NOMURA INTERNATIONAL PLC

ANNUAL REPORT
31 March 2017

COMPANY REGISTRATION NUMBER 1550505

STRICTLY PRIVATE AND CONFIDENTIAL

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2017

STRATEGIC REPORT

The Directors of Nomura International plc (the "Company") present their Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2017. The Company is incorporated in England and Wales and its registered office is at 1 Angel Lane, London, EC4R 3AB.

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.

REVIEW OF THE COMPANY'S BUSINESS, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

Principal Activity

The Company is a London-based securities broker/dealer operating company and is a wholly owned subsidiary of Nomura Europe Holdings plc ("NEHS"). The Company's ultimate parent undertaking and controlling entity is Nomura Holdings, Inc. ("NHI"), which together with the Company, NEHS, and NHI's other subsidiary undertakings, form the "Nomura Group". 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; and
- corporate finance and private equity.

The Company operates branches in Madrid, Dubai, Milan, Stockholm, Doha, Helsinki, Frankfurt and Cape Town.

The Nomura Group is one of the leading financial services groups in Japan and it operates offices in countries and regions worldwide including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region. Nomura Group's business consists of Retail, Asset Management and Wholesale divisions, which provide a wide range of products and services to a large and diversified group of clients and customers, including individuals, corporations, financial institutions, governments and governmental agencies. As a key contributor to the Nomura Group's Wholesale Division, which is comprised of Global Markets and Investment Banking activity, the Company is an important member of the Nomura Group both for European-based business and for the Group's Asian and Americas businesses that leverage the Company's well developed infrastructure and wide client reach.

Regulations

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA. The Company is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the PRA. The Company is in compliance with these requirements which remain stringent.

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

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Trading profit	1,779,255	1,264,729
Net interest payable	(320,391)	(302,413)
Operating profit / (loss)	12,128	(692,307)
Loss before taxation	(26,811)	(749,176)
Loss for the financial year	(39,400)	(718,340)
Total assets	291,609,539	383,005,749
Total liabilities	286,587,757	377,984,866
Shareholders' funds	5,021,782	5,020,883

The turnaround in operating profit has resulted in a lower loss before taxation for the year of $26,811,000 (March 2016: loss of $749,176,000).This reflects a significantly improved year on year performance, driven by increased trading revenue, reduced expenses and a one off loss in the prior year, on Banca Monte dei Paschi di Siena SpA ("MPS") settlement, not repeated.

The Company's trading profit for the year, excluding the one off MPS loss, increased by 13% to $1,779,255,000. This increase was primarily driven by strong performance in Global Markets, within Rates and Credit products, driven from higher client activity and market volatility.

General and administrative expenses decreased by 13% to $1,446,736,000 (March 2016: $1,654,623,000). Reported expenses for the year included one off business costs of $88,000,000, resulting from the restructuring of certain businesses within the Wholesale Division announced in April 2016. As a result of this restructuring the Company has benefited from a reduced expense base.

The Company continues to be impacted by the Nomura Group's multi-year programme to deliver its legal entity strategy. Through novation of client facing trades to other entities within the Nomura Group and due to trade compression and other initiatives the Company has reduced the size of its balance sheet by 24% to $291,609,539,000.

The Nomura Group's legal entity strategy aims to enhance the focus on clients by matching local expertise, trading activities and risk management to the needs of clients in each respective region. This is to be achieved through a multi-year programme to align clients to their respective regions where possible, either through novation or other initiatives.

During the fiscal year end March 2017, the global economy continued to see a moderate recovery in growth, although the situation varied from region to region. In Europe, including the UK, the underlying economy was favourable as a result of growth in capital expenditure and fiscal spending. However the Company expects that market volatility and uncertainty in the global economy will continue to provide a challenging business environment.

Therefore the Company will continue focus on delivering high value-added products and solutions to its clients for the year ending 31 March 2018 whist remaining alert to the impacts of economic and geopolitical pressures and manage risks accordingly.

RISK MANAGEMENT

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, cross-border risk, model risk, liquidity and funding risks, and business risk. Further information on these risks and the Company's risk management is provided in note 18 to the financial statements.

