

NOMURA

Nomura International plc

Annual Report

31 March 2008

COMPANY REGISTERED NUMBER 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2008

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2008.

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 loss on ordinary activities before tax of £431,819,000 in the financial year ending 31 March 2008 (2007: profit of £141,039,000).

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

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000	<u>Movement</u> %
Trading profit	297,409	651,224	(54%)
(Loss)/profit on ordinary activities before taxation	(431,819)	141,039	(406%)
(Loss)/profit on ordinary activities after taxation	(313,352)	99,922	(414%)
Shareholders' funds	998,106	1,060,936	(6%)
Average number of employees	1,218	1,086	12%

In view of current market conditions, the Company has made significant provisions against its exposure to monoline insurers. These provisions have resulted in the significant fall in trading profit for the year ending 31 March 2008, despite further fair value gains from the Company's private equity investments.

In light of the significant fall in trading profit the entity issued £200,000,000 of shares on 31 March 2008 to the immediate parent company Nomura Europe Holdings plc.

The Company intends to achieve future profitable growth by prioritising its business lines focus upon profit generators, whilst continuing to review and restructure its cost base.

The ultimate parent established Nomura Capital Markets plc during the year to offer a comprehensive derivatives service to its clients globally together with centralised operational and risk management facilities. The Company has transferred a significant portion of its market risk to this entity, prior and subsequent to 31 March 2008, as part of these ongoing developments within the Nomura Group.

On 6 June 2008 the Company received determination of the amount of damages due in its proceedings against the Czech Republic, which were awarded at CZK 2.8 billion (£92m) plus interest. A payment of CZK 3.6 billion (£119m) was received on 1 July 2008. Full disclosure is shown in note 28 'Events after the balance sheet date'.

On 1 January 2008 the Company adopted the Basel II framework for calculating minimum capital and other regulatory requirements. The Company has adopted the standardised approaches to both credit and operational risk available under this new framework.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2008

DIRECTORS' REPORT (CONTINUED)

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 26 to the financial statements.

RISK MANAGEMENT

Market and credit risk is managed by the Company through its Risk Management and Credit Committees respectively. A wide range of models and techniques are used to manage market risk, some of which are proprietary and others widely used in the market. The Company manages operational risk through the Audit Committee and the Regulatory Framework Committee. In addition, conflicts issues, legal and reputational risk and any other risks are managed through dedicated committees.

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, consistently 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 steps to ensure all employees are fully aware of their obligations in ensuring that the environment remains an atmosphere that promotes and is conducive to good working and encourages high standards of conduct and work 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 and appointing the best person for the job.

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 invest in building our human capital by continuing our graduate recruitment scheme, and by increasing our investment in international learning and development activities targeted at mid-career and managerial staff.

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 waste efficiently. Nomura House was awarded ISO 14001 Certification, the international standard for environmental management systems, demonstrating Nomura's continued commitment to the environment.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2008

DIRECTORS' REPORT (CONTINUED)

RESULTS AND DIVIDEND

The results for the year are set out on page 8. The loss transferred to reserves for the year amounted to £313,352,000 (2007: profit of £99,922,000).

No interim dividends were paid (2007: £nil) and the Directors do not recommend the payment of a final dividend (2007: £nil).

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.

On 29 April 2008 the Company sold the majority of its tangible fixed assets to Nomura Properties plc, its landlord, as part of the proposed sale and leaseback of its main premises, Nomura House.

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 (resigned on 28 September 2007)
Kenji Kimura	Executive Director (appointed on 21 January 2008)
Paul Spanswick	Executive Director (appointed on 21 January 2008)

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

DIRECTORS' INDEMNITIES

At the beginning of 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. This provision ceased in June 2007.

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.

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2008****DIRECTORS' REPORT (CONTINUED)****DONATIONS**

No political donations were made during the year (2007: £nil). Charitable donations of £94,870 (2007: £66,897) 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 2008 were 14 (2007: 14).

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 3. 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

Denise Dillon (Signed)
Company Secretary
15 July 2008

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

We have audited Nomura International plc's financial statements for the year ended 31 March 2008, 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 29. 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 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 2008****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 2008 and of its loss 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
15 July 2008

NOMURA INTERNATIONAL PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008

Note		<u>Year ended</u>		<u>Year ended</u>	
		<u>31 March 2008</u>	<u>31 March 2007</u>	<u>31 March 2007</u>	<u>31 March 2007</u>
		£'000	£'000	£'000	£'000
1(d), 2	TRADING PROFIT		297,409		651,224
3	Other operating income		2,314		4,404
			<hr/>		<hr/>
			299,723		655,628
1(e), 4	Interest receivable and similar income	1,306,303		1,377,278	
1(e), 4	Interest payable and similar charges	(1,444,080)		(1,432,981)	
6	Other finance income/(charges)	<hr/> 491		<hr/> (503)	
	Net interest (payable)/receivable		(137,286)		(56,206)
	General and administrative expenses		(465,070)		(401,300)
			<hr/>		<hr/>
	OPERATING PROFIT/(LOSS)		(302,633)		198,122
	Interest payable on subordinated borrowings		(129,186)		(57,083)
			<hr/>		<hr/>
5	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(431,819)		141,039
7	Tax on profit/(loss) on ordinary activities		118,467		(41,117)
			<hr/>		<hr/>
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<hr/> (313,352)		<hr/> 99,922

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

The notes on pages 13 to 71 form part of these financial statements.

NOMURA INTERNATIONAL PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008

Notes	<u>2008</u> £'000	<u>2007</u> £'000
	(313,352)	99,922
6	(686)	(2,462)
13	(2,691)	193
7	2,897	546
1(f)	8,407	3,119
1(f), 18	3,057	(11,412)
7	(3,439)	2,455
13	-	32
	<hr/>	<hr/>
	Total recognised gains and losses relating to the year	92,393
1(b),	-	203,800
	<hr/>	<hr/>
	Total gains and losses recognised since last annual report	296,193
	<hr/>	<hr/>

The notes on pages 13 to 71 form part of these financial statements.

NOMURA INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2008

Notes		<u>2008</u> £'000	<u>2007</u> £'000
	Profit/(loss) for the financial year	(313,352)	99,922
	Other recognised gains and losses relating to the year:		
6	Actuarial loss on pension scheme	(686)	(2,462)
13	Movement on deferred tax relating to pension liability	(2,691)	193
7	Movement on current tax relating to pension liability	2,897	546
1(f), 18	Gain on available-for-sale investments	8,407	3,119
1(f), 18	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	3,057	(11,412)
7	Movement on current tax relating to movements on available-for-sale investments	(3,439)	2,455
13	Movement on deferred tax relating to movements on available-for-sale investments	-	32
17	New share capital subscribed	200,000	-
18	Movement on share-based payment reserve	42,977	-
	Net addition to/(decrease in) shareholders' funds	<u>(62,830)</u>	<u>92,393</u>
	Opening shareholders' funds as previously reported	1,060,936	764,743
	Prior year adjustment – FRS26	-	203,800
1(b)	Opening shareholders' funds as restated	<u>1,060,936</u>	<u>968,543</u>
	Closing shareholders' funds	<u>998,106</u>	<u>1,060,936</u>

The notes on pages 13 to 71 form part of these financial statements.

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2008

Note		<u>2008</u> £'000	<u>2008</u> £'000	<u>2007</u> £'000	<u>2007</u> £'000
FIXED ASSETS					
8	Tangible fixed assets	63,495		67,005	
9	Fixed asset investments	10,272		8,780	
10	Available-for-sale investments	16,744		39,976	
			90,511		115,761
CURRENT ASSETS					
1(f),10	Financial assets held for trading	42,538,386		21,351,501	
1(f),10	Financial assets designated fair value through profit and loss	83,465		573,797	
10	Collateral paid for securities purchased under agreements to resell	27,247,615		24,528,461	
10	Collateral paid for securities borrowed	8,399,614		11,475,737	
10,12	Other debtors	7,117,239		6,299,383	
10	Investments - time deposits	4,366,570		2,346,335	
10	Cash at bank and in hand	161,168		179,451	
		89,914,057		66,754,665	
CREDITORS (amounts falling due within one year)					
1(f),10	Financial liabilities held for trading	(36,844,388)		(11,987,388)	
1(f),10	Financial liabilities designated fair value through profit and loss	(98,959)		(626,469)	
10	Collateral received for securities sold under agreements to repurchase	(27,357,728)		(27,460,727)	
10	Collateral received for securities loaned	(6,562,504)		(11,992,301)	
10,15	Subordinated debt	(600,000)		-	
14	Other creditors	(15,824,299)		(12,472,452)	
	NET CURRENT ASSETS		2,626,179		2,215,328
	TOTAL ASSETS LESS CURRENT LIABILITIES		2,716,690		2,331,089
CREDITORS (amounts falling due after more than one year)					
10,15	Subordinated debt		(1,713,500)		(1,193,500)
13	Deferred taxation		(2,084)		(52,570)
16	Provisions for liabilities and charges		(3,000)		(4,563)
6	Defined benefit liability		-		(19,520)
	NET ASSETS		998,106		1,060,936

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2008 (CONTINUED)

Note		<u>2008</u> £'000	<u>2007</u> £'000
	CAPITAL AND RESERVES		
17	Called up share capital	1,018,816	818,816
18	Capital redemption reserve	121,612	121,612
18	Available-for-sale reserve	2,698	(5,327)
18	Share-based payment reserve	42,977	-
18	Profit and loss account	(187,997)	125,835
		<hr/>	<hr/>
	SHAREHOLDERS' FUNDS - Equity	<u>998,106</u>	<u>1,060,936</u>

APPROVED BY THE BOARD ON: 15th July 2008

Yugo Ishida (Signed)
President & Chief Executive Officer

The notes on pages 13 to 71 form part of these financial statements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008

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 fair value in accordance with applicable accounting standards, as defined in note c 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 29 "Financial Instruments: Disclosures" and the derecognition elements of "FRS 26 Financial Instruments: Recognition and Measurement" with effect from 1 April 2007. The adoption of these standards represents a change in accounting policy and, accordingly, the Company has restated comparative information affected by the adoption of these standards.

