' profit where appropriate has been to show an additional gain in the profit and loss account of £134,842,030. The impact of classifying certain investments as available-for-sale investments, measured at fair value, has been to show an additional loss of £8,293,107 in the statement of total recognised gains and losses.

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

(c) **Trade Recognition**

Regular way purchases and sales of securities and derivatives are accounted for on a trade date basis. Loans and receivables are accounted for on a settlement date basis.

(d) **Trading Profit**

Net trading profit comprises broking, management and underwriting commission from the primary market, broking commission and dealing profit from the secondary market and income derived from private equity business. Costs directly attributable to trading are treated as a deduction from trading profit to more fairly represent dealing profit and commission sharing agreements.

Income arising from gains and losses on financial instruments designated as fair value through profit and loss is included in trading profit.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(d) **Trading Profit (continued)**

Trading profit arises on a strategy basis across a range of instruments. 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.

(e) **Interest Receivable and Similar Income/Interest Payable and Similar Charges**

Interest receivable and payable includes dividends and interest paid and earned on securities positions, securities bought and sold under repurchase agreements and amounts receivable and payable on bank deposits and bank borrowings.

Interest receivable and payable is recognised in the profit and loss account using the effective interest rate method for all interest bearing financial assets and liabilities.

The effective interest rate 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.

(f) **Foreign Currencies**

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(g) **Financial Instruments**

Financial instruments within the scope of FRS 26 are classified either as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or financial liabilities at amortised cost, as appropriate. After initial recognition, all financial liabilities are measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss.

The Company determines the classification of its financial assets on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. Where allowed and appropriate, the Company re-evaluates this designation at each financial year end. It considers whether a contract contains an embedded derivative when the entity first becomes party to it, and determines the appropriate classification at this time.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(g) <u>**Financial Instruments (continued)**</u>

(i) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss includes financial instruments held for trading and financial instruments designated upon initial recognition as at fair value through profit and loss.

a. Held for Trading
Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives, including separated embedded derivatives, are also classified as held for trading.

b. Designated Fair Value through Profit or Loss
Any financial asset or financial liability within the scope of FRS 26 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Company designates certain groups of financial instruments as fair value through profit and loss 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.

When a fair value financial asset or liability is recognised initially, the Company measures it at its fair value and transaction costs are taken directly to the profit and loss account. If a reliable measure becomes available for a financial asset or liability for which such a measure was not previously available, and the asset is required to be measured at fair value if a reliable measure is available, the asset or liability shall be remeasured at fair value and the difference between its carrying amount and fair value recognised in profit and loss. All reliably measurable fair value financial assets and liabilities are subsequently held at fair value until derecognition.

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit. Interest and dividend income or expense is recorded in Interest receivable and similar income according to the terms of the contract, or when the right to the payment has been established.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(g) **<u>Financial Instruments (continued)</u>**

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the company has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised on settlement date at fair value, including any direct and incremental transaction costs. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any allowance for impairment. The amortisation is included in interest receivable and similar income in the profit and loss account. The losses arising from the impairment of such investments are recognised in the profit and loss account under impairment losses on financial investments. As at the balance sheet date, the Company held no held-to-maturity investments.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised on settlement date at fair value, including any direct and incremental transaction costs. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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. As at the balance sheet date, the Company held no loans and receivables.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale investments are initially recognised at fair value, with any transaction costs taken directly to the profit and loss account, and are subsequently held at fair value with unrealised gains or losses being recognised in the statement of total recognised gains and losses.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

When the investment is disposed of, the cumulative gain or loss previously recognised in the statement of total recognised gains and losses is recognised in profit and loss under other operating income or other operating expenses. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Losses arising from the impairment of such investments are recognised within other operating income or expense, having been removed from the cumulative gain or loss previously recognised in the statement of total recognised gains and losses. Any foreign exchange gains or losses arising on available-for-sale financial investments are recognised in profit and loss.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(g) **Financial Instruments (continued)**

(iv) Available-for-sale investments (continued)

Interest earned whilst holding available-for-sale investments is reported in interest receivable and similar income using the effective interest rate. Dividends earned whilst holding available-for-sale investments are also recognised in the profit and loss account under interest receivable and similar income.

(v) Financial liabilities at amortised cost

Issued financial instruments are classified as financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Financial liabilities which are not carried at fair value through profit or loss, are disclosed under the appropriate liability classification. At the balance sheet date, financial liabilities at amortised cost included subordinated debt and commercial paper.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(h) **Fixed Asset Investments**

Investments in subsidiary undertakings, which are outside the scope of FRS 26, are stated at original cost less amounts written off where there has been an impairment in value.

(i) **Derivatives**

Derivative instruments, as detailed in note 19, are used for trading and risk management purposes. In accordance with FRS 26, all derivatives are recognised initially and subsequently carried at fair value, with derivatives with positive fair values carried as assets and derivatives with negative fair values carried as liabilities in the balance sheet.

In the ordinary course of business the resultant profits and losses from trading and risk management are included in trading profits. There may be circumstances, determined by specific transactions, where profits or losses on derivative contracts used for hedging may not be recognised in current trading profits but are deferred within other assets or liabilities and recognised when the cash flows that the hedges relate to occur. The Company currently has no derivatives on which hedge accounting is applied.

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 host 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.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(j) **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 value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). The fair value of derivatives is determined using independent price sources and industry standard modelling techniques, as appropriate. 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 transaction costs. However, if part of the consideration given or received is for something other than the financial instrument or where there is no active market, the fair value of the financial instrument is estimated, using a valuation technique.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the profit and loss account. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the profit and loss account when the inputs become observable, or when the instrument is derecognised.

(k) **Impairment**

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets 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. The calculation of the present value of the expected future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure cost for obtaining and selling the collateral whether or not foreclosure is possible.

(i) Financial assets carried at amortised cost

For loans and receivables and held-to-maturity investments, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's 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.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by the delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(k) **Impairment (continued)**

(iii) Available-for-sale investments

For available-for-sale investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest receivable and similar income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

(l) **Derecognition**

Financial assets and liabilities are recognised and derecognised according to the substance of the transaction. A financial asset is derecognised where no significant benefits or risks are retained. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Linked presentation may be used where the Company retains significant benefits or risks associated with the assets and other conditions for linked presentation are met, but the exposure to the loss is limited to a fixed amount. Where the Company retains significant benefits and risks relating to the assets or the conditions for the use of linked presentation are not met, these financial assets and related liabilities are shown separately on the balance sheet.

(m) **Collateral and Netting**

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

Amounts due to/owed from other companies 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.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(n) **Securities Sold or Borrowed Under Repurchase Agreements**

The Company enters into agreements with counterparties for them to sell to the Company certain securities and then repurchase them at a later date. These securities are excluded from the Company's balance sheet and the amount paid by the Company is shown in debtors as collateral paid for securities purchased under agreements to resell.

The Company also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. These securities are retained on the Company's balance sheet and shown within held for trading pledged as collateral. The amount received by the Company is shown within creditors as collateral received for securities sold under agreements to repurchase.

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

(o) **Securities Loaned or Borrowed**

The Company enters into agreements with counterparties for them to lend to the Company certain securities which are then returned to the lender at a later date. These securities are excluded from the Company's balance sheet and the amount paid by the Company is shown in debtors as collateral paid for securities borrowed.