These risks are managed through sub-committees of the Board of NEHS, the Company's immediate parent. These include a Prudential Risk Committee ("PRC"), having oversight of, and providing advice to, the Board on the NEHS Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework. Additionally there are committees dedicated to overseeing cross-border risk in relation to non-Europe Middle East and Africa ("non-EMEA") business booked into certain European entities, including the Company.

The Company's risk management framework is closely aligned to Nomura Group's risk management framework but, through its local governance, the Company determines, where deemed necessary, specific risk management controls, policies and procedures and articulates its risk appetite, which is the maximum level and types of risk that the Company is willing to assume in line with the Nomura Group's risk appetite and in pursuit of its strategic objectives and business plan.

FUTURE DEVELOPMENTS

U.K. Referendum (BREXIT)

Following the Brexit referendum held in June 2016, the U.K. Prime Minister triggered Article 50 of the Treaty of the Functioning of the European Union to start the formal exit process on 29 March 2017, meaning that the U.K. is on a course to leave the EU by the end of March 2019. The terms of withdrawal and agreements outlining any new relationships between the U.K. and the EU will be negotiated during this two year period. In the meantime, the U.K. remains a full member of the EU. The U.K. financial services sector currently relies on access to the EU single market to conduct business across borders within the EU. However the U.K. government has said that it will not seek to remain part of the single market after Brexit. It is not yet clear whether an agreement can be reached through other means in order to maintain a similar level access for U.K.-based firms and so the precise impact of Brexit on financial services cannot yet be judged.

The Nomura Group on 27 June 2017 announced that it has begun the formal application for a license in Germany to operate a new entity based in Frankfurt. Nomura Group has been actively planning since before the referendum took place to ensure that the company meets the needs of its global and regional clients, no matter what the final terms of the U.K.'s exit from the EU are. The aim remains to minimize disruption for clients and employees. Nomura will be fully prepared to provide a continued, uninterrupted service to its clients by the time the U.K. exits the EU in 2019.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2017

STRATEGIC REPORT (CONTINUED)

Regulatory Changes

European Financial Regulation Reform

In November 2016, the European Commission published a comprehensive regulatory reform package which aims to continue the reforms that the EU implemented in the wake of the financial crisis. The proposals seek to amend to the existing prudential regime implemented through the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), with the amendments to those regulations known as CRD5 and CRR2, the Bank Recovery and Resolution Directive ("BRRD") and the Single Resolution Mechanism ("SRM").

These proposals are now subject to further discussion and negotiation among European policy-makers and it is not possible to anticipate their final content. The proposals are expected to be introduced in the EU in 2019 at the earliest, with Member States implementing the new rules in 2020-21 based on current estimates.

In light of these potential developments as well as the impact of the U.K.'s decision to leave the EU following the result of the EU Referendum, there remains uncertainty as to the rules which may apply to the Company post 2019.

EMPLOYEE MATTERS

The Company operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Company's environment retains a culture which is conducive to good working and high performance.

Internal communication and access to training and personal development opportunities are in place to support this.

The Company remains strongly committed to the principle of equal employment opportunity for all employees and to provide employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and sexual orientation. Our recruitment, development and promotion procedures embed these principles.

The Nomura Group has an established policy of communicating with all its employees regularly, including U.K. employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all U.K. employees as well as communication and updates on the employee training programs that are available. All U.K. employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Company is not listed in the U.K. and therefore does not operate an employee share scheme. However employee involvement in the performance of the Company is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Company and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Company's financial performance is discussed.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2017

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT AND ENERGY

Nomura International plc believes a healthy environment is the foundation of stable economic and social conditions for future generations. The Company is committed to acting in an environmentally responsible manner and to achieving energy performance improvement.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly and energy efficient goods and services;
- assesses environmental risks and continually strives to minimize pollution to mitigate our effect on climate change;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and the use of natural resources in order to minimize the impact of its footprint on the environment;
- is committed to continual improvement in energy performance;
- aims to maximize the efficiency of its property portfolio through effective asset management covering utilization, maintenance, accessibility and disposals;
- promote the importance of biodiversity and a healthy ecosystem;
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives;
- will make available the necessary resources to achieve our environmental and energy objectives and targets; and
- makes this policy available for public viewing.