The impact of adopting the derecognition provisions of FRS 26 has been an increase in assets re-recognised of £4,458m, with an associated increase in liabilities of £4,314m; an increase in continuing involvement in assets transferred of £318m with a £312m change in liabilities; and an increase in assets derecognised of £59m and liabilities of £39m at 1 April 2007.

FRS 29 replaces the disclosure requirements of FRS 25 'Financial Instruments: Disclosure and Presentation' and applies to those entities applying FRS 26 'Financial Instruments: Measurement'. The disclosures required by the new Standard include information about exposures to risks arising from financial instruments, together with management's objectives, policies and processes for managing market, credit and liquidity risks. The adoption of FRS 29 had no impact for the measurement or recognition of financial instruments.

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

(c) Fair Value of Financial Instruments

The Company holds a significant portion of financial instruments at fair value, as described below. A description of the Company's policies with regards to its application of fair value measurements to significant financial instruments is as follows:

(i) Valuation of fair value instruments

The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty and the Company's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, and foreign exchange and commodity markets can impact the Company's estimates of fair value in the future, potentially affecting trading gains and losses. The Company's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

(ii) Recognition of day 1 gains and losses

The fair value of a financial instrument is normally the transaction price (i.e. the fair value of consideration given or received). In some cases, however, the fair value at inception will be based on a valuation pricing model incorporating only observable parameters in the market or on other observable current market transactions in the same instrument, without modification or repackaging. Where such valuation techniques are used to derive fair values from market observable inputs, the difference between fair value and the transaction price is recognised in the profit and loss account.

Valuation techniques incorporating significant unobservable parameters may also be used to determine fair value at inception. In such cases, 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.

(iii) Fair value option

Certain financial instruments may be designated at fair value by management when one of the following criteria are met:

- 1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument.
- 2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring the financial instrument and its related gain or loss on different bases; or
- 3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Company's key management personnel.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

The fair value option election is undertaken on a product-by-product basis. The initial recognition of the financial instrument is when the Company enters into the contractual provisions of the arrangement with counterparties. This only applied to those instruments that meet one or more of the above criteria, where fair value would provide a fairer representation of the risks associated with those instruments. Once made, the fair value option election is irrevocable.

(d) Trading Profit

(i) Principal Transactions Income and Expenses

Principal transactions income and expenses include realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities, private equity and profits on disposals of related party investments. Principal transactions income and expenses are generated predominantly by financial instruments held for trading and financial instruments designated at fair value through profit or loss. Costs directly attributable to trading are treated as a deduction from trading profit to more fairly represent dealing profit and commission sharing agreements.

(ii) Fees and Commission Income and Expenses

Fees and commission income and expenses include gains, losses and fees, net of syndication expenses arising from securities offerings in which the Company acts as an underwriter or agent, fees earned from the provision of financial advisory services; as well as commission income from the provision of brokerage services.

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 Interest Payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions as well as interest on financial instruments designated at fair value through the profit or loss, carried at amortised cost including 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 interest bearing financial assets and liabilities carried at amortised cost.

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. This calculation takes into account the impact of all fees and commissions paid or received, directly attributable transaction costs, and discounts or premiums that are integral to the effective interest rate.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) 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, financial liabilities at amortised cost, available-for-sale investments or held-to-maturity investments.

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. For hybrid instruments, the Company considers whether a contract contains an embedded derivative when the entity first becomes party to it, and determines the appropriate classification at this time.

In accordance with FRS 26, all financial instruments are initially measured at fair value.

(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. Financial instruments 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. These instruments are generally recognised as regular way transactions, on a trade date basis. Derivatives, including separated embedded derivatives, are also classified as held for trading.

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 having positive fair values carried as assets and derivatives with negative fair values carried as liabilities in the balance sheet.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. The majority of hybrid contracts are designated at fair value through profit or loss as described below. However, where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the fair value option is not elected, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

b. Financial instruments designated at fair value through profit and 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, assuming the criteria described in note 1(c)(iii) are met, 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

The Company applies the fair value option to the following instruments:

- Loans and receivables which are risk managed on a fair value basis: The Company elects the fair value option to mitigate income statement volatility caused by the difference in measurement basis for loans and receivables and the derivatives used to risk manage those instruments;
- Structured notes held and issued: The fair value option is elected primarily to mitigate the income statement volatility caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions; and
- Financial liabilities associated with assets rerecognised or with which the Company has continuing involvement under FRS 26: The fair value option is elected to mitigate income statement volatility which would arise between these liabilities and their related assets which are measured at fair value.

Financial instruments designated at fair value are generally recognised on a settlement basis, when the Company becomes party to the contractual provisions of the instrument.

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 where 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.

(ii) Financial instruments at amortised cost

a. 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.

Loans and receivables include collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed described below.

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****b. Financial liabilities at amortised cost**

Financial liabilities at amortised cost include financial obligations such as collateral received for securities sold under agreements to repurchase, collateral received for securities loaned, subordinated debt, commercial paper as well as other short-term creditors. Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments 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.

Collateral received for securities sold under agreements to repurchase and collateral received for securities loaned are further discussed below.

c. Collateral paid for securities purchased under agreements to resell and collateral received for securities sold under agreements to repurchase

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.

d. Collateral paid for securities borrowed and collateral received for securities loaned

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(iii) 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 two 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.

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.

(iv) Held-to-maturity investments

As at the balance sheet date, the Company held no held-to-maturity investments.

(g) 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. When estimating the potential impact of an impairment loss on a collateralised financial asset, expected future cashflows, both from the asset and the associated collateral, are assessed.

(i) Loans and receivables

For loans and receivables, 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(ii) Financial assets 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 except on realisation.

(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.

(h) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Company retains the financial assets on its balance sheet with an associated liability for consideration received. If the Company neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Company.

(i) Offsetting financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the Company has a legally enforceable right to set off the financial asset and financial liability and the Company intends to settle the financial asset and financial liability on a net basis

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

(l) Provisions

A provision is 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.

(m) 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.

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****(n) 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.

(o) 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 committed 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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.

(p) Share-based payments

The ultimate holding company, Nomura Holdings Inc., operates share option schemes for the purpose of providing incentives and rewards to eligible participants. Employees and Directors of the Company receive remuneration in the form of share option awards as consideration for their services ('equity settled transactions').

The cost of equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted. The fair value of the stock options as of the grant date is estimated using a Black-Scholes option-pricing model with the following assumptions:

Expected volatilities	based on historical volatility of the ultimate holding company's common stock
Expected dividend yield	based on the current dividend rate at the time of grant
Expected lives of options granted	based on vesting period
Expected number of options which will vest	based on historical experience
Estimated risk-free interest rate	based upon Yen swap rates with a maturity equal to the expected lives of options

The cost of equity-settled transactions is recognized in the profit and loss account, together with a corresponding increase in reserves, representing the contribution received from the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date'). This period has been determined to be the two year period from grant date to vesting date. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(q) 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.

(r) 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.

(s) 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.

(t) Provisions

A provision is 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 2008 (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:

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Net fees and commissions ¹	184,929	142,535
Principal transactions ²	158,700	545,176
Less: attributable transaction expenses	(46,220)	(36,487)
	<hr/>	<hr/>
Trading profit	297,409	651,224

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, private equity and profits on disposals of related party investments (note 26).

B. Analysis of net fee and commission income

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Financial instruments not at fair value through profit or loss	169,305	140,562
Trust and fiduciary activities	51	(24)
Other fees and commission income	15,573	1,997
	<hr/>	<hr/>
Net fees and commissions	184,929	142,535

Fees and commission income and expenses from financial instruments not at fair value through profit or loss include servicing and lending commitments fees (other than those included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss.