The Company also enters into agreements to lend certain securities to counterparties, to be returned at a later date. These securities are retained on the Company's balance sheet and shown within held for trading pledged as collateral. The amount received by the Company is shown within creditors as collateral received for securities loaned. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred.

(p) **Fixed Assets and Depreciation**

Fixed assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Construction in progress is capitalised on a floor-by-floor basis from the completion date of each floor. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation rates are selected based on expected useful economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the company and company's circumstances. Fixed assets are currently depreciated on a straight-line basis in order to write off their cost over their expected useful economic lives as follows:

Long leasehold property	Over the life of the lease
Furniture, equipment and software	Five to ten years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit and loss account as an exceptional item.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(q) **Pension Costs**

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to further accrual in October 2005.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits at the date the plan closed to the current period to determine the present value of the defined benefit obligation and is based on actuarial advice. Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the curtailment or settlement and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committee to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account change in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status and broadly consistent term to the liabilities), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the company expects to recover by way of refunds from the plan or reductions in the future contributions.

In accordance with FRS 17, the defined benefit liability is shown on the balance sheet net of deferred tax.

Contributions to defined contribution arrangements are recognised in the profit and loss account in the period in which they become payable.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(r) **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 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 Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

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

(s) **Operating Leases**

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(t) **Cash flow Statement**

The Company 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.

(u) **Provisions**

A provision can be recognised when the Company 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.

NOMURA INTERNATIONAL PLC

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

1. ACCOUNTING POLICIES (CONTINUED)

(v) **Share Capital**

Share capital meeting the definition of an equity instrument under FRS 25 is disclosed within shareholders' funds. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Preference shares, that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, are financial liabilities. Convertible preference share capital is a compound financial liability. As required by FRS 25, the components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

At the balance sheet date, the Company had no issued redeemable convertible participating preference share capital.

NOMURA INTERNATIONAL PLC

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

2. TRADING PROFIT

The whole of the Company's trading profit is derived from broking and dealing in securities, comprising trading and sales in fixed income and equity products and related derivatives, investment banking services, principal, corporate and asset finance and private equity, to which all net assets are attributable.

A. Segmental Analysis

Substantially all of the Company's trading profit originates in the UK and is attributable to the following revenue streams:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net fees and commissions[1]	142,535	176,423
Principal transactions[2]	545,176	188,871
Less: attributable transaction expenses	(36,487)	(35,120)
Trading profit	651,224	330,174

[1] 'Net fees and commissions' includes gains, losses and fees, net of syndication expenses arising from securities offerings in which the company acts as an underwriter or agent, and fees earned from providing financial advisory services. Such revenues do not include revenues from secondary trading activities which are included in 'Principal transactions'. Commissions arising from broking securities are also included.

[2] 'Principal transactions' includes realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities and profits on disposals of related party investments (note 24).

B. Analysis of Principal Transactions by Financial Instrument Type

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Principal Transactions		188,871
Financial instruments held for trading[3]	531,951	
Financial instruments designated at fair value through profit and loss[3]	13,225	
	545,176	188,871

[3] This line item is only used from 1 April 2006, the FRS 25/26 transition date.

NOMURA INTERNATIONAL PLC

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

3. OTHER OPERATING INCOME

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Gains from sales of available-for-sale investments	11,404	
Impairment loss recognised on available-for-sale investments	(7,000)	
	4,404	

Included in 'Gains from sales of available-for-sale investments' are the amounts transferred from reserves to the profit and loss account on the derecognition of available-for-sale investments.

4. INTEREST INCOME & EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interest receivable and similar income		
Cash and short-term funds	98,426	
Securities borrowed and reverse repurchase agreements	1,031,205	
Other	13,261	
	1,142,892	
Financial instruments at fair value through profit and loss	234,386	
	1,377,278	

Interest payable and similar charges

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Overdrafts and loans	(141,974)	
Securities lent and repurchase agreements	(1,265,360)	
Commercial paper	(3,164)	
Other	(15,608)	
	(1,426,106)	
Financial instruments at fair value through profit and loss	(6,875)	
	(1,432,981)	

NOMURA INTERNATIONAL PLC

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

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before tax for the Company is stated after charging/(crediting):

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Wages, salaries and other personnel costs	197,597	200,911
Social security costs	24,443	51,601
Pension costs – defined benefit (note 6)	277	447
Pension costs – defined contribution	7,974	5,116
Depreciation (note 8)	10,107	16,617
Auditors' remuneration including expenses		
- audit	570	401
- services relating to taxation	147	69
- all other services	40	784
Operating lease costs		
- buildings	15,439	15,439
- other	1,471	1,359
Onerous contracts (note 16)	1,989	3,866
Interest receivable from group undertakings	(267,845)	(202,694)
Interest payable - group undertakings	250,000	121,942

6. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2006 and updated to 31 March 2007 by William M Mercer Limited, a qualified independent actuary.

Following the period ended 31st March 2007, the Company has made additional contributions into the scheme in order to fully fund the defined benefit liability shown at the balance sheet date.

Under the projected unit actuarial cost method the current service cost will increase as members approach retirement.

The plan closed to all future accrual with effect from 31 October 2005. The figures within these financial statements for the prior year have been calculated for the period 31 March 2005 to 31 October 2005 (the curtailment date) and 1 November 2005 to 31 March 2006 separately, using financial assumptions in force at the beginning of each period.

The major assumptions used by the actuary to calculate the defined benefit liability are set out below:

	31 March 2007 %	31 March 2006* %	31 March 2005 %
Rate of increase in salaries	N/A	N/A	3.90%
Rate of increase in pensions in payment	3.10%	(2.75%)/2.90%	2.90%
Discount rate applied to scheme liabilities	5.00%	(5.00%)/5.00%	5.40%
Inflation assumption	3.10%	(2.75%)/2.90%	2.90%

* Assumptions in brackets are those that apply for the curtailment as at 31 October 2005

NOMURA INTERNATIONAL PLC

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

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The assets and liabilities of the scheme and the expected long-term rates of return were:

	31 March 2007		31 March 2006		31 March 2005	
	%	£'000	%	£'000	%	£'000
Equities	6.10%*	86,310	6.00%	81,543	6.45%	64,372
Bonds	4.10%*	5,208	4.75%	2,690	N/A	-
Others	5.25%*	1,488	4.25%	1,439	4.50%	591
Market value of assets		93,006		85,672		64,963
Present value of scheme liabilities		(120,891)		(112,915)		(90,789)
Deficit in the scheme		(27,885)		(27,243)		(25,826)
Deferred tax asset		8,365		8,173		7,748
Net pension liability		(19,520)		(19,070)		(18,078)

* The expected return on assets for 31 March 2007 does not allow expenses as these are now paid directly by the Company.