The Nomura Group makes this policy available for public viewing on request.

BY ORDER OF THE BOARD AT A MEETING HELD ON 20 JULY 2017

Christopher Barlow
Company Secretary

20 July 2017

Company Registration Number 1550505

NOMURA

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2017

DIRECTORS' REPORT

The Directors present their report and financial statement of the Company which comprises of the income statement, statement of comprehensive income, and statement of changes in equity, statement of financial position, cash flow and related notes 1-31.

RESULTS AND DIVIDENDS

The results for the year are set out on page 12. The loss transferred to reserves for the year amounted to $39,400,000 (2016: loss of $718,340,000).

No interim dividend was paid (2016: nil) and the Directors do not recommend the payment of a final dividend (2016: nil).

TANGIBLE ASSETS

Movements in tangible assets are shown in Note 7 to the financial statements.

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

No events to report post balance sheet date.

DONATIONS

No political donations were made during the year (2016: nil).

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's risk management objectives and policies are described in Note 18 on page 63 to the financial statements. Further analysis on financial instruments is disclosed in Note 10 and 19 on page 49 and 91 respectively. The accounting policies with respect to financial instruments are described within Note 1 on page 17.

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Company, along with information pertaining to branches of the Company outside of the United Kingdom and employee matters have both been discussed in the Company's Strategic Report.

DIRECTORS

The current Directors and those serving during all or part of the year are:

David Godfrey	Non-Executive Chairman (appointed on 07 April 2017)
	Non-Executive Director
Jonathan Lewis	Chief Executive Officer
	Executive Director
Lewis O'Donald	Executive Director
John Tierney	Executive Director (appointed on 15 September 2016)
Jonathan Britton	Non-Executive Director
Sir Andrew Cahn	Non-Executive Director
David Benson	Non-Executive Director
Maria Bentley	Non-Executive Director (appointed on 01 June 2017)
Rosemary Murray	Non-Executive Director (appointed on 15 December 2016)
Hisato Miyashita	Non-Executive Director (appointed on 22 June 2016)
James Leng	Non-Executive Chairman (resigned 07 April 2017)
	Non-Executive Director (resigned 07 April 2017)
Paul Spanswick	Executive Director (resigned 27 July 2016)
Minoru Shinohara	Executive Director (resigned 01 June 2017)
David Findlay	Non-Executive Director (resigned 27 July 2016)
Hiroyuki Suzuki	Non-Executive Director (resigned 22 June 2016)

DIRECTORS' INDEMNITIES

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Company has agreed to indemnify certain Directors of the Company, Directors of certain associated Companies to the extent permitted by law and in accordance with the Company's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company. In addition, NHI effected a global Directors and Officers liability insurance program for the benefit of the Nomura Group.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. Its objectives, policies and processes for risk management, and its exposures to credit and liquidity risk, are described in Note 18 on page 63 to the financial statements. Its capital management procedures and available capital resources are described in Note 21 on page 104.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' report are listed on the previous page. 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 authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2017

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable U.K. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable U.K. 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 they consider that to be inappropriate.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

BY ORDER OF THE BOARD AT A MEETING HELD ON 20 JULY 2017

Christopher Barlow
Company Secretary

20 July 2017

Company Registration number 1550505

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

We have audited the financial statements of Nomura International Plc ("the Company") for the year ended 31st of March 2017 which comprises the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (U.K. and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st of March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Maurice McCormick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

NOMURA INTERNATIONAL PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2017

Notes		Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
1(e),2	**TRADING PROFIT**	1,779,255	1,264,729
		1,779,255	1,264,729
1(f),3	Interest receivable and similar income	1,099,370	757,236
1(f),3	Interest payable and similar expenses	(1,419,761)	(1,059,649)
	Net interest payable	(320,391)	(302,413)
	General and administrative expenses	(1,446,736)	(1,654,623)
	OPERATING PROFIT / (LOSS)	12,128	(692,307)
	Interest payable on subordinated borrowings	(38,939)	(56,869)
4	**LOSS BEFORE TAXATION**	(26,811)	(749,176)
6	Taxation on gain / (loss)	(12,589)	30,836
	LOSS FOR THE FINANCIAL YEAR	(39,400)	(718,340)
	OTHER COMPREHENSIVE INCOME:		
	Items that can be reclassified to profit and loss		
	- Gain / (Loss) on available-for-sale investments	(335)	358
	- Foreign currency loss	(2,653)	(4,912)
		(2,988)	(4,554)
	Tax on items relating to components of other comprehensive income	110	31
	Other comprehensive loss for the year, net of tax	(2,878)	(4,523)
	TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(42,278)	(722,863)

The notes on pages 17 to 114 form part of these financial statements.