Trust and fiduciary activities include asset management services where the Company holds or invests assets on behalf of its customers.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

2. TRADING PROFIT (CONTINUED)

Other fees and commission income and expenses include amounts arising from securities offerings in which the Company acts as an underwriter or agent, commissions arising from broking securities and fees earned from providing financial advisory services.

C. Analysis of Principal Transactions by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Financial instruments held for trading	134,301	531,951
Financial instruments designated at fair value through profit and loss	24,399	13,225
Principal transactions	<u>158,700</u>	<u>545,176</u>

3. OTHER OPERATING INCOME

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Gains from sales of available-for-sale investments	3,184	11,404
Impairment loss recognised on available-for-sale investments	<u>(870)</u>	<u>(7,000)</u>
	<u>2,314</u>	<u>4,404</u>

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

4. INTEREST INCOME & EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Interest receivable and similar income		
Cash and short-term funds	145,902	98,426
Securities borrowed and reverse repurchase agreements	805,994	1,031,205
Other	64,919	13,261
	<u>1,016,815</u>	<u>1,142,892</u>
Financial instruments at fair value through profit and loss	<u>289,488</u>	<u>234,386</u>
	<u>1,306,303</u>	<u>1,377,278</u>
Interest payable and similar charges		
Overdrafts and loans	(277,281)	(141,974)
Securities lent and repurchase agreements	(1,138,774)	(1,265,360)
Commercial paper	(1,099)	(3,164)
Other	(23,960)	(15,608)
	<u>(1,441,114)</u>	<u>(1,426,106)</u>
Financial instruments at fair value through profit and loss	<u>(2,966)</u>	<u>(6,875)</u>
	<u>(1,444,080)</u>	<u>(1,432,981)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

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

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

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Wages, salaries and other personnel costs	190,419	197,597
Social security costs	25,869	24,443
Pension costs – defined benefit (note 6)	-	277
Pension costs – defined contribution	9,523	7,974
Depreciation (note 8)	13,218	10,107
Auditors' remuneration including expenses		
- audit	590	570
- services relating to taxation	80	147
- all other services	40	40
Operating lease costs		
- buildings	14,501	15,439
- other	2,203	1,471
Onerous contracts (note 16)	1,244	1,989
Interest receivable from group undertakings	(309,444)	(267,845)
Interest payable - group undertakings	452,193	250,000

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 2008 by William M Mercer Limited, a qualified independent actuary.

During the year ended 31 March 2008, the Company has made additional contributions in order to fully fund the defined benefit pension scheme and, as a consequence, the value of the plan assets at the balance sheet date exceeded the value of the plan liabilities. However, FRS 17 limits the defined benefit asset that can be recognised in the balance sheet to the maximum amount that can be recovered through reduced contributions in the future expected to arise from future benefits to be accrued by active members. As the plan closed to all future accrual with effect from 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Company's balance sheet.

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

The figures within these financial statements for the year ended 31st March 2006 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	<u>31 March 2008</u> %	<u>31 March 2007</u> %	<u>31 March 2006*</u> %
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	3.55%	3.10%	(2.75%)/2.90%
Rate of increase in pensions in deferment	3.55%	3.10%	(2.75%)/2.90%
Discount rate applied to scheme liabilities	5.65%	5.00%	(5.00%)/5.00%
Inflation assumption	3.55%	3.10%	(2.75%)/2.90%

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

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

	<u>31 March 2008</u>		<u>31 March 2007</u>		<u>31 March 2006</u>	
	%	£'000	%	£'000	%	£'000
Equities	7.25%*	21,387	6.10%*	86,310	6.00%	81,543
Bonds	5.60%*	99,456	4.10%*	5,208	4.75%	2,690
Property	5.75%*	11,962	N/A	-	N/A	-
Cash	5.25%*	343	5.25%*	1,488	4.25%	1,439
Market value of assets		133,148		93,006		85,672
Present value of scheme liabilities		(114,276)		(120,891)		(112,915)
Surplus/(deficit in the scheme)		18,872		(27,885)		(27,243)
Effect of surplus cap		(18,872)		-		-
Recoverable deficit in the scheme		-		(27,885)		(27,243)
Deferred tax asset		-		8,365		8,173
Net pension liability		-		(19,520)		(19,070)

* The expected return on assets for 31 March 2007 and 31 March 2008 does not allow for expenses as these are now paid directly by the Company.

The amount charged to operating profit/(loss) is set out below:

	<u>31 March 2008</u> £'000	<u>31 March 2007</u> £'000
Past service cost	-	277
Total operating charge	-	277

The amount charged to other finance charges:

	<u>31 March 2008</u> £'000	<u>31 March 2007</u> £'000
Expected return on pension scheme assets	6,473	5,105
Interest on pension scheme liabilities	(5,982)	(5,608)
Other finance income/(charges)	491	(503)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

6. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Analysis of movements in deficit during the year:

	<u>31 March 2008</u> £'000	<u>31 March 2007</u> £'000
Deficit in scheme at beginning of year	(27,885)	(27,243)
Past service cost	-	(277)
Expected return on pension scheme assets	6,473	5,105
Interest on pension scheme liabilities	(5,982)	(5,608)
Contributions	28,080	2,600
Actuarial loss	(686)	(2,462)
Deficit in scheme at end of year	<u>-</u>	<u>(27,885)</u>

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

	<u>31 March</u> <u>2008</u> £'000	<u>31 March</u> <u>2007</u> £'000
Actual return less expected return on pension scheme assets	8,404	1,434
Experience losses arising on pension scheme liabilities	(439)	(1,877)
Changes in assumptions underlying the present value of the pension scheme liabilities	10,221	(2,019)
Actuarial gain/(loss) recognised in STRGL	<u>18,186</u>	<u>(2,462)</u>
Adjustment due to surplus cap	(18,872)	-
Net loss recognised	<u>(686)</u>	<u>(2,462)</u>

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

	<u>31 March</u> <u>2008</u> £'000	<u>31 March</u> <u>2007</u> £'000
Net assets		
Net assets	998,106	1,080,456
FRS17 net pension liability	-	(19,520)
Net assets including FRS17 pension liability	<u>998,106</u>	<u>1,060,936</u>

	<u>31 March</u> <u>2008</u> £'000	<u>31 March</u> <u>2007</u> £'000
Reserves		
Profit and loss account	(187,998)	145,355
FRS17 net pension liability	-	(19,520)
Profit and loss account including FRS17 pension liability	<u>(187,997)</u>	<u>125,835</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (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:

	<u>31 March 2008</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	6.3% (a)	8,404
Experience gains and losses on pension scheme liabilities	(0.4%) (b)	(439)
Total amount recognised in STRGL	(0.6%) (b)	(686)
	<u>31 March 2007</u>	
	%	£'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)
	<u>31 March 2006</u>	
	%	£'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)
	<u>31 March 2005</u>	
	%	£'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
	<u>31 March 2004</u>	
	%	£'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

(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 2008 (CONTINUED)

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) TAX (CREDIT)/CHARGE

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
UK corporation tax (credit)/charge at 30% (2006: 30%)	(66,959)	20,826
Tax over provided in previous years	(6,696)	(7,942)
	<u>(73,655)</u>	<u>12,884</u>
Deferred taxation (credit)/charge (note 13)	(44,663)	28,233
Effect of change in tax rate on opening balance	(149)	-
	<u>(118,467)</u>	<u>41,117</u>
Total tax (credited)/charged for the year to the profit and loss account		
Current tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	(2,897)	(546)
- Available-for-sale investments	3,439	(2,455)
Deferred tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	2,691	(193)
- Available-for-sale investments	-	(32)
	<u>(115,234)</u>	<u>37,891</u>
Total tax (credited)/charged for the year		

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
(Loss)/profit on ordinary activities before tax	(431,819)	141,039
UK Corporate tax (credit)/charge at 30% (2006: 30%)	(129,546)	42,312
Effects of:		
Expenses not deductible for tax purposes	18,271	934
Revenues deductible for tax purposes	(1,308)	(1,734)
Timing differences		
- Tangible Fixed Assets	(290)	(1,410)
- Taxable interest on NIC settlement	-	(677)
- Deferred emoluments	-	(15)
- General provisions	(634)	(9,049)
- Share Based Payments	7,135	-
- Deferred Income	(16,471)	-
- Transition adjustment on adoption of FRS 25/26	8,714	8,714
- Other	70	-
Tax over provided in previous years	(6,696)	(7,942)
Deferred tax on unutilised losses for the year carried forward	47,100	(18,249)
	<u>(73,655)</u>	<u>12,884</u>
Current corporation tax charge for the year		

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

8. TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Construction In Progress</u> £'000	<u>Long Leasehold</u> £'000	<u>Furniture, Equipment, & Software</u> £'000	<u>Total</u> £'000
At 1 April 2007	6,165	7,576	157,504	171,245
Transfers	(13,288)	-	13,288	-
Additions	9,706	-	2	9,708
Disposals	-	-	(2,772)	(2,772)
FX Revaluation	-	-	1	1
At 31 March 2008	2,583	7,576	168,023	178,182
<u>Depreciation</u>				
At 1 April 2007	-	1,700	102,540	104,240
Charged during year	-	101	13,117	13,218
Disposals	-	-	(2,772)	(2,772)
FX Revaluation	-	-	1	1
At 31 March 2008	-	1,801	112,886	114,687
<u>Net book value</u>				
At 31 March 2008	2,583	5,775	55,137	63,495
At 31 March 2007	6,165	5,876	54,964	67,005