The amount charged to operating profit is set out below:

	31 March 2007 £'000	31 March 2006 £'000
Current service cost	-	925
Past service cost	277	212
Gain from curtailment	-	(690)
Total operating charge	277	447

The amount charged to other finance charges:

	31 March 2007 £'000	31 March 2006 £'000
Expected return on pension scheme assets	(5,105)	(4,261)
Interest on pension scheme liabilities	5,608	5,131
Net charge	503	870

Analysis of movements in deficit during the year:

	31 March 2007 £'000	31 March 2006 £'000
Deficit in scheme at beginning of year	(27,243)	(25,826)
Current service cost	-	(925)
Past service cost	(277)	(212)
Expected return on pension scheme assets	5,105	4,261
Interest on pension scheme liabilities	(5,608)	(5,131)
Contributions	2,600	3,525
Curtailments	-	690
Actuarial loss	(2,462)	(3,625)
Deficit in scheme at end of year	(27,885)	(27,243)

NOMURA INTERNATIONAL PLC

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

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amounts recognised in the statement of total recognised gains and losses (STRGL) for the year are set out below:

	31 March 2007 £'000	31 March 2006 £'000
Actual return less expected return on pension scheme assets	1,434	13,989
Experience gains and losses arising on pension scheme liabilities	(1,877)	(168)
Changes in assumptions underlying the present value of the pension scheme liabilities	(2,019)	(17,446)
Actuarial loss recognised in STRGL	(2,462)	(3,625)

The effects of the pension liability on the net assets and reserves of the company are set out below:

	31 March 2007 £'000	31 March 2006 £'000
Net assets		
Net assets	1,080,456	783,813
FRS17 net pension liability	(19,520)	(19,070)
Net assets including FRS17 pension liability	1,060,936	764,743

	31 March 2007 £'000	31 March 2006 £'000
Reserves		
Profit and loss account	145,355	(156,615)
FRS17 net pension liability	(19,520)	(19,070)
Profit and loss account including FRS17 pension liability	125,835	(175,685)

NOMURA INTERNATIONAL PLC

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

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

FRS17 requires that a history of amounts that were, or would have been, recognised in the statement of total recognised gains and losses (STRGL) be disclosed as set out below:

	31 March 2007 %	31 March 2007 £'000
Difference between expected and actual return on pension scheme assets	1.50% (a)	1,434
Experience gains and losses on pension scheme liabilities	1.60% (b)	(1,877)
Total amount recognised in STRGL	2.00% (b)	(2,462)

	31 March 2006 %	31 March 2006 £'000
Difference between expected and actual return on pension scheme assets	16.30% (a)	13,989
Experience gains and losses on pension scheme liabilities	0.10% (b)	(168)
Total amount recognised in STRGL	3.20% (b)	(3,625)

	31 March 2005 %	31 March 2005 £'000
Difference between expected and actual return on pension scheme assets	6.20% (a)	4,048
Experience gains and losses on pension scheme liabilities	2.80% (b)	2,580
Total amount recognised in STRGL	18.80% (b)	17,034

	31 March 2004 %	31 March 2004 £'000
Difference between expected and actual return on pension scheme assets	17.60% (a)	9,944
Experience gains and losses on pension scheme liabilities	0.10% (b)	(113)
Total amount recognised in STRGL	3.60% (b)	3,492

	31 March 2003 %	31 March 2003 £'000
Difference between expected and actual return on pension scheme assets	52.80% (a)	(23,079)
Experience gains and losses on pension scheme liabilities	5.57% (b)	4,818
Total amount recognised in STRGL	35.96% (b)	(31,077)

(a): Percentage based on scheme assets

(b): Percentage based on present value of pension scheme liabilities

NOMURA INTERNATIONAL PLC

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

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) TAX (CREDIT)/CHARGE

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
UK corporation tax charge at 30% (2006: 30%)	20,826	-
Tax under/(over) provided in previous years	(7,942)	2,159
	12,884	2,159
Deferred taxation charge/(credit) (see note 12)	28,233	(30,831)
Deferred tax on unutilised losses for the year carried forward (note 12)	-	(6,937)
Total tax (credited)/charged for the year to the profit and loss account	41,117	(35,609)
Current tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	(546)	(641)
- Available-for-sale investments	(2,455)	-
Deferred tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	(193)	(425)
- Available-for-sale investments	(32)	-
Total tax (credited)/charged for the year	37,891	(36,675)

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Profit/(loss) on ordinary activities before tax	141,039	(149,937)
UK Corporate tax charge/(credit) at 30% (2006: 30%)	42,312	(44,981)
Effects of:		
Expenses not deductible for tax purposes	934	29,641
Revenues deductible for tax purposes	(1,734)	(149)
Timing differences		
- Tangible Fixed Assets	(1,410)	494
- Taxable interest on NIC settlement	(677)	-
- Deferred emoluments	(15)	-
- General provisions	(9,049)	8,058
- Transition adjustment on adoption of FRS 25/26	8,714	-
Tax (over)/under provided in previous years	(7,942)	2,159
Utilisation of losses brought forward	(18,249)	-
Deferred tax on unutilised losses for the year carried forward	-	6,937
Current corporation tax charge for the year	12,884	2,159

NOMURA INTERNATIONAL PLC

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

8. TANGIBLE FIXED ASSETS

Cost	Construction In Progress £'000	Long Leasehold £'000	Furniture, Equipment, & Software £'000	Total £'000
At 1 April 2006	15,809	7,576	135,276	158,661
Transfers	(23,484)	-	23,484	-
Additions	13,840	-	3	13,843
Disposals	-	-	(1,269)	(1,269)
FX Revaluation	-	-	10	10
At 31 March 2007	6,165	7,576	157,504	171,245
Depreciation				
At 1 April 2006	-	1,599	92,960	94,559
Charged during year	-	101	10,006	10,107
Disposals	-	-	(453)	(453)
FX Revaluation	-	-	27	27
At 31 March 2007	-	1,700	102,540	104,240
Net book value				
At 31 March 2007	6,165	5,876	54,964	67,005
At 31 March 2006	15,809	5,977	42,316	64,102

NOMURA INTERNATIONAL PLC

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

9. FIXED ASSET INVESTMENTS

Cost	Investment in Subsidiary Undertakings £'000	Investment in Fellow Subsidiary Undertakings £'000	Other (unlisted) £'000	Total £'000
At 1st April 2006 (as previously reported)	10,779	77	2,389	13,245
Reclassified as available-for-sale on adoption of FRS 26 (note 25)	-	(77)	(2,389)	(2,466)
At 1st April 2006 (as restated)	10,779	-	-	10,779
Additions	714	-	-	714
Disposals	-	-	-	-
At 31st March 2007	11,493	-	-	11,493
Provisions				
At 1st April 2006 (as previously reported)	2,713	-	1,084	3,797
Reclassified as available-for-sale on adoption of FRS 26 (note 25)	-	-	(1,084)	(1,084)
At 1st April 2006 (as restated)	2,713	-	-	2,713
Provided during year	-	-	-	-
Disposal	-	-	-	-
At 31st March 2007	2,713	-	-	2,713
Net book value				
At 31st March 2007	8,780	-	-	8,780
At 31st March 2006 (as previously reported)	8,066	77	1,305	9,448

The investment in subsidiary undertakings represents the following:

Name of subsidiary	Shares/ voting rights held	Country of incorporation and registration	Principal business
Nomura International Leasing Limited	100%	Ireland	Asset leasing
Nomura Nominees Limited	100%	England	Dormant
Nomura Gilts Limited*	100%	England	Dormant
Nomura.com Limited (formerly Nomura Properties Management Services Limited)*	100%	England	Dormant
IBJ Nomura Financial Products (UK) plc**	100%	England	Dormant
Nomura Investment Advisor LLP***	50%	England	Investment manager
Nomura Investments (AH) Limited	100%	Guernsey	Investment
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment services
Opsclear Limited	100%	England	Investment
Nomura Phase4 Ventures Limited	100%	England	Investment manager

* - expected to enter members voluntary liquidation during the year ended 31 March 2008
** - currently in members voluntary liquidation
*** - acquired during the year ended 31 March 2007

NOMURA INTERNATIONAL PLC

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

9. FIXED ASSET INVESTMENTS (CONTINUED)

Through Nomura Phase4 Ventures Limited, the Company controls the following entity:

Name of subsidiary	Shares/ voting rights held	Country of incorporation and registration	Principal business
Nomura Phase4 Ventures GP Limited	100%	England	Investment manager

10. FINANCIAL INSTRUMENTS

	2007 £'000	2006 £'000
Long positions:		
Equity securities		2,094,901
Debt securities		11,819,794
Derivatives		4,497,616
		18,412,311
Short positions (note 14):		
Equity securities		(1,310,067)
Debt securities		(6,545,713)
Derivatives		(4,692,674)
		(12,548,454)

	2007 Equity Securities £'000	2007 Debt Securities £'000	2007 Derivatives £'000	2007 Total £'000
Financial Assets:				
Available-for-sale	31,861	8,115	-	39,976
Held for trading	2,431,152	4,378,329	6,677,649	13,487,130
Held for trading pledged as collateral	585,570	6,986,746	-	7,572,316
Designated fair value through profit and loss	73,007	200,161	300,629	573,797
	3,121,590	11,573,351	6,978,278	21,673,219
Financial Liabilities (note 14):				
Held for trading	(889,728)	(4,665,618)	(6,139,987)	(11,695,333)
Designated fair value through profit and loss	(1,644)	-	(624,825)	(626,469)
	(891,372)	(4,665,618)	(6,764,812)	(12,321,802)

As permitted by FRS 25 and 26, no comparatives are presented for the prior year.

As at 31 March 2007, held for trading financial assets pledged as collateral for liabilities to fellow Nomura Holdings Inc. group undertakings amounted to £327,042,576.

NOMURA INTERNATIONAL PLC

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

10. FINANCIAL INSTRUMENTS (CONTINUED)

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be measured reliably. As at 31 March 2007, such unquoted equity instruments measured at cost comprised of investments in other Nomura entities and market bodies which the Company is required to hold for strategic purposes. The value of such investments measured at cost held at the balance sheet date amounted to £1,198,703.

Included within inventory positions above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	2007 £'000	2006 £'000
Long positions with group undertakings:		
Equity Securities		38,141
Debt securities		33,375
Derivatives		1,621,697
		1,693,213
Short positions with group undertakings:		
Derivatives		(1,719,335)
		(1,719,335)

Included within financial assets and financial liabilities above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	2007 Equity Securities £'000	2007 Debt Securities £'000	2007 Derivatives £'000	2007 Total £'000
Financial Assets:				
Available-for-sale	80	-	-	80
Held for trading	-	45,113	2,554,817	2,599,930
Held for trading pledged as collateral	-	-	-	-
Designated fair value through profit and loss	71,517	123,475	-	194,992
	71,597	168,588	2,554,817	2,795,002
Financial Liabilities:				
Held for trading	(676)	(179,848)	(2,010,450)	(2,190,974)
Designated fair value through profit and loss	-	-	(18,393)	(18,393)
	(676)	(179,848)	(2,028,843)	(2,209,367)

As permitted by FRS 25 and 26, no comparatives are presented for the prior year.

NOMURA INTERNATIONAL PLC

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

11. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	5,569,490	7,897,868
Collateral paid for securities purchased under agreements to resell	24,528,461	27,553,461
Collateral paid for securities borrowed	11,475,737	13,105,078
Broker balances	450,283	331,896
Taxation recoverable	-	18,937
Deferred taxation (see note 12)	-	62,973
Accrued interest and dividends receivable	271,110	209,947
Prepayments and accrued income	8,500	13,286
	42,303,581	49,193,446

All debtors are receivable within one year, except as follows:

	2007 £'000	2006 £'000
Deferred taxation (see note 12)	-	36,157

As at 31 March 2007, the fair value of collateral accepted by the Company from other entities amounted to £38,110,491,622 and of this collateral received, the Company had sold or repledged £37,014,997,057.

Included within debtor balances above are the following balances due from fellow Nomura Holdings Inc. group undertakings:

	2007 £'000	2006 £'000
Trade debtors	1,645,921	3,234,751
Collateral paid for securities purchased under agreements to resell	6,445,847	8,584,141
Collateral paid for securities borrowed	2,098,371	4,425,573
Broker balances	101,311	93,086
Accrued interest and dividends receivable	12,744	8,205
	10,304,194	16,345,756

NOMURA INTERNATIONAL PLC

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

12. DEFERRED TAXATION

	2007 £'000	2006 £'000
Deferred income	16,471	16,471
Tangible fixed assets	3,019	4,835
FRS 26 transition liabilities	(78,597)	
Other short-term timing differences	14,902	25,110
Unutilised tax losses	-	24,730
	(44,205)	71,146

Deferred taxation is expected to reverse:

	2007 £'000	2006 £'000
Within one year	18,011	34,989
Greater than one year	(62,216)	36,157
Deferred taxation	(44,205)	71,146

Provision for deferred tax comprises:

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Timing differences	18,430		133,973	
Adjustments to recoverable amounts	(71,000)		(71,000)	
Deferred tax excluding that relating to pension asset (note 11)		(52,570)		62,973
Pension asset (note 6)		8,365		8,173
Total provision for deferred tax		(44,205)		71,146

	2007 £'000	2006 £'000
1 April as previously reported	71,146	24,564
Prior year adjustment – FRS 26	(87,343)	-
Prior year adjustment – FRS 17	-	7,748
1 April as restated	(16,197)	32,312
Deferred tax charged to the profit and loss account	(28,233)	30,831
Deferred tax on unutilised losses for the year carried forward charged to the profit and loss account	-	6,937
Deferred tax on unutilised losses for the year carried forward charged to the statement of total recognised gains and losses (STRGL)	-	641
Deferred tax charged to the STRGL		
- FRS 17 Defined Benefit Pension	193	425
- Available-for-sale investments	32	
At 31 March	(44,205)	71,146

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 greater than one year would be a reduction of £4,147,753.

There is no unprovided deferred taxation in the Company as at 31 March 2007 (2006: £nil).