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

Available for sale gains and losses recognized in other comprehensive income will be reclassified into profit or loss on its disposal or impairment. The foreign currency gains and losses resulting from the translation of foreign operations will be reclassified into profit or loss on its disposal or liquidation.

NOMURA INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 March 2017

	Called-up Share Capital $'000	Share Premium $'000	Other Reserve $'000	Capital Redemption Reserve $'000	Available For Sale Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	Total $'000
At 1 April 2016	9,991,226	27,479	(17,475)	184,499	4,246	1,004,216	(6,173,308)	5,020,883
Loss for the year	-	-	-	-	-	-	(39,400)	(39,400)
Other comprehensive loss	-	-	(2,653)	-	(224)	-	-	(2,877)
Total comprehensive loss	-	-	(2,653)	-	(224)	-	(39,400)	(42,277)
Share based payment reserve	-	-	-	-	-	43,176	-	43,176
At 31 March 2017	**9,991,226**	**27,479**	**(20,128)**	**184,499**	**4,022**	**1,047,392**	**(6,212,708)**	**5,021,782**

	Called-up Share Capital $'000	Share Premium $'000	Other Reserve $'000	Capital Redemption Reserve $'000	Available For Sale Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	Total $'000
At 1 April 2015	8,376,226	27,479	(12,563)	184,499	3,857	866,874	(5,454,968)	3,991,404
Loss for the year	-	-	-	-	-	-	(718,340)	(718,340)
Other Comprehensive loss	-	-	(4,912)	-	389	-	-	(4,523)
Total Comprehensive loss	-	-	(4,912)	-	389	-	(718,340)	(722,863)
Share based payment reserve	-	-	-	-	-	137,342	-	137,342
New Share capital subscribed	1,615,000	-	-	-	-	-	-	1,615,000
At 31 March 2016	**9,991,226**	**27,479**	**(17,475)**	**184,499**	**4,246**	**1,004,216**	**(6,173,308)**	**5,020,883**

The notes on pages 17 to 114 form part of these financial statements.

NOMURA

NOMURA INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 March 2017

Notes		Year Ended 31 March 2017 $'000	Year Ended 31 March 2016 $'000
	Assets		
	Cash in bank and in hand	5,363,858	4,827,183
1(c),10,18	Financial assets held for trading	172,777,589	261,154,855
10	Investment time deposit	422,336	954,063
	Current tax receivable	33,202	39,112
10	Collateral posted for securities purchased under agreements to resell	82,547,363	78,858,310
10	Collateral posted for securities borrowed	11,963,227	17,565,535
12	Other Debtors	18,473,999	19,559,602
10,18	Available-for-sale Investment	5,139	5,474
7	Tangible Fixed Assets	17,263	20,249
8	Intangible Fixed Assets	5,502	8,462
9	Investment in subsidiaries	61	12,904
	Total Assets	291,609,539	383,005,749
	Liabilities		
1(c),10,18	Financial liabilities held for trading	171,512,396	245,701,181
	Current tax payable	-	1,165
13	Other creditors	34,891,815	38,341,183
10	Collateral received for securities sold under agreements to repurchase	70,545,566	75,163,108
10	Collateral received for securities loaned	7,162,856	15,743,495
10,15	Creditors (amounts falling due after more than one year)	2,475,124	3,034,734
	Total Liabilities	286,587,757	377,984,866
	Shareholders' funds		
16	Called up share capital	9,991,226	9,991,226
17	Share premium	27,479	27,479
17	Other reserve	(20,128)	(17,475)
17	Capital redemption reserve	184,499	184,499
17	Available-for-sale reserve	4,022	4,246
17	Share-based payment reserve	1,047,392	1,004,216
17	Retained earnings	(6,212,708)	(6,173,308)
	Total Equity	5,021,782	5,020,883
	Total Liabilities and Equity	291,609,539	383,005,749

Approved by the board of Directors on 20 July 2017 and subsequently signed on its behalf on 20 July 2017 by

John Tierney,

Director

The notes on pages 17 to 114 form part of these financial statements.