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

9. FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investment in Subsidiary Undertakings</u> £'000	<u>Total</u> £'000
At 1 st April 2007	11,493	11,493
Additions	1,492	1,492
Disposals	-	-
	12,985	12,985
 <u>Provisions</u>		
At 1 st April 2007	2,713	2,713
Provided during year	-	-
Disposal	-	-
	2,713	2,713
 <u>Net book value</u>		
At 31st March 2008	10,272	10,272
At 31st March 2007	8,780	8,780

The investment in subsidiary undertakings represents the following:

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Nomura International Leasing Limited	100%	Ireland	Asset leasing
Nomura Nominees Limited	100%	England	Dormant
Nomura Gilts Limited*	100%	England	Dormant
Nomura Properties Management Services Limited (Formerly Nomura.com Limited)*	100%	England	Dormant
IBJ Nomura Financial Products (UK) plc*	100%	England	Dormant
Nomura Investment Advisor LLP	50%	England	Investment adviser
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
Nomura.com Limited**	100%	England	Dormant
Nomura Private Equity Investment GP Limited**	100%	England	Investment manager

* - currently in members voluntary liquidation

** - acquired during the year ended 31 March 2008

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

9. FIXED ASSET INVESTMENTS (CONTINUED)

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

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

Through Nomura Investment Advisor LLP, the Company controls the following entity:

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Perceva SAS	100%	France	Investment adviser
Thesan Capital S.L.	100%	Spain	Investment adviser

Additions during the year relate to purchases of additional non-voting 'R' shares in each of the two entities controlled through Nomura Investment Advisor LLP. The share purchases were for a consideration of €1,000,000 each and are translated at the prevailing exchange rate at the time of the purchase.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

10. FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification

	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>
	Available- for-sale investments £'000	Held for trading £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial Assets:						
Available-for-sale investments	16,744					16,744
Held for trading		42,538,386				42,538,386
Designated fair value through profit and loss			83,465			83,465
Collateral paid for securities purchased under agreements to resell				27,247,615		27,247,615
Collateral paid for securities borrowed				8,399,614		8,399,614
Other debtors				7,117,239		7,117,239
Investments - time deposits				4,366,570		4,366,570
Cash at bank and in hand				161,168		161,168
Financial Liabilities:						
Held for trading		(36,844,388)				(36,844,388)
Designated fair value through profit and loss			(98,959)			(98,959)
Collateral received for securities sold under agreements to repurchase					(27,357,728)	(27,357,728)
Collateral received for securities loaned					(6,562,504)	(6,562,504)
Other creditors					(15,824,299)	(15,824,299)
Subordinated debt					(2,313,500)	(2,313,500)
	16,744	5,693,998	(15,494)	47,292,206	(52,058,031)	929,423

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

10. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification (continued)

	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
	Available- for-sale investments £'000	Held for trading £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial Assets:						
Available-for-sale investments	39,976					39,976
Held for trading		21,351,501				21,351,501
Designated fair value through profit and loss			573,797			573,797
Collateral paid for securities purchased under agreements to resell				24,528,461		24,528,461
Collateral paid for securities borrowed				11,475,737		11,475,737
Other debtors				6,299,383		6,299,383
Investments - time deposits				2,346,335		2,346,335
Cash at bank and in hand				179,451		179,451
Financial Liabilities:						
Held for trading		(11,987,388)				(11,987,388)
Designated fair value through profit and loss			(626,469)			(626,469)
Collateral received for securities sold under agreements to repurchase					(27,460,727)	(27,460,727)
Collateral received for securities loaned					(11,992,301)	(11,992,301)
Other creditors					(12,472,452)	(12,472,452)
Subordinated debt					(1,193,500)	(1,193,500)
	39,976	9,364,113	(52,672)	44,829,367	(53,118,980)	1,061,804

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

10. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification (continued)

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

	<u>2008</u> £'000	<u>2007</u> £'000
Loans and receivables:		
Collateral paid for securities purchased under agreements to resell	8,097,131	6,445,847
Collateral paid for securities borrowed	3,042,167	2,098,371
Other debtors	1,678,636	1,759,976
Investments - time deposits	2,250,375	1,646,424
Cash at bank and in hand	17,688	4,052
	<u>15,085,997</u>	<u>11,954,670</u>

	<u>2008</u> £'000	<u>2007</u> £'000
Financial liabilities at amortised cost:		
Collateral received for securities sold under agreements to repurchase	5,907,891	5,555,506
Collateral received for securities loaned	3,181,789	3,935,456
Other creditors	10,809,212	6,970,711
Subordinated debt	2,313,500	1,193,500
	<u>22,212,392</u>	<u>19,864,540</u>

Analysis of the Company's financial assets and financial liabilities by product type

The following table analyses the Company's available-for-sale investments, held for trading and designated fair value through profit and loss financial assets and liabilities by product type:

	<u>2008</u> £'000	<u>2007</u> £'000
Financial assets:		
Equity securities	3,564,699	3,121,590
Debt securities	8,475,349	11,573,351
Derivatives	30,598,547	6,978,278
	<u>42,638,595</u>	<u>21,673,219</u>
Financial liabilities:		
Equity securities	(3,341,973)	(891,372)
Debt securities	(2,845,148)	(4,665,618)
Derivatives	(30,756,226)	(6,764,812)
	<u>(36,943,347)</u>	<u>(12,321,802)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

10. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by product type (continued)

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

	<u>2008</u> £'000	<u>2007</u> £'000
Financial assets:		
Equity securities	85,187	71,597
Debt securities	380,816	168,588
Derivatives	14,531,356	2,554,817
	<u>14,997,359</u>	<u>2,795,002</u>
Financial liabilities:		
Equity securities	(17)	(676)
Debt securities	(196,159)	(179,848)
Derivatives	(15,594,179)	(2,028,843)
	<u>(15,790,355)</u>	<u>(2,209,367)</u>

Available-for-sale investments

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 2008, 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 £1,200,187 (2007: £1,198,703).

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)****10. FINANCIAL INSTRUMENTS (CONTINUED)****Financial assets and liabilities designated at fair value through profit or loss**

The following financial assets and liabilities have been designated at fair value through profit and loss:

Prepaid OTC Contracts: These instruments are derivatives for which an initial investment of greater than 90% of the notional of the embedded derivative has been paid or received. The risk on these financial instruments, both financial assets and financial liabilities, is primarily hedged using financial instruments categorised as held for trading. These prepaid OTC contracts are designated at fair value as such contracts, as well as the financial instruments with which they are hedged, are risk managed on a fair value basis as part of the Company's trading portfolio, and the risk is reported to key management personnel on this basis.

Other Financial Liabilities: These include financial liabilities such as those that arise upon the consolidation of certain special purpose entities and those that arise as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability. These instruments are designated at fair value as the risks to which they relate, to which the Company is a contractual party, are risk managed on a fair value basis, and the risk is reported to key management personnel on that basis.

There are no significant gains or losses due to changes in the Company's own credit risk for financial liabilities designated at fair value through profit or loss. The change in fair value attributable to changes in credit risk, during the period and cumulatively, is not considered material.

There is no material difference between the carrying amount and the amount contractually required to be paid at maturity to holders of financial liabilities designated at fair value through profit or loss.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

11. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

In the ordinary course of business, the Company enters into transactions resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under FRS 26.

The following table shows the carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the balance sheet, together with their associated financial liabilities:

	<u>2008</u> <u>Financial</u> <u>assets</u> <u>£'000</u>	<u>2008</u> <u>Financial</u> <u>liabilities</u> <u>£'000</u>	<u>2008</u> <u>Difference</u> <u>£'000</u>
Collateral received for securities sold under agreements to repurchase	3,195,424	(3,263,826)	(68,402)
Collateral received for securities loaned	939,393	(726,998)	212,395
Other	323,265	(323,265)	-
	<u>4,458,082</u>	<u>(4,314,089)</u>	<u>143,993</u>
	<u>2007</u> <u>Financial</u> <u>assets</u> <u>£'000</u>	<u>2007</u> <u>Financial</u> <u>liabilities</u> <u>£'000</u>	<u>2007</u> <u>Difference</u> <u>£'000</u>
Collateral received for securities sold under agreements to repurchase	7,149,500	(7,294,312)	(144,812)
Collateral received for securities loaned	1,100,774	(920,739)	180,035
Other	252,284	(252,284)	-
	<u>8,502,528</u>	<u>(8,467,335)</u>	<u>35,193</u>

Financial asset transfers which do not result in derecognition predominantly result from secured financing transactions such as repurchase agreements or securities lending transactions. Under these types of transactions, the Company retains substantially all the risks and rewards associated with the transferred assets including market risk, issuer risk, credit risk and settlement risk. Effectively, these assets are pledged as security for borrowings, represented by the associated financial liabilities recognised. Financial assets may also be transferred, but not derecognised, as the risks and rewards associated with those assets continue to be retained by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on balance sheet with an associated liability representing the cash received on the transfer as a secured borrowing.