NOMURA INTERNATIONAL PLC

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

13. TIME DEPOSITS AND CASH AT BANK AND IN HAND

	2007 £'000	2006 £'000
Time deposits:		
- with fellow Nomura Holdings Inc. group undertakings	1,646,424	1,451,779
- with non-group undertakings	699,911	1,175,093
	2,346,335	2,626,872
Cash at bank and in hand:		
- with fellow Nomura Holdings Inc. group undertakings	4,052	20,295
- with non-group undertakings	175,399	108,972
	179,451	129,267

14. CREDITORS (amounts falling due within one year)

	2007 £'000	2006 £'000
Loans and overdrafts	5,744,249	4,119,760
Trade creditors	5,616,951	8,256,733
Commercial paper issued	433,747	150,009
Collateral received for securities sold under agreements to repurchase	27,460,727	29,366,782
Collateral received for securities loaned	11,992,301	13,397,844
Broker balances	244,468	168,531
Taxation payable	7,643	-
Other tax and social security payable	2,188	8,274
Accrued interest and dividends payable	181,128	161,396
Accruals and deferred income	242,078	221,604
Inventory - short positions (note 10)		12,548,454
Financial liabilities (note 10)	12,321,802	
Subordinated debt (note 15)	-	30,000
	64,247,282	68,429,387

Included within creditor balances above are the following balances due to fellow Nomura Holdings Inc. group undertakings:

	2007 £'000	2006 £'000
Loans and overdrafts	5,707,605	4,112,352
Trade creditors	1,172,907	2,384,585
Commercial paper issued	-	150,009
Collateral received for securities sold under agreements to repurchase	5,555,506	5,602,882
Collateral received for securities loaned	3,935,456	4,168,607
Broker balances	76,875	140,584
Accrued interest and dividends payable	11,725	8,874
Accruals and deferred income	1,599	2,568
Inventory - short positions (note 10)		1,719,335
Financial liabilities (note 10)	2,209,367	
Subordinated debt (note 15)	-	30,000
	18,671,040	18,319,796

NOMURA INTERNATIONAL PLC

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

15. SUBORDINATED DEBT

	Repayment date	2007 £'000	2006 £'000
Short Term (included in note 14)			
Nomura Bank International plc	15 June 2006	-	30,000
		-	30,000
Long Term			
Nomura Europe Holdings plc	30 December 2007	-	122,096
Nomura Europe Holdings plc	7 March 2008	-	97,676
Nomura Europe Holdings plc	20 April 2008	250,000	250,000
Nomura Europe Holdings plc	22 July 2008	100,000	100,000
Nomura Europe Holdings plc	11 August 2008	250,000	250,000
Nomura Europe Holdings plc	29 June 2009	94,500	-
Nomura Europe Holdings plc	29 June 2009	118,000	-
Nomura Europe Holdings plc	27 September 2011	-	41,512
Nomura Europe Holdings plc	7 November 2011	-	14,651
Nomura Europe Holdings plc	19 March 2012	-	119,653
Nomura Europe Holdings plc	27 March 2012	-	92,792
Nomura Europe Holdings plc	27 March 2013*	100,000	100,000
Nomura Europe Finance NV	27 March 2013**	30,000	30,000
Nomura Europe Holdings plc	27 June 2013	40,000	-
Nomura Europe Holdings plc	27 June 2013	116,000	-
Nomura Europe Holdings plc	20 December 2013	95,000	-
		1,193,500	1,218,380

* Repayment date extended from 8 January 2011

** Repayment date extended from 26 September 2010

The legal nature of the subordinated loans differs from that usually associated with debt. In a winding up of the Company no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full. In addition, the Company must obtain consent from the Financial Services Authority to repay any of the subordinated loans before their contracted repayment date.

The interest rates on the subordinated loans are based on local inter bank borrowing rates and include a margin to reflect the subordination. Rates are generally fixed quarterly.

The rate of interest applicable to the loans with maturities greater than five years are as follows:

Nomura Europe Holdings plc	27 March 2013	LIBOR + 0.43%
Nomura Europe Finance NV	27 March 2013	LIBOR + 0.43%
Nomura Europe Holdings plc	27 June 2013	LIBOR + 0.47%
Nomura Europe Holdings plc	27 June 2013	LIBOR + 0.47%
Nomura Europe Holdings plc	20 December 2013	LIBOR + 0.51%

NOMURA INTERNATIONAL PLC

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

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2007 NI Claim £'000	2006 NI Claim £'000	2007 Onerous Contracts £'000	2006 Onerous Contracts £'000
At 1 April	-	48,870	3,866	-
(Used) during the year	-	(48,870)	(1,292)	-
Provided during the year	-	-	1,989	3,866
At 31 March	-	-	4,563	3,866

The Directors have made provisions which represent their best estimates of the Company's present obligations that have arisen in relation to the losses it expects to incur on onerous property lease contracts, where properties have been sublet for the entire remaining term of the original leases.

Provisions used during the prior year related to the settlement of a National Insurance claim.

17. SHARE CAPITAL

2007	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	700,000	462,602	462,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			818,816

2006	Authorised Number '000	Allotted and fully paid Number '000	Allotted and fully paid Consideration £'000
Sterling Ordinary shares of £1 each	700,000	462,602	462,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			818,816

The Yen Ordinary shares of ¥250 each have all future rights and benefits based on a Sterling exchange rate of 167.2202.

NOMURA INTERNATIONAL PLC

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

18. RESERVES

	Capital redemption reserve £'000	Available-for-sale reserve	Profit and loss account £'000
At 1 April 2006 as previously reported	121,612		(175,685)
Prior year adjustment – FRS 26	-	479	203,321
At 1 April 2006 as restated	121,612	479	27,636
Retained gain for the year	-	-	99,922
Actuarial loss on pension scheme	-	-	(2,462)
Movement on current tax relating to pension liability	-	-	546
Movement on deferred tax relating to pension liability	-	-	193
Gain on available-for-sale investments	-	3,119	-
Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	-	(11,412)	-
Movement on current tax relating to movements on available-for-sale investments	-	2,455	-
Movement on deferred tax relating to movements on available-for-sale investments	-	32	-
At 31 March 2007	121,612	(5,327)	125,835

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS

The Company holds or issues financial instruments for two main purposes:

Trading Activities - to facilitate the needs of its client base and for trading purposes on its own account

Financing Activities **-** to finance its operations and to manage the interest rate and currency risk arising from its financing activities

Trading Activities
Trading includes both customer-orientated activities and positions that are taken for the Company's own account. These two activities are managed together.

To meet the expected needs of its client base the Company maintains access to market liquidity, both by engaging in two way business with other market makers and by carrying an inventory of cash and derivatives products. The Company also takes its own positions in the interest rate, credit, equity and foreign exchange markets based on expectations of future client demand and its own views on the future direction of markets.

Within its trading activities, the Company employs standard market terms and conditions.

The financial instruments listed below are actively used by the Company. They are used both to facilitate customer business, for own account trading as well as to manage risk. In the ordinary course of business these products are valued on a mark to market basis, with the resulting income being recorded in trading profits.

Cash Products	Government bonds, corporate bonds, asset backed bonds, convertible bonds and equities
Foreign Exchange Derivatives	Forward FX contracts, currency swaps and currency options.
Interest Rate Derivatives	Interest rate swaps, forward rate agreements, forwards, options and combinations of these products.
Equity Derivatives	Single stock, equity and index swaps, options, warrants and combinations of these products.
Credit Derivatives	Asset swaps, credit default swaps, credit options, credit baskets, credit linked notes, synthetic CDO tranches, CDO squared tranches and combinations of these products.

The interest rate, credit, equity and foreign exchange risk that arise from activities in these products are managed through the Company's financial risk management objectives and policies, which are described in more detail in the next section.