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2017

	Year Ended 31 March 2017 $'000	Year Ended 31 March 2016 $'000
Operating activities		
Loss before tax	**(26,811)**	**(749,176)**
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	8,712	22,525
Software expenses	60,785	68,453
Share-based payment expense	43,176	137,342
Foreign exchange loss	(1,521)	(5,292)
Loss on investment in subsidiary	12,847	-
Interest paid on subordinated borrowings	38,939	56,869
Change in working capital adjustments		
Net change in financial assets held of trading	88,377,266	80,921,417
Net change in collateral posted for securities purchased under agreements to resell	(3,689,053)	(8,288,481)
Net change in collateral posted for securities borrowed	5,602,308	(29,008)
Net change in other debtors	1,072,894	4,460,084
Net change in investments – time deposits	531,727	(571,664)
Net change in financial liabilities held for trading	(74,188,785)	(73,927,058)
Net change in collateral received for securities sold under agreements to repurchase	(4,617,542)	2,444,665
Net change in collateral received for securities loaned	(8,580,639)	1,696,629
Net change in other creditors	(3,449,679)	(2,977,866)
Income tax received/(paid)	(7,735)	(8,120)
Net cash flow from operating activities	**1,186,889**	**3,251,319**
Investing activities		
Purchase of fixed assets	(52,331)	(71,278)
Movement in investment in subsidiaries	(4)	(9)
Proceeds from disposal of fixed assets	358	2,451
Net cash used in investing activities	**(51,977)**	**(68,836)**

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2017 (CONTINUED)

	Year Ended 31 March 2017 $'000	Year Ended 31 March 2016 $'000
Financing activities		
Share capital issued	-	1,615,000
Repayment of subordinated borrowings	-	(1,465,000)
Repayment in loans and other liabilities	(559,610)	(426,092)
Interest paid on subordinated borrowings	(38,939)	(56,869)
Net cash used in financing activities	**(598,549)**	**(332,961)**
Net increase in Cash at bank and in hand	**536,363**	**2,849,522**
Cash at 1 April	**4,735,736**	**1,886,214**
Cash at 31 March	**5,272,099**	**4,735,736**
Included within operational cash flows		
Interest paid	(1,450,501)	(1,039,770)
Interest received	1,126,343	692,804

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Company has prepared financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and on a going concern basis.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 regarding the reconciliation of outstanding shares, paragraph 73(e) of IAS 16 regarding the reconciliation of opening to closing balances for fixed assets and paragraph 118(e) of IAS 38 regarding the reconciliation of opening to closing balances for intangible assets;
b) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments so that only the descriptions of the share-based payments, the range of exercise prices and weighted average remaining contractual life of the share options outstanding; and the weighted average share price on exercised options is required to be disclosed;
c) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose standards that have been issued but are not yet effective;
d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation; and
e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report. The Company's financial statements are presented in United States Dollar ("USD") and all values are rounded to the nearest thousand USD ($'000) except when otherwise indicated. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from having to prepare group accounts since it is a wholly owned subsidiary of NEHS, a company registered in the U.K.. The results of the Company are included in the consolidated financial statements of NHI, the ultimate parent company. See Note 31 for further details on ultimate and immediate parent companies.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgment; and
- Recoverability of deferred tax assets.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments

Financial instruments within the scope of IAS 39 are classified either as financial assets or liabilities at fair value through profit or loss, loans and receivables, financial liabilities at amortized cost, available-for-sale investments or held-to-maturity investments.

The Company determines the classification of its financial assets on initial recognition depending on 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 IAS 39, 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 recognized as regular way transactions, on a settlement date basis. Derivatives are also classified as held for trading.

Derivative instruments, as detailed in note 18, are used for trading and risk management purposes. In accordance with IAS 39, all derivatives are recognized 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 on the Statement of Financial Position.