The transactions above are conducted under standard terms used by financial market participants as well as requirements determined by exchanges where the Company acts as intermediary. These transactions are conducted with counterparties subject to the Company's normal risk control processes. The counterparties have the right to resell or repledge the transferred financial assets under standard market agreements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

11. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Continuing involvement

In addition to the financial assets transferred but not derecognised and retained in their entirety on the Company's balance sheet outlined above, there are also a number of transactions in which the Company neither retains nor transfers substantially all the risks and rewards of the financial asset. As the Company retains control over those assets, it is considered to have a continuing involvement with those financial assets for accounting purposes.

The following table shows the carrying amount of financial assets sold or otherwise transferred in which the Company has continuing involvement, together with the level of the Company's continuing involvement and the associated financial liabilities:

<u>2008</u> <u>Total carrying value</u> <u>of financial asset</u> £'000	<u>2008</u> <u>Continuing</u> <u>involvement</u> £'000	<u>2008</u> <u>Total carrying value of</u> <u>associated liability</u> £'000
318,286	(6,306)	(311,980)
318,286	(6,306)	(311,980)
<u>2007</u> <u>Total carrying value</u> <u>of financial asset</u> £'000	<u>2007</u> <u>Continuing</u> <u>involvement</u> £'000	<u>2007</u> <u>Total carrying value of</u> <u>associated liability</u> £'000
58,501	(19,323)	(39,178)
58,501	(19,323)	(39,178)

Financial assets transfers which result in continuing involvement result from the partial retention of the risks and rewards associated with those assets by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on balance sheet at the level of the Company's continuing involvement with a corresponding liability.

Financial assets accepted as collateral

Financial assets are accepted as collateral as part of reverse repurchase arrangements or securities borrowing transactions which the Company is permitted to sell or repledged under standard market documentation.

The fair value of financial assets accepted as collateral that the Company is permitted to sell or repledge in the absence of default is £38.5m. Of this amount, £8.8m has been sold or repledged to third parties to comply with commitments under short sale transactions or in connection with financing activities. A corresponding obligation to return securities received which have been sold or repledged has been recorded on the balance sheet.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

12. OTHER DEBTORS

	<u>2008</u> £'000	<u>2007</u> £'000
Trade debtors	5,213,175	5,569,490
Broker balances	1,640,669	450,283
Taxation recoverable	65,596	-
Accrued interest and dividends receivable	182,027	271,110
Prepayments and accrued income	15,772	8,500
	<hr/> 7,117,239	<hr/> 6,299,383

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

	<u>2008</u> £'000	<u>2007</u> £'000
Trade debtors	1,528,033	1,645,921
Broker balances	114,644	101,311
Accrued interest and dividends receivable	32,626	12,744
Prepayments and accrued income	3,333	-
	<hr/> 1,678,636	<hr/> 1,759,976

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

13. DEFERRED TAXATION

	<u>2008</u> £'000	<u>2007</u> £'000
Deferred income	-	16,471
Tangible fixed assets	3,014	3,019
FRS 26 transition liabilities	(65,224)	(78,597)
Other short-term timing differences	16,166	14,902
Unutilised tax losses	43,960	-
	<u>(2,084)</u>	<u>(44,205)</u>

Deferred taxation is expected to reverse:

Within one year	-	18,011
Greater than one year	(2,084)	(62,216)
Deferred taxation	<u>(2,084)</u>	<u>(44,205)</u>

Provision for deferred tax comprises:

	<u>2008</u> £'000	<u>2007</u> £'000
Timing differences	(46,044)	18,430
Losses	43,960	
Adjustments to recoverable amounts	<u>-</u>	<u>(71,000)</u>
Deferred tax excluding that relating to pension asset	(2,084)	(52,570)
Pension asset (see note 6)	-	8,365
Total provision for deferred tax	<u>(2,084)</u>	<u>(44,205)</u>
1 April as previously reported	(44,205)	71,146
Prior year adjustment – FRS 26	<u>-</u>	<u>(87,343)</u>
1 April as restated	(44,205)	(16,197)
Effect of change in tax rate	149	-
Deferred tax charged to the profit and loss account	44,663	(28,233)
Deferred tax charged to the STRGL		
- FRS 17 Defined Benefit Pension	(2,691)	193
- Available-for-sale investments	-	32
	<u>(2,084)</u>	<u>(44,205)</u>
At 31 March	<u>(2,084)</u>	<u>(44,205)</u>

Deferred taxation has been recognised at 28% (2007: 30%), being the UK corporation tax rate from 1 April 2008. The impact of the rate change on the deferred tax liability expected to reverse in greater than one year is a reduction of £148,800.

There is no unprovided deferred taxation in the Company as at 31 March 2008 (2007: £nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

14. OTHER CREDITORS

	<u>2008</u> £'000	<u>2007</u> £'000
Loans and overdrafts	8,843,582	5,744,249
Trade creditors	5,229,925	5,616,951
Commercial paper issued	546,864	433,747
Broker balances	884,709	244,468
Taxation payable	-	7,643
Other tax and social security payable	2,171	2,188
Accrued interest and dividends payable	125,722	181,128
Accruals and deferred income	191,326	242,078
	<hr/> 15,824,299	<hr/> 12,472,452

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

	<u>2008</u> £'000	<u>2007</u> £'000
Loans and overdrafts	8,822,292	5,707,605
Trade creditors	1,833,353	1,172,907
Broker balances	126,482	76,875
Accrued interest and dividends payable	26,437	11,725
Accruals and deferred income	648	1,599
	<hr/> 10,809,212	<hr/> 6,970,711

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

15. SUBORDINATED DEBT

	<u>Repayment date</u>	<u>2008</u> £'000	<u>2007</u> £'000
Short Term			
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
		600,000	600,000
Long Term			
Nomura Europe Holdings plc	29 June 2009	94,500	94,500
Nomura Europe Holdings plc	29 June 2009	118,000	118,000
Nomura Europe Holdings plc	13 April 2010	280,000	-
Nomura Europe Holdings plc	2 July 2010	56,000	-
Nomura Europe Holdings plc	30 July 2010	150,000	-
Nomura Europe Holdings plc	10 August 2010	250,000	-
Nomura Europe Holdings plc	23 August 2010	250,000	-
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	40,000
Nomura Europe Holdings plc	27 June 2013	116,000	116,000
Nomura Europe Holdings plc	2 July 2013	134,000	-
Nomura Europe Holdings plc	20 December 2013	95,000	95,000
		1,713,500	593,500

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.

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 June 2013	LIBOR + 0.47%
Nomura Europe Holdings plc	27 June 2013	LIBOR + 0.47%
Nomura Europe Holdings plc	2 July 2013	LIBOR + 0.47%
Nomura Europe Holdings plc	20 December 2013	LIBOR + 0.51%

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2008</u> Onerous Contracts £'000	<u>2007</u> Onerous Contracts £'000
At 1 April	4,563	3,866
(Used) during the year	(2,807)	(1,292)
Provided during the year	1,244	1,989
	<hr/>	<hr/>
At 31 March	3,000	4,563

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.

17. SHARE CAPITAL

<u>2008</u>	<u>Authorised Number '000</u>	<u>Allotted and fully paid Number '000</u>	<u>Consideration £'000</u>
Sterling Ordinary shares of £1 each	900,000	662,602	662,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
		<hr/>	<hr/>
			1,018,816
			<hr/>
<u>2007</u>	<u>Authorised Number '000</u>	<u>Allotted and fully paid Number '000</u>	<u>Consideration £'000</u>
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	-	-
		<hr/>	<hr/>
			818,816
			<hr/>

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

The Company issued 200m Sterling Ordinary shares of £1 each on 31 March 2008 for a consideration of £200m.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

18. RESERVES

	<u>Capital redemption reserve</u>	<u>Share-based payment expense reserve</u>	<u>Available-for- sale reserve</u>	<u>Profit and loss account</u>
	£'000	£'000	£'000	£'000
At 1 April 2007	121,612	-	(5,327)	125,835
Retained loss for the year	-			(313,352)
Actuarial loss on pension scheme				(686)
Movement on deferred tax relating to pension liability				(2,691)
Movement on current tax relating to pension liability				2,897
Share-based payment expense for the year		42,977		
Movement on deferred tax relating to pension liability	-			
Gain on available-for-sale investments	-		8,407	
Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	-		3,057	
Movement on current tax relating to movements on available-for-sale investments	-		(3,439)	
Movement on deferred tax relating to movements on available-for-sale investments	-			
At 31 March 2008	121,612	42,977	2,698	(187,997)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT

The Company's activities involve both the assumption and transfer of certain risks which the Company must manage. 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.