Financing Activities
The responsibility for both financing the operations and managing any resulting interest rate and foreign exchange risk lies with the Treasury function. The Treasury function reports to the co-Chief Financial and Administration Officers (CFAO) and is fully independent of the trading activities. Working as part of the Global Treasury function, its primary responsibility is to pro-actively manage the liquidity and financing needs of the firm via a diversified financing programme, supported by a comprehensive and tested contingency plan. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

The distribution of sources of funding and their maturity profile are actively managed in order to ensure access to funds and to avoid a concentration of funding at any one time or from any one source. The main funding sources used by the Treasury function include capital, bank borrowings, intercompany borrowings, long term debt, commercial paper, collateralised financing such as sale and repurchase agreements and committed credit facilities.

Financial risk management objectives and policies

The Company'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 currency risk, price risk and fair value interest rate risk.

Responsibility for risk reporting and control is undertaken by the following departments within the Company:

- the Treasury Department monitors compliance with the Company's liquidity, currency and cash flow 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 limits 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. Monitoring is applied at all levels in the business hierarchy, specifically trading strategy, trading desk, division and company wide.

Market Risk

Within the Company, 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 the Company. 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 co-Chief Financial and Administration Officers of the Company 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, 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 in Nomura International plc is undertaken quarterly on the basis of historical scenario analysis.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 'Greeks'. 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.

The table below illustrates by major risk category the VaR during the financial year ended 31 March 2007. It shows the highest, lowest and average VaR during the financial year:

	2007			2006		
	Average £'000	High £'000	Low £'000	Average £'000	High £'000	Low £'000
Equity and Equity derivatives	2,280	3,738	1,571	6,582	10,698	955
Bonds, Interest rate and Credit derivatives	7,806	10,024	4,858	5,843	7,572	4,117
Foreign exchange	32	44	27	51	374	23
Total VAR *	8,123	10,195	5,379	9,179	12,667	4,429

* - The total VAR figure shown for the company as a whole is less than the arithmetic sum of the individual risk categories due to the effects of diversification

All statistical models, including VaR, have a degree of uncertainty associated with the assumptions employed.

Credit Risk

The Company's Investment Evaluation & Credit (IEC) function is responsible for managing credit risks to which the Company is exposed in the nature of its business and is independent of the business areas.

Principal investment decisions are taken by senior management under advice from, *inter alia*, the credit function. The IEC function undertakes due diligence for potential principal investments, current principal investments and underwriting positions that are being considered. They are also responsible for setting and monitoring inventory limits, which is done by setting maximum positions for issuers based on credit ratings.

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 Company uses a scale of internal ratings that mirrors the credit-rating agencies' rating scales. Changes to credit policy are presented to the Credit Committee, as are all credit actions for the month.

Derivative exposure is calculated using a statistical methodology and trades are booked against credit lines. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Company trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

As described in note 1(m), the Company enters into master netting arrangements to mitigate its exposure to credit loss. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the balance sheet.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (continued)
The Company's maximum credit exposure relating to financial assets is represented by the carrying value at the balance sheet date.

The Company is exposed to significant counterparty credit risk from fellow Nomura Holdings Inc. group undertakings. The Company's maximum credit exposure to fellow Nomura Holdings Inc. group undertakings is disclosed within Notes 10, 11 and 13.

Liquidity Risk
Liquidity risk is controlled by a process that ensures that cumulative financing requirements are restricted to pre-set levels. The Company'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.

To ensure that the Company has sufficient reserves to guard against any unforeseen event, Treasury has to operate within an unsecured funding limit that is set at a level significantly below what is estimated to be available.

In addition, a key operating principle of Treasury is to withstand market shocks for periods lasting up to one year without either issuing new unsecured financing or liquidating trading assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Company's assets and holding a global portfolio of cash and highly liquid securities that could be monetised through either sale or pledge to meet immediate requirements.

Currency Risk
During the course of Treasury's financing activities, there is often a need to swap surplus flows in one currency into another, a process achieved using currency swap transactions. The Company is exposed to currency risk in respect of certain foreign-currency denominated loans. This exposure is managed on a portfolio basis. Hedge accounting is not applied.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables on pages 44 and 45 relate to non-trading financial instruments.

Interest rate profile of financial liabilities

The interest rate profile of the financial liabilities of the Company was:

	31 March 2007			31 March 2006		
	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Sterling				760	-	760
Japanese Yen				488	-	488
US Dollar				4	-	4
Euro				1	-	1
Other				-	-	-
				1,253	-	1,253

The local inter bank borrowing rate is the benchmark rate for determining interest payments on the floating rate financial liabilities.

The floating rate financial liabilities comprise the following:

- subordinated loans and senior debt at rates fixed in advance for periods ranging from three to six months; and
- bank overdrafts at prevailing rates

Interest rate profile of financial assets

The Company held the following financial assets in its financing activities:

	2007 £m	2006 £m
Sterling cash deposits		22
Japanese Yen cash deposits		7
US Dollar cash deposits		58
Euro cash deposits		2
Other cash deposits		16
		105

The cash deposits are all bank current accounts, which earn interest at prevailing rates.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Maturity of financial instruments exposed to interest rate risk for the year ended 31 March 2007

The table below sets out the carrying amount, by maturity, of the Company's non-trading financial instruments that are exposed to interest rate risk.

	Within one year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Financial Assets:							
Fixed Rate							
Term deposits	2,339	-	-	-	-	-	2,339
Collateral paid under agreements to resell/for securities borrowed	24,967	-	-	-	-	-	24,967
Floating Rate							
Cash assets	177	-	-	-	-	-	177
Collateral paid under agreements to resell/for securities borrowed	11,037	-	-	-	-	-	11,037
Total	38,520	-	-	-	-	-	38,520
Financial Liabilities:							
Fixed Rate							
Commercial Paper	(434)	-	-	-	-	-	(434)
Term Loans	(5,511)	-	-	-	-	-	(5,511)
Collateral received under agreements to repurchase/ for securities loaned	(23,637)	-	-	-	-	-	(23,637)
Floating Rate							
Cash liabilities	(233)	-	-	-	-	-	(233)
Subordinated debt	-	(600)	(213)	-	-	(381)	(1,194)
Collateral received under agreements to repurchase/ for securities loaned	(15,816)	-	-	-	-	-	(15,816)
Total	(45,631)	(600)	(213)	-	-	(381)	(46,825)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures

The table below shows the Company's currency exposures that give rise to net non-trading currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Company that are not denominated in the operating currency of sterling. These exposures were as follows:

	2007 £m	2006 £m
Japanese Yen	-	-
US Dollar	-	-
Euro	-	-
Other	-	1
	-	1

Currency exposures result from foreign currency profits and losses generated in the ordinary course of business. These exposures are eliminated at each month end based on initial profit and loss estimates. Any further exposures arising are eliminated at the earliest practicable opportunity after the month end.

Maturity of financial assets and liabilities

All of the Company's non-trading financial assets, disclosed on page 45, are repayable on demand.