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, the fair value option is not elected.

b. Financial instruments designated at fair value through profit and loss

Any financial asset or financial liability within the scope of IAS 39 may be designated when initially recognized as a financial asset or financial liability at fair value through profit or loss, assuming the criteria described in note 1(c) (i) 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. The Company applies the fair value option to the following instruments:

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

b. Financial instruments designated at fair value through profit and loss (continued)

- Certain loans and receivables and repos and reverse repos which are risk managed on a fair value basis: The Company elects the fair value option to mitigate profit and loss 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 as these financial instruments contain an embedded derivative that significantly modifies the cash flows resulting from the financial instrument;
- Financial liabilities associated with continuing involvement in assets derecognized under IAS 39: The fair value option is elected to mitigate profit and loss volatility which would arise between these liabilities and their related assets which are measured at fair value;
- Prepaid over-the-counter ("OTC") Contracts: These are transactions 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 categorized as held for trading; and
- 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.

Financial instruments designated at fair value are generally recognized on a settlement date basis.

When a fair value financial asset or liability is recognized initially, the Company measures it at its fair value and transaction costs are taken directly to profit and loss. 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 recognized 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) Available-for-sale investments

Available-for-sale investments include securities not classified as held for trading or designated at fair value through profit and loss. Available-for-sale investments are initially recognised at fair value and are subsequently held at fair value with unrealised gains or losses being recognised in other comprehensive income. Transaction costs on equity investments classified as available-for-sale are capitalised on initial recognition of the investment.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued):

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

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 other comprehensive income 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 other comprehensive income. Any foreign exchange gains or losses arising on available-for-sale financial investments are recognised in profit and loss.

(iv) 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 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 profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

b. Financial liabilities at amortised cost

Financial liabilities at amortised cost include financial obligations such as cash collateral received for securities sold under agreements to repurchase, cash collateral received for securities loaned, subordinated debt, commercial paper as well as 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 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.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

(iv) Financial liabilities at amortised cost (continued)

c. Collateral posted 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 Statement of Financial Position and the cash amount paid by the Company is shown as collateral posted 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. Where the securities were sourced from the Company's Statement of Financial Position, they will continue to be retained on the Company's Statement of Financial Position. The cash amount received by the Company is shown 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 method.

d. Collateral posted 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 Statement of Financial Position and the cash amount paid by the Company is shown as collateral posted 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 Statement of Financial Position. The cash amount received by the Company is shown as collateral received for securities loaned. The transfer of the securities to counterparties is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred.

(v) Held-to-maturity investments

As at the Statement of Financial Position date, the Company did not hold any held-to- maturity investments.

1. ACCOUNTING POLICIES (CONTINUED)

(d) 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-traded securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

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 unrealised gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Company's estimates of fair value in the future, potentially affecting trading and non-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.

The Company seeks to minimise market risks by entering into hedging derivatives to economically hedge the exposures of certain fair value option (FVO) elected notes. The Company applies the "portfolio exception" in IFRS 13.48 to measure the fair value of this group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

(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 profit and loss.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Fair Value of Financial Instruments (continued)

(ii) Recognition of day 1 gains and losses (continued)

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 recognised in profit and loss over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the instrument is derecognized.

(iii) Fair value option

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

i. The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument; or
ii. Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases; or
iii. 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.

The fair value option election under i) and ii) above is undertaken on a product-by-product basis. This only applies 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.

(e) 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 general and administrative expenses.

(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; and 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 Statement of Financial Position in accordance with the presentation requirements of IAS 32.

1. ACCOUNTING POLICIES (CONTINUED)

(f) Interest Receivable and Interest Payable

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

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. This calculation takes into account the impact of all fees and commissions paid or received directly attributable to transaction costs, and discounts or premiums that are integral to the effective interest rate.

The Company holds a number financial assets and liabilities which have been set with negative interest rates. Negative interest on financial assets is presented as Interest payable and similar expenses. Negative interest on financial liabilities is presented as Interest receivable and similar income.

(g) Impairment

The Company assesses at the Statement of Financial Position 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 Statement of Financial Position 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 cash flows, both from the asset and the associated collateral, are assessed.

(i) Financial assets at cost

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 profit and loss. 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 profit and loss.

1. ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (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 Statement of Financial Position 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.

(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 Statement of Financial Position with an associated liability for the 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.

1. ACCOUNTING POLICIES (CONTINUED)

(i) Offsetting financial instruments

Financial assets and financial liabilities are presented on a gross basis unless the Company has a current 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.

(j) Financial guarantees

The Company issues financial guarantee contracts which require the Company to reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognised at fair value. The amount initially recognised includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. On a subsequent measurement basis, value of the financial guarantee is adjusted to reflect the higher of the best estimate of the amount required to settle the probable obligation at the reporting date. Any amount recognised is net of cumulative amortisation previously recognised.

(k) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and repurchase transactions, cash or securities;
- For commercial lending, charges over financial and/or non-financial assets; and
- For derivatives, cash or securities.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

The Company also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of Statement of Financial Position assets and liabilities unless certain conditions for offsetting under IAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent of the amounts due to the same counterparty; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement

1. ACCOUNTING POLICIES (CONTINUED)

(l) Tangible Assets and Depreciation

Tangible assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.
The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount.
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 its 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 and equipment	Five to ten years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Tangible 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 profit and loss in the period of derecognition.

(m) Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Internally generated intangible assets are generally not capitalised and expenditure recognised in profit and loss as incurred, other than internally generated software development costs where the Company has technical feasibility to complete the software development, and ability to sell or use the asset and control economic benefits from it.

Costs incurred in relation to fixed-term or cancellable non-perpetual license agreements are not capitalised and are expensed in profit and loss over the period to which they relate.

Useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over their useful economic life on a straight-line basis and assessed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. Software assets are generally amortised over a useful life of between 3 and 5 years. The annual amortisation is accounted in general and administrative expenses within the statement of comprehensive income.

(n) Fixed Asset Investments

Investments in subsidiary undertakings are stated at original cost less amounts written off where there has been impairment in value.

1. ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. The impairment loss is determined by comparing the carrying amount with the recoverable amount of the asset. The recoverable amount is the higher of the assets or the cash-generating unit's fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the asset is deemed impaired and is written down to its recoverable amount.

(p) 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.

(q) 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 Statement of Financial Position date. Income and expenses denominated in a foreign currency are retranslated using appropriate weighted average exchange rates. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to profit and loss. 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.

(r) Taxation

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(i) the initial recognition of goodwill; or
(ii) the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised.

1. ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (continued)

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(i) is not a business combination; and
(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities shall not be discounted.

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

(i) in other comprehensive income, shall be recognized in other comprehensive income.
(ii) directly in equity, shall be recognized directly in equity.

(s) 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 profit and loss at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs are recognised. When a settlement (eliminating all obligations for benefits already accrued) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the settlement and the resultant gain or loss is recognised in other comprehensive income during the period in which the settlement occurs.

The net interest income or expense is calculated by applying the discount rate on the net defined benefit liability or asset respectively and recognised in profit and loss. It is determined by applying the discount rate to the opening net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the year.

Remeasurements of the net defined benefit liability or asset comprising of actuarial gains and losses, the return on plan assets excluding amounts recognised as net interest and the effect of the asset ceiling are recognised in full in the other comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

(s) Pension Costs (continued)

The defined benefit pension asset or liability in the Statement of Financial Position 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), 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 current bid price. Where the Company purchased insurance policies to cover a benefit obligation, the value of insurance policies is equal to the value of the related obligation.

Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

This plan is governed by the Trust Deed and Rules dated 28 May 2009. The level of benefits provided in the defined benefits section depends on the member's length of service and salary at date of leaving Pensionable Service. The fund is governed by a Trustee Company, comprising 4 directors appointed by the employer and 2 directors appointed by the members. The Board of Trustees is responsible for the administration of the scheme and setting the investment policy.

The defined benefit liability is shown on the Statement of Financial Position gross of deferred tax.