The 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, index and variance 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.

The interest rate, credit, equity and foreign exchange risks 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Chief Financial Officer (CFO) 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 Company 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.

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.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. However responsibility for risk reporting and control is undertaken by the following departments and committees within the Company:

Capital Allocation Committee

This Committee is a sub-committee of the Executive Committee and meets semi-annually to consider the level and allocation of capital resources across the Company. This forum sets the appropriate internal risk and regulatory limits with the assistance of the departments listed below.

Treasury Department

The Treasury Department monitors compliance with the Company's liquidity, currency and cash flow policies, including that described under Financing Activities above.

Corporate Risk Management Department

The Corporate Risk Management department monitors and reports compliance with internally set market risk limits and is completely independent of the business areas.

Investment Evaluation and Credit Department

The Investment Evaluation and Credit department monitors and reports compliance with internally set credit limits and is completely independent of the business areas.

Finance Department

The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines.

Risks and Controls Department

The Risks and Controls Department monitors, evaluates, conducts forensic investigations on operational risk issues and the internal control framework and reports on these to both the Audit Committee and the Executive Committee. The Risks and Controls department is completely independent and separate from the Internal Audit function.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Committee

The Risk Management Committee considers and monitors the operational and market risk exposures. On behalf of the Nomura Europe Strategic Management Committee it is also responsible for considering implementation issues arising from new business to ensure a controlled and structured process.

Internal Audit

The Internal Audit Department is an independent function with independent reporting lines to the Chairman of the Audit Committee of the Company's immediate parent, Global Audit and CEP of Nomura Europe. Internal audit performs a comprehensive and independent review of systems and processes on a periodic basis.

Risk reporting and control is administered via the Management Information System which provides daily financial indicators including profit and loss, Value-at-Risk, Nomura Capital Allocation Target, 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

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analysis.

A. Market Risk – Trading (including financial assets and financial liabilities designated at fair value through profit and loss)

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 Capital Allocation Committee. 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 department, the head of which reports to the Co-Chief Operating Officer 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.

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

The Company uses the statistical technique known as Value-at-Risk (VaR) as one of the tools used to measure, monitor and review the market risk exposures of its trading portfolios. The Risk Management Department calculates VaR numbers daily for all relevant businesses and these figures are included in daily reporting to senior management.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

The table below illustrates, by major risk category, the VaR during the financial years ended 31 March 2008 and 31 March 2007. It shows the highest, lowest and average VaR during the financial year:

	<u>Average</u> £'000	<u>2008</u> <u>High</u> £'000	<u>Low</u> £'000	<u>Average</u> £'000	<u>2007</u> <u>High</u> £'000	<u>Low</u> £'000
Equity and Equity derivatives	3,260	4,424	2,680	2,280	3,738	1,571
Bonds, Interest rate and Credit derivatives	7,522	16,334	2,911	7,806	10,024	4,858
Foreign exchange	29	70	22	32	44	27
Total VAR *	8,409	16,071	4,277	8,123	10,195	5,379

* - 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

VaR methodology, assumptions and limitations

VaR is an estimate of potential losses on a portfolio of traded assets at a specified level of confidence over a specified time horizon. The Company calculates VaR to above a 99% level of confidence over a one-day horizon meaning that on average we would expect to observe daily losses in excess of VaR less than 1% of the time.

VaR is calculated using a variance-covariance (VCV) model and includes risk factors relating to equity prices, interest rates, foreign exchange rates and credit spreads. The VCV method relies on the assumption that risk factors are always jointly normally distributed and that the change in portfolio value is linearly dependent on all risk factor returns. The VaR model requires two years of historical data for each risk factor and volatilities and correlations are calculated from this data using the Exponentially Weighted Moving Average (EWMA) method.

The benefit of VaR is the ability to probability weight, as well as quantify, potential losses across a range of different risk factors, taking into account risk reduction due to portfolio diversification and hedging activities. However, VaR does have a number of limitations, including:

- Historical data may not provide a good indication of future market events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising in times of severe market illiquidity.
- The model provides no indication of the potential magnitude of losses that exceed the 99% confidence level.

These limitations are well understood and are the reason why VaR is just one of a number of different approaches used to measure and monitor market risks across the Company's trading portfolios. Other approaches in use include sensitivity/scenario analysis and stress testing.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. The effectiveness of VaR is assessed by a comparison of actual daily trading gains/losses with the estimated VaR, a process known as backtesting.

Non-VaR methodology and assumptions

Some of the Company's private equity assets are not included within the VaR calculations shown above. The most material of these assets is the exposure to Nomura Investments (AH) Limited. A sensitivity analysis has been performed on this asset to ascertain the impact of a change in the housing market on its value.

The analysis was undertaken by stressing the valuation model using assumptions of reasonable possible market moves at this time. The current discounted cash flow model already establishes a prudent valuation basis by incorporating a forecast 5% decline in values; furthermore the risk of loss calculations used in the sensitivity analysis factors in a further recessionary market downturn of -15% from late 2008.

The impact of a +5% growth was a £38.6m increase in value, whereas a -15% reduction led to a £77.3m decline.

B. Market Risk – Non-Trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury department's financing activities there is often a need to swap surplus flows in one currency into another currency; 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. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. Hedge accounting is not applied.

In the cases of both interest rate and currency risk the Company do not believe, after taking account of the portfolio management and hedging strategies in place, that there is a material exposure to non-trading market risk. On this basis no sensitivity analysis is presented.

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)****19. FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit Risk*****Credit Risk Management***

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

The Company's Investment Evaluation Committee function is responsible for managing credit risks to which the Company is exposed.

Principal investment decisions are taken by senior management under advice from the credit function. The Investment Evaluation Committee 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 mirror 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 above, the Company enters into netting arrangements to mitigate its exposure to credit loss. The impact of offsetting financial assets and financial liabilities which are subject to netting agreements is not reflected in the balance sheet.

Credit Risk Exposure

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below, based on the carrying amount of the financial assets the Company believes is subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Company to a risk of loss due to default by the parties underlying these contracts are also disclosed.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

	<u>Maximum Exposure to Credit Risk 2008 £m</u>	<u>Maximum Exposure to Credit Risk 2007 £m</u>
Available-for-sale debt investments	17	40
Financial assets held for trading *	42,538	21,352
Financial assets designated at fair value through profit and loss	83	574
Collateral paid for securities purchased under agreements to resell	27,247	24,528
Collateral paid for securities borrowed	8,400	11,476
Other debtors	7,117	6,299
Investments – time deposits	4,367	2,346
Cash at bank and in hand	161	179
	89,931	66,794
Commitments to extend credit	12	-
Other commitments	88	112
	100	112
	90,031	66,906
Total exposure to credit risk	90,031	66,906

Other credit enhancements include netting agreements which provide protection to reduce the risks of counterparty default and, in some cases offset the Company's exposure with the same counterparty, which provide a more meaningful presentation of balance sheet credit exposure. Also included in this balance are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk, that are neither past due nor impaired, is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents.

*Further analysis can be found in Note 10 on page 38

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

	<u>Maximum Exposure to Credit Risk 2008 £m</u>	<u>Maximum Exposure to Credit Risk 2007 £m</u>
Credit Rating		
AAA	4,858	3,259
AA	26,994	22,503
A	27,633	23,388
BBB	3,395	1,931
Non-Investment grade	5,040	3,779
Unrated	22,011	11,718
Total exposure to credit risk by credit rating	89,931	66,578

The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Company and which do not require rating under the Company's credit management policies. This pool is highly diversified, subject to limits, and monitored on a regular basis.

Concentrations of Credit Risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with strongly rated credit institutions in the US and Europe. These concentrations generally arise from taking trading securities positions and may include securities pledged as collateral.

The Company is exposed to significant counterparty credit risk from fellow Nomura Holdings Inc group undertakings. The maximum credit exposure to fellow group undertakings is £19,545m (2007: £13,338m) and is rated using the Group's credit rating of 'A' (2007: 'A') or below.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Amounts past due but not impaired

Amounts which are past due but not impaired are those amounts which the Company believes are past due but still recoverable or which are sufficiently collateralised such that the fair value of the collateral pledged is sufficient to offset the amount of the outstanding obligation.