The maturity profile of the Company's non-trading financial liabilities was as follows:

	2007 £m	2006 £m
In three months or less, or on demand		35
In more than three months but not more than one year		-
In more than one year but not more than two years		220
In more than two years but not more than five years		600
In more than five years		398
		1,253

Borrowing facilities

In prior years, the Company has had various borrowing facilities available to it. The undrawn committed facilities available were as follows:

	2007 £m	2006 £m
Expiring in one year or less	-	104
	-	104

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Company's financial assets and financial liabilities:

	Book value 2007 £m	Fair value 2007 £m	Book value 2006 £m	Fair value 2006 £m
Financial instruments held or issued for trading purposes – long positions:				
Equities	3,117	3,117	2,089	2,089
Warrants	5	5	5	5
Government bonds	4,587	4,587	5,702	5,702
Bank and corporate bonds	6,279	6,279	5,470	5,470
Convertible bonds	707	707	648	648
Bond and equity derivatives	1,823	1,823	1,269	1,605
Currency derivatives	558	558	515	515
Interest rate derivatives	2,813	2,813	1,753	1,753
Credit derivatives	1,825	1,825	1,002	1,002
	21,714	21,714	18,453	18,789
Represented by:				
Long financial instrument balances	21,673	21,673	18,412	18,748
Amounts within broker balances	41	41	41	41

	Book value 2007 £m	Fair value 2007 £m	Book value 2006 £m	Fair value 2006 £m
Financial instruments held or issued for trading purposes – short positions:				
Equities	(719)	(719)	(1,139)	(1,139)
Warrants	(172)	(172)	(171)	(171)
Government bonds	(3,621)	(3,621)	(5,281)	(5,281)
Bank and corporate bonds	(788)	(788)	(1,102)	(1,102)
Convertible bonds	(80)	(80)	(163)	(163)
Commercial paper	(177)	(177)	-	-
Bond and equity derivatives	(1,654)	(1,654)	(1,424)	(1,424)
Currency derivatives	(465)	(465)	(477)	(477)
Interest rate derivatives	(2,945)	(2,945)	(1,913)	(1,913)
Credit derivatives	(1,733)	(1,733)	(904)	(904)
	(12,354)	(12,354)	(12,574)	(12,574)
Represented by:				
Short financial instrument balances	(12,322)	(12,322)	(12,548)	(12,548)
Amounts within broker balances	(32)	(32)	(26)	(26)

All financial instruments held or issued for trading purposes are carried in the financial statements at fair value which is determined using market values, option pricing models or by discounting expected future cash flows at prevailing interest rates.

NOMURA INTERNATIONAL PLC

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

19. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities (continued)

	Book value 2007 £m	Fair value 2007 £m	Book value 2006 £m	Fair value 2006 £m
Primary financial instruments held or issued to finance the company's operations:				
Cash and short term deposits	2,526	2,526	2,756	2,756
Collateral paid under agreements to resell/for securities borrowed	36,004	36,108	40,659	40,708
Short term borrowings	(5,744)	(5,747)	(4,150)	(4,152)
Long term borrowings	(1,194)	(1,200)	(1,218)	(1,224)
Collateral received under agreements to repurchase/for securities loaned	(39,453)	(39,514)	(42,765)	(42,796)
Commercial paper issued	(434)	(434)	(150)	(150)

Gains and losses on financial assets and financial liabilities held or issued for trading:

The net gain from trading in financial assets and financial liabilities shown in the profit and loss account includes the following:

	2007 £m	2006 £m
Bond and equity derivatives	187	463
Convertible bonds	(251)	(400)
Equities	305	237
Warrants	104	(81)
Government bonds	56	154
Bank and corporate bonds	(269)	(111)
Interest rate derivatives	281	(234)
Currency derivatives	73	3
Credit derivatives	53	141
	539	172

The information provided in the table above is shown on a pure product split basis, with no matching of the gains and losses on derivative contracts being offset against those on the underlying position. A significant amount of trading takes place on a strategy basis across a range of instruments and is managed accordingly.

NOMURA INTERNATIONAL PLC

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

20. OPERATING LEASE COMMITMENTS

The Company was committed to making the following payments during the next year in respect of operating leases expiring:

	2007 Buildings £'000	2007 Other £'000	2006 Buildings £'000	2006 Other £'000
Within one year	578	2,852	-	155
Within two to five years	2,910	1,721	3,680	1,025
After five years	11,759	14	11,759	-
	15,247	4,587	15,439	1,180

21. EMPLOYEES

The average monthly number of persons employed by the Company during the year and their location were as follows:

	Year ended 31 March 2007 Number	Year ended 31 March 2006 Number
Spain	7	7
Vienna	4	3
United Kingdom	1,075	1,150
	1,086	1,160

22. DIRECTORS' EMOLUMENTS

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Salaries, allowances and taxable benefits	1,345	982
Company contributions to money purchase pension scheme	-	1
Company contributions to Group Personal Pension	14	6
Bonuses	910	615
	2,269	1,604

One Director (2006: 1) had retirement benefits accruing under the company group personal pension. In 2006, the highest paid Director also had retirement benefits accruing under a money purchase pension scheme, which ceased October 2005.

The highest paid Director received emoluments of £1,071,303 (2006: £695,350) and company contributions to the Group Personal Pension of £13,575 (2006: £5,500). During the year the highest paid Director received £nil contributions to a money purchase scheme (2006: £1,232).

NOMURA INTERNATIONAL PLC

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

23. CAPITAL COMMITMENTS

As at 31 March 2007 there were capital commitments of £3,973,658 relating to assets in the course of construction (2006: £2,409,216).

24. RELATED PARTY TRANSACTIONS

Profit and loss account

As part of the Company's Merchant Banking operations, investments and financial arrangements are made with certain companies for the purpose of holding investments. As a result of these arrangements, these companies become related parties.

During the year ended 31 March 2007, £1.1m (2006: £1.4m) was earned from the interest income on loans financed and bonds. In addition, proceeds from investments wholly or partly disposed of during the year totalled £nil (2006: £1.8m).

The amounts above were transacted with the following related parties;

31 March 2007	31 March 2006
Nations Healthcare Limited	Downing Holdings Limited
	Nations Healthcare Limited

Balance Sheet

Aggregate amounts due from related parties were as follows:

	2007 £m	2006 £m
Gross amount receivable	36.3	30.7
Reserve against gross balance	(10.0)	(1.9)
Net amount receivable	26.3	28.8

The amounts above were due from the following related parties:

31 March 2007	31 March 2006
Meymott Street Holdings Limited	Meymott Street Holdings Limited
Annington Development (Holdings) Limited	Annington Development (Holdings) Limited
Annington Rentals (Holdings) Limited	Annington Rentals (Holdings) Limited
Annington Homes Limited	Annington Homes Limited
Nations Healthcare Limited	Nations Healthcare Limited
Lifeways Community Care Limited	Lifeways Community Care Limited

No amounts were due to related parties as at 31st March 2007 (2006: £nil).

As at 31 March 2007, the Company had undrawn loan commitments of £nil (2006: £375,000) and financial guarantees of £7,300,000 (2006: £7,300,000) in respect of Nations Healthcare Limited.

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

NOMURA INTERNATIONAL PLC

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

25. IMPACT OF NEW STANDARDS

The Company has applied FRS 23, FRS 26 and the disclosure requirements of FRS 25 from 1 April 2006. The adoption of these standards represents a change in accounting policy.

The adoption of FRS 23 has not had an impact on the closing position of the year ended 31 March 2006.

As described below, the adoption of FRS 26 and the disclosure requirements of FRS 25 has resulted in changes to certain accounting policies and disclosure requirements. The Company has utilised the exemption not to present comparative information in accordance with FRS 25 and FRS 26.

FRS 25

The adoption of the disclosure requirements of FRS 25 has resulted in certain changes to disclosures related to financial instruments.

FRS 26

The adoption of FRS 26 has caused a net increase of £203,321,000 to the profit and loss reserve and £479,000 to the newly established available-for-sale reserve. These increases result from the following adjustments:

(i) Accounting for financial instruments

Under FRS 26, all financial instruments that are held for trading or designated fair value through profit or loss are to be held at fair value with any gain or loss recognised in profit or loss. Opening fair value adjustments relating to such instruments have resulted in an increase in financial assets of £336,004,000 and an increase in opening retained earnings of £235,203,000 after taxation.

Where appropriate, financial assets classified as available-for-sale investments are held at fair value with unrealised gains and losses recognised through the statement of recognised gains and losses. Opening fair value adjustments relating to such instruments have resulted in an increase in financial assets of £684,000 and the establishment of an available-for-sale reserve within shareholders' funds, with an opening balance of £479,000.

(ii) Unobservable Fair Value Reserves

Where the fair value of financial instruments obtained from valuation models is not based solely on data from observable markets, the initial difference between the fair value obtained from the valuation model and the transaction price is not recognised in the profit and loss account until such data becomes observable. Opening unobservable profit and loss reserves have resulted in a decrease in financial assets of £45,545,000 and a decrease in opening retained earnings of £31,882,000.

(iii) Taxation

The deferred taxation asset fell by £87,343,000 as result of the FRS 26 adjustments described above, resulting in an opening deferred tax liability of £24,370,000. In accordance with guidance from the Inland Revenue, the transitional adjustment of £87,343,000 will be unwound on a straight-line basis over 10 years.

NOMURA INTERNATIONAL PLC

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

25. IMPACT OF NEW STANDARDS (CONTINUED)

Reconciliation showing the impact of FRS 25 and FRS 26 adjustments as at 1 April 2006

	As at 31 March 2006	FRS 26 Adjustments				As at 1 April 2006
		Reclassification	Fair value adjustments	Unobservable P&L reserves	Taxation	
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Tangible assets	64,102					64,102
Fixed asset investments	9,448	(1,382)				8,066
Financial assets		18,413,693	336,688	(45,545)		18,704,836
Inventory – long positions	18,412,311	(18,412,311)				-
Trade Debtors	7,897,868					7,897,868
Collateral paid for securities purchased under agreements to resell	27,553,461					27,553,461
Collateral paid for securities borrowed	13,105,078					13,105,078
Broker balances	331,896					331,896
Taxation recoverable	18,937					18,937
Deferred taxation	62,973		(101,006)	13,663	24,370	-
Accrued interest and dividends receivable	209,947					209,947
Prepayments and accrued income	13,286					13,286
Investments – time deposits	2,626,872					2,626,872
Cash at bank and in hand	129,267					129,267
Total assets	**70,435,446**					**70,663,616**
Liabilities						
Loans and overdrafts	(4,119,760)					(4,119,760)
Trade creditors	(8,256,733)					(8,256,733)
Commercial paper issued	(150,009)	150,009				-
Collateral received for securities sold under agreements to repurchase	(29,366,782)					(29,366,782)
Collateral received for securities loaned	(13,397,844)					(13,397,844)
Broker balances	(168,531)					(168,531)
Other tax and social security payable	(8,274)					(8,274)
Accrued interest and dividends payable	(161,396)					(161,396)
Deferred taxation	-				(24,370)	(24,370)
Accruals and deferred income	(221,604)					(221,604)
Inventory – short positions	(12,548,454)	12,548,454				-
Financial liabilities		(12,698,463)				(12,698,463)
Subordinated debt	(1,248,380)					(1,248,380)
Provisions for liabilities and charges	(3,866)					(3,866)
Defined benefit liability	(19,070)					(19,070)
Total liabilities	**(69,670,703)**					**(69,695,073)**
Capital and Reserves						
Called up share capital	(818,816)					(818,816)
Capital redemption reserve	(121,612)					(121,612)
Available-for-sale reserve			(479)			(479)
Profit and loss account	175,685		(235,203)	31,882		(27,636)
Total Shareholders' Funds	**(764,743)**					**(968,543)**
Total Liabilities and Shareholders' Funds	**(70,435,446)**					**(70,663,616)**

NOMURA INTERNATIONAL PLC

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

26. CONTINGENT LIABILITIES AND COMMITMENTS

IPB

In 1998 companies within the Nomura Group acquired approximately 46 per cent of the issued share capital in Investicni a postovni banka, a.s. (IPB), a Czech bank. On 16 June 2000, IPB was placed into forced administration. On 19 June 2000, IPB's entire business was transferred to Ceskoslovenska obchodni banka, a.s. (CSOB), another Czech bank.

On 25 February 2002, CSOB commenced a legal action in the Czech courts against the Company and others arising out of Nomura's investment in IPB and the sale by IPB of a Czech brewery. CSOB was seeking damages of up to USD629 million.

On 5 October 2006, CSOB's case was dismissed with costs awarded in favour of the Company and the other defendants. On 22 January 2007, CSOB appealed this decision.

The Company's Directors have sought legal advice in connection with this matter and continue to believe that CSOB's claims are wholly without merit and that the risk of loss to Nomura International plc arising from CSOB's appeal is remote. The Company will vigorously oppose CSOB's appeal.

Boxclever

In December 2005, the German bank West LB AG ("WestLB") issued High court proceedings in England against the Company (the "West LB Claim"). Details of the WestLB Claim were only made known to NIP in December 2006.

The WestLB Claim relates to the merger of the TV rental businesses of Thorn UK Limited ("Thorn") (then owned by the Company) and the Granada Group, which led to the creation of the BoxClever group ("BoxClever") in June 2000. The merger was financed by WestLB who provided a loan facility to BoxClever to purchase the relevant Thorn and Granada businesses. In September 2003, BoxClever ran into financial difficulties and was placed into administrative receivership.

WestLB is bringing a claim in tort in connection with the merger in 2000 and the Company's compilation and provision of information and projections regarding the financial strength of Thorn and the future performance of BoxClever. WestLB claims to have relied on this material to its detriment and seeks to recover from the Company the sum of £460 million, being the loss WestLB claims to have suffered following the failure of the BoxClever group.

The Company's Directors have sought legal advice in connection with this matter and believe that the WestLB Claim is without merit. The Company will vigorously defend the WestLB Claim.

Commitments

The Company had commitments as at 31 March 2007 amounting to £111,551,876 (2006: £80,970,111) in respect of undrawn note issuance facilities, loan commitments, outstanding capital contributions on investments in partnership interests and performance guarantees. This amount includes the related party loan commitments and performance guarantees disclosed in note 24.

As part of its normal business practices the Company also had commitments as at 31 March 2007 in respect of forward starting purchase and resale agreements with third parties.

NOMURA INTERNATIONAL PLC

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

27. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings Inc., incorporated in Japan. Copies of the group financial statements of Nomura Holdings Inc. may be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company registered at Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NP, England.