(t) Share-based payments

The ultimate holding company, Nomura Holdings, Inc., operates share-based awards schemes for the purpose of providing incentives and rewards to eligible participants. Such share-based awards are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

Share-based awards such as Stock Acquisition Rights ("SARs") which are expected to be settled by the delivery of the ultimate holding company's common stock are classified as equity-settled transactions. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

Share-based awards such as Notional Stock Units ("NSUs") and Collared Notional Stock Units ("CSUs") which are expected to be settled in cash are classified as cash-settled transactions. Other awards such as Notional Index Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as cash-settled transactions. Cash-settled transactions are remeasured to fair value at each Statement of Financial Position date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in profit and loss over the vesting period.

The cost of both the equity-settled and cash-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 determined either by using option pricing models, the market price of the Company's common stock or the price of the third party index, as appropriate.

1. ACCOUNTING POLICIES (CONTINUED)

(t) Share-based payments (continued)

The cost of equity-settled transactions is recognised in profit and loss, 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'). The cumulative expense recognised for equity-settled transactions at each Statement of Financial Position 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 recognised as at the beginning and end of that period.

Certain new deferred awards granted since May 2013 include "Full Career Retirement" provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The vesting period for these awards ends on the earlier of the contractual vesting date and the date that the recipient becomes eligible for Full Career Retirement.

Cash-settled transactions such as Notional Stock Unit ("NSU") which will be settled in cash are classified as liability awards. These are remeasured to fair value at each Statement of Financial Position date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in profit and loss over the vesting period.

(u) Share Capital

Share capital meeting the definition of an equity instrument under IAS 32 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 may be a compound financial liability. As required by IAS 32, 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 Statement of Financial Position date, the Company had no issued redeemable convertible participating preference share capital.

(v) Operating Leases

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(w) Cash Flow Statement

The cash flow statement reconciles the increase or decrease in cash at bank and in hand in the period. Cash comprises of cash in hand and demand deposits denominated in foreign currencies. Cash at bank and in hand also includes cash equivalents which are short-term, highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

(x) Reserves

The Company has the following reserve accounts:

- Capital redemption reserve: A statutory, non-distributable reserve into which amounts are transferred following the redemption of the Company's own shares.
- Share-based payment reserve: The cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase recorded within this reserve.
- Available-for-sale reserve: This reserve records fair value changes on available-for-sale investments.
- Profit and loss account: Represents the accumulated retained earnings of the Company.
- Other Reserve: The reserve contains the foreign currency gains and losses arising from the translation of foreign operations.

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NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(y) Change in presentation

The Company adopted the 'Amendments to FRS 101 Reduced Disclosure Framework 2014/15 cycle and other minor amendments' that allow entities to present financial statements in accordance with IAS 1 "Presentation of Financial Statement". In order to increase comparability and transparency the Company has changed its presentation of the statement of financial position in accordance with IAS 1. This has resulted in the items on the statement of financial position being presented in order of liquidity. The Company has also made a change to present financial assets and liabilities designated at fair value through profit and loss in the notes rather than the face of the statement of financial position. Comparatives have been restated as provided below:

	2016	2016	2016
	Prior year	Reclassification	Restated
	$'000	$'000	$'000
Financial assets			
Financial assets designated at fair value through profit & loss	12,680,025	(12,680,025)	-
Investment - time deposit	-	15,422	15,422
Collateral posted for securities purchased under agreements to resell	-	11,816,617	11,816,617
Other debtors	-	847,986	847,986
	12,680,025	-	12,680,025
Financial liabilities			
Financial liabilities designated at fair value through profit and loss	7,326,228	(7,326,228)	-
Other creditors	-	1,609,321	1,609,321
Collateral received for securities sold under agreements to repurchase	-	3,991,216	3,991,216
Collateral received for securities loaned	-	1,150,602	1,150,602
Creditors : amounts falling due after more than one year	-	575,089	575,089
	7,326,228	-	7,326,228

2. TRADING PROFIT

All of the Company's trading profit is derived from wholesale, 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

The trading profit is attributable to the following revenue streams:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Net fees and commissions[1]	371,114	437,614
Principal transactions[2]	930,290	389,865
Other revenues[3]	599,201	621,868
Less: attributable transaction expenses[3]	(121,350)	(184,618)
Trading profit	1,779,255	1,264,729

$1,495,157,000 (2016: $1,118,458,000) of the trading profit in the year ended 31 March 2017 is attributable to EMEA and $284,098,000 (2016: $146,271,000) to offshore markets. Due to the integrated