An ageing analysis of amounts past due but not impaired is provided in the table below:

	Amounts past due but not impaired				Total past due but not impaired
	<u>Less than 91 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	
	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>
Other debtors	112,480	594	3,432	15	116,521
Total	112,480	594	3,432	15	116,521

	Amounts past due but not impaired				Total past due but not impaired
	<u>Less than 91 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	
	<u>2007</u> <u>£'000s</u>	<u>2007</u> <u>£'000s</u>	<u>2007</u> <u>£'000s</u>	<u>2007</u> <u>£'000s</u>	<u>2007</u> <u>£'000s</u>
Other debtors	159,764	332	1,719	-	161,815
Total	159,764	332	1,719	-	161,815

Impaired financial assets

The Company assesses whether there is any objective evidence that a financial asset is impaired at each balance sheet date. An impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. The loss event has an impact on estimated future cash flows, after taking into account any collateral held; and if the impact of that loss can be reliably estimated.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

The table below presents information on specific assets subject to impairment losses during the period shown which are included under each FRS 26 classification:

	<u>Carrying amount prior to impairment</u>	<u>Impairment loss</u>	<u>Total impaired amounts</u>
	<u>2008</u> £'000s	<u>2008</u> £'000s	<u>2008</u> £'000s
Available-for-sale debt investments	2,509	(870)	1,639
Total	2,509	(870)	1,639
	<u>Carrying amount prior to impairment</u>	<u>Impairment loss</u>	<u>Total impaired amounts</u>
	<u>2007</u> £'000s	<u>2007</u> £'000s	<u>2007</u> £'000s
Available-for-sale debt investments	8,000	(7,000)	1,000
Total	8,000	(7,000)	1,000

As at 31 March 2008 the cumulative impairment loss on available-for-sale investments was £7.9m (2007: £7m).

Liquidity Risk**Liquidity Risk Management**

The Company defines liquidity risk as the potential inability to meet financial obligations as they become due. We therefore seek to ensure adequate liquidity across market cycles and through periods of stress. This is achieved through a controlled 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, the Treasury department 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 the Treasury department 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivatives contained within the Company's trading portfolio and other instruments containing embedded derivatives (including structured note issuances and other financial liabilities designated at fair value) are presented at their fair values. Derivatives are disclosed on demand while financial liabilities designated at fair value are disclosed based on their earliest redemption date. All other instruments are presented on an undiscounted cash flow basis. This presentation is considered to reflect the liquidity risk arising from the Company's financial liabilities and is consistent with how this risk is managed by the Company.

	<u>On</u> <u>demand</u> <u>2008</u> £m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2008</u> £m	<u>31 – 90</u> <u>days</u> <u>2008</u> £m	<u>91 days</u> <u>– 1 year</u> <u>2008</u> £m	<u>1 – 5</u> <u>years</u> <u>2008</u> £m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2008</u> £m	<u>Total</u> <u>2008</u> £m
Financial liabilities held-for-trading	36,666			178			36,844
Financial liabilities designated at fair value	99						99
Collateral received for securities sold under agreements to repurchase	1,105	22,677	2,497	1,079			27,358
Collateral received for securities loaned	6,563						6,563
Other creditors	6,634	8,020	306				14,960
Commercial paper		71	32	444			547
Subordinated debt				600	1,329	385	2,314
	51,067	30,768	2,835	2,301	1,329	385	88,685
Other commitments					207		207
Standby letters of credit and other guarantees					7		7
					214		214
Total exposure to liquidity risk	51,067	30,768	2,835	2,301	1,543	385	88,899

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

	<u>On</u> <u>demand</u> <u>2007</u> £m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2007</u> £m	<u>31 – 90</u> <u>days</u> <u>2007</u> £m	<u>91 days</u> <u>– 1 year</u> <u>2007</u> £m	<u>1 – 5</u> <u>years</u> <u>2007</u> £m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2007</u> £m	<u>Total</u> <u>2007</u> £m
Financial liabilities held-for-trading	11,811			176			11,987
Financial liabilities designated at fair value	626						626
Collateral received for securities sold under agreements to repurchase	2,489	21,644	3,328				27,461
Collateral received for securities loaned	11,992						11,992
Other creditors	6,095	5,377	100	36			11,608
Commercial paper		259	155	20			434
Subordinated debt					813	381	1,194
	33,013	27,280	3,583	232	813	381	65,302
Other commitments					69		69
Standby letters of credit and other guarantees					7		7
					76		76
Total exposure to liquidity risk	33,013	27,280	3,583	232	889	381	65,378

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets and financial liabilities

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.

The carrying value of financial instruments not measured at fair value is a reasonable approximation of fair value for the majority of these holdings due to the short-term nature of these financial assets and liabilities.

Financial Instruments Valued Using Unobservable Market Data

Certain financial assets and liabilities are valued using valuation techniques which rely on parameters which are not observable in the market due to an absence of equivalent, current, market transactions or observable market data.

These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments at the balance sheet date is plus and/or minus £40,603,624 (2007: £50,641,563).

Where the use of valuation techniques with significant unobservable parameters generates a gain or loss at inception, this is deferred over the life of the contract, until the parameters become observable or the instrument is terminated. Changes in fair value after inception are recognised in the income statement. The total fair value change recognised in profit or loss attributable to these financial instruments at balance sheet date is £362,304,686 (2007: £4,692,486).

The amounts not recognised during the year relating to the difference between the transaction price and the fair value determined using a valuation technique with unobservable parameters is shown in the table below:

	<u>2008</u> £'000	<u>2007</u> £'000
As at 1 April	101,675	45,545
New transactions	29,758	60,775
Transfers to fellow Nomura Holdings Inc. group undertakings	(61,723)	
Redemptions and terminations	(3,421)	(4,645)
	<hr/>	<hr/>
As at 31 March	66,289	101,675

The transfers to fellow Nomura Holdings Inc. group undertakings resulted from the execution of market risk hedges on a portfolio of derivative contracts. There were no amounts recognised in the profit or loss as a result of this transfer.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	<u>2008</u>	<u>2007</u>
	£m	£m
Bond and equity derivatives	412	187
Convertible bonds	(246)	(251)
Equities	239	305
Warrants	151	104
Government bonds	(598)	56
Bank and corporate bonds	(78)	(269)
Interest rate derivatives	242	281
Currency derivatives	20	73
Credit derivatives	43	53
	<u>185</u>	<u>539</u>

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.

20. CAPITAL MANAGEMENT POLICY

The objectives of the Company's capital management policies are to ensure that the Company complies with externally imposed capital requirements and to seek to enhance shareholder value by capturing business opportunities as they develop. To achieve these goals, sufficient capital is maintained to support the Company's business and to withstand losses due to extreme market movements.

The Company reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of balance sheet size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The company is subject and has complied with the regulatory requirements imposed by the Financial Services Authority (FSA) under the Basel II framework.

No changes were made in the objectives, policies or processes for managing capital during the year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

20. CAPITAL MANAGEMENT POLICY (CONTINUED)

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FSA for supervisory purposes define three 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, reserves and retained earnings. Tier 2 includes long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity for market and counterparty risks. Tier 3 capital comprises short-term subordinated debt and current year trading book profit/(loss). The use of tier 3 capital is restricted on trading activities only and is not eligible to support counterparty risk.

	<u>2008</u> £'000	<u>2007</u> £'000
Tier 1 capital	994,566	666,798
Tier 2 capital	494,647	333,399
Tier 1 & 2 capital	1,489,213	1,000,197
Tier 3 capital	1,818,636	1,268,382
Total deductions from capital	(5,272)	-
Total capital resources	3,302,577	2,268,579

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

21. OPERATING LEASE COMMITMENTS

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

	<u>2008</u> <u>Buildings</u> £'000	<u>2008</u> <u>Other</u> £'000	<u>2007</u> <u>Buildings</u> £'000	<u>2007</u> <u>Other</u> £'000
Within one year	-	2,988	578	2,852
Within two to five years	2,910	1,960	2,910	1,721
After five years	11,027	-	11,759	14
	<u>13,937</u>	<u>4,948</u>	<u>15,247</u>	<u>4,587</u>

22. EMPLOYEES

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

	<u>Year ended</u> <u>31 March 2008</u> Number	<u>Year ended</u> <u>31 March 2007</u> Number
Spain	6	7
Vienna	6	4
United Kingdom	1,206	1,075
	<u>1,218</u>	<u>1,086</u>

23. DIRECTORS' EMOLUMENTS

	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Salaries, allowances and taxable benefits	1,450	1,345
Company contributions to Group Personal Pension	10	14
Bonuses	547	910
	<u>2,007</u>	<u>2,269</u>

One Director (2007: 1) had retirement benefits accruing under the Company Group Personal Pension.

The highest paid Director received emoluments of £627,595 (2007: £1,071,303) and company contributions to the Group Personal Pension of £6,991 (2007: £13,575).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

24. SHARE-BASED PAYMENTS

The ultimate holding company, Nomura Holdings Inc., has issued two types of share option schemes – stock option plan A and stock option plan B

For both plans the share options have a vesting date of two years from grant date and during this period the options may not be exercised.

The exercise price of stock option plan A will be determined by reference to the market price of the ultimate holding company's common stock, whilst that of stock option plan B will be 1¥ per share.

For both stock option plans, these stock options are exercisable during a period to fall within seven years of the allotment's date, which is to be decided by the ultimate holding company's board of Directors or an executive office designated by the board of Directors.

The following table for stock option plan A lists the inputs to the model used for the year ended 31st March 2008:

<u>Date of grant of share options</u>	<u>Dividend yield</u> %	<u>Historical volatility</u> %	<u>Risk-free interest rate</u> %	<u>Expected life of options</u> Years	<u>Share Price at Grant Date</u> ¥
02 Aug 2002	2.49	43.72	0.73	7	1,520
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
01 Aug 2007	3.04	33.85	1.65	6	2,210

Under stock option plan B, the share price has been used as an estimate for the fair value at grant date.

For both stock option plans it has been assumed that all options will vest given that there is insignificant historical experience available to provide a reliable estimate.

The expense recognised for employee services received during the year was £42,977,398 (2007: £nil). Prior to the current period the amount of options in the vesting period granted to the Company's employees was identified as not significant and hence no expense has previously been recognised in relation to the two share option schemes.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

24. SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of share options outstanding during the year

<u>Date of grant of share options</u>	<u>Exercise period of share options</u>	<u>Exercise price per share</u>	<u>No. of shares for each option</u>	<u>Price of ultimate holding company's share at grant date of options</u>	<u>As at 1st April 2007</u>	<u>Granted during the year</u>	<u>Number of share options</u>			<u>Net transfer during the year</u>
							<u>Exercised during the year</u>	<u>Expired during the year</u>	<u>Forfeited during the year</u>	
		¥		¥						
05 Aug 2002	01 Jul 2004 to 30 Jun 2009	1,807	1,000	1,520	2	0	0	0	0	0
22 Jul 2003	01 Jul 2005 to 30 Jun 2010	1,631	1,000	1,553	2	0	0	0	0	0
04 Jun 2004	05 Jun 2006 to 04 Jun 2011	1	1,000	1,620	80	0	(66)	0	0	0
16 Aug 2004	01 Jul 2006 to 30 Jun 2011	1,616	1,000	1,453	2	0	0	0	0	0
25 Apr 2005	26 Apr 2007 to 25 Apr 2012	1	1,000	1,368	599	0	(311)	0	0	(12)
25 Jul 2005	26 Jul 2007 to 25 Jul 2012	1	100	1,335	2,056	0	(1,573)	0	(53)	0
25 Jul 2005	01 Jul 2007 to 30 Jun 2012	1,415	100	1,335	90	0	(30)	0	0	0
24 Apr 2006	25 Apr 2008 to 24 Apr 2013	1	100	2,525	17,377	0	0	0	(1,570)	(237)
12 Jun 2006	13 Jun 2008 to 12 Jun 2013	1	100	2,105	454	0	0	0	(190)	0
14 Jul 2006	07 Jul 2008 to 06 Jul 2013	2,210	100	2,020	150	0	0	0	0	0
25 Apr 2007	26 Apr 2009 to 25 Apr 2014	1	100	2,330	0	39,491	0	0	(4,829)	(716)
21 Jun 2007	22 Jun 2009 to 21 Jun 2014	1	100	2,555	0	927	0	0	0	0
01 Aug 2007	02 Aug 2009 to 01 Aug 2014	2,382	100	2,210	0	150	0	0	0	0
01 Aug 2007	26 Aug 2009 to 25 Aug 2014	1	100	2,210	0	267	0	0	0	0
19 Oct 2007	02 Oct 2009 to 01 Oct 2014	1	100	1,944	0	1,826	0	0	0	0

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

24. SHARE-BASED PAYMENTS (CONTINUED)

The following table illustrates the number and weighted average exercise price of the following groups of share options:

	Share Option Plan	Number of share options		Weighted average exercise price ¥
Outstanding at the beginning of the year	A	246		1,858
	B	20,556		1
			20,802	
Granted during the year	A	150		2,382
	B	42,511		1
			42,661	
Forfeited during the year	A	-		-
	B	(7,607)		1
			(7,607)	
Exercised during the year	A	(30)		1,409
	B	(1,950)		1
			(1,980)	
Expired during the year	A	-		-
	B	-		-
			-	
Outstanding at the end of the year	A	366		2,077
	B	53,510		1
Exercisable at the end of the year	A	66		1,541
	B	720		1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

25. CAPITAL COMMITMENTS

As at 31 March 2008 there were capital commitments of £2,394,150 relating to assets in the course of construction (2007: £3,973,658).

26. 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 2008, £1.5m (2007: £1.1m) was earned from the interest income on loans financed and bonds and £3.8m (2007: £nil) from fees and other income. In addition, proceeds from investments wholly or partly disposed of during the year totalled £9.9m (2007: £nil).

The amounts above were transacted with the following related parties;

31 March 2008

Nations Healthcare Limited
Lifeways Community Care Limited

31 March 2007

Nations Healthcare Limited

Balance Sheet

Aggregate amounts due from related parties were as follows:

	<u>2008</u>	<u>2007</u>
	£m	£m
Gross amount receivable	23.0	36.3
Reserve against gross balance	(0.4)	(10.0)
Net amount receivable	<u>22.6</u>	<u>26.3</u>

The amounts above were due from the following related parties:

31 March 2008

Meymott Street Holdings Limited
Annington Development (Holdings) Limited
Annington Rentals (Holdings) Limited
Annington Homes Limited
Nations Healthcare Limited

31 March 2007

Meymott Street Holdings Limited
Annington Development (Holdings) Limited
Annington Rentals (Holdings) Limited
Annington Homes Limited
Nations Healthcare Limited
Lifeways Community Care Limited

As at 31 March 2008, the Company had financial guarantees of £6,500,000 (2007: £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 2008 (CONTINUED)

27. 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

The German bank West LB AG ("WestLB") issued two sets of High court proceedings in England against NIP (details of the claims were only made known to NIP in December 2006 and July 2007 respectively).

These claims relate to the Box Clever group ("Box Clever") which was created by the merger of the TV rental businesses of Thorn UK Limited ("Thorn") (then owned by NIP) and the Granada Group in June 2000. The merger was financed by WestLB who provided a loan facility to Box Clever to purchase the relevant Thorn and Granada businesses. In June 2002, the cash flows from the rental business of Box Clever were securitized, with WestLB acting as arranger and also as the joint lead manager with a Canadian investment bank. In September 2003, Box Clever ran into financial difficulties and was placed into administrative receivership.

WestLB's claims relate to NIP's compilation and the provision and accuracy of information and projections regarding the financial strength of Thorn and the future performance of Box Clever in relation to the 2000 merger and 2002 securitisation. WestLB claims to have relied on this material to its detriment and seeks to recover from NIP approximately £460 million with other unquantified losses, being the loss WestLB claims to have suffered following the failure of the Box Clever group.

The Company's Directors have sought legal advice in connection with the matters above and believe that WestLB's claims are without merit. The Company will vigorously defend them.

Italian Tax Dispute

On 25 January 2008 the Company was served with a Tax Notice issued by the Tax Authorities in Pescara, Italy alleging breaches by the Company of the UK - Italy Double Taxation Treaty of 1998. The alleged breaches relate to payments to the Company of tax credits payable on dividends on Italian shares. The Tax Notice not only denies certain payments to which the Company claims to be entitled but also seeks reimbursement by the Company of sums already refunded to it (in the amount of EURO 33.8 million, including interest).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Italian Tax Dispute (Continued)

On 25 March 2008, the Company lodged an appeal against the Tax Notice rejecting the Italian Tax Authorities' demands for reimbursement and advancing the Company's claims for further refunds.

The Company's Directors have sought legal advice in connection with the matters above and believe that the Tax Notice has been wrongly raised against the Company. The Company will vigorously contest the appeal.

Commitments

The Company had commitments as at 31 March 2008 amounting to £99,515,130 (2007: £111,551,876) 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 2008 in respect of forward starting purchase and resale agreements with third parties.

28. EVENTS AFTER THE BALANCE SHEET DATE

IPB

In 1998, a fellow Nomura Holdings Inc. group undertaking, Nomura Principal Investment plc, acquired approximately 46% of the issued share capital of Investicni a postovni banka, a.s. (IPB), a Czech bank. In June, 2000, the Czech National Bank placed IPB into forced administration and the administrator transferred IPB's entire business to Ceskoslovenska obchodni banka, another Czech bank. Two separate international arbitration proceedings, one commenced by and the other against the Czech Republic, arose out of the above circumstances.

In March 2006, an award was issued in relation to the arbitration against the Czech Republic which found the Czech Republic's actions pertaining to IPB to have been a breach of the Czech Republic's international obligations for fair and equitable treatment under the applicable Bilateral Investor Treaty. In November 2006, the Czech Republic entered into a Settlement Agreement with various Nomura parties as a result of which both of the international arbitration proceedings were terminated and the disputes with the Czech Republic resolved.

On 6 June, 2008, pursuant to the terms of that Settlement Agreement, the amount of damages that the Czech Republic should pay to Nomura was determined to be CZK 2.8 billion (£92m) plus interest. Accordingly, the sum of CZK 3.61 billion (£119m) was received by the Company on 1 July 2008.

Fixed Assets

On 29 April 2008 the Company sold the majority of its tangible fixed assets to Nomura Properties plc, its landlord, as part of the proposed sale and leaseback of its main premises, Nomura House.

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008 (CONTINUED)****29. 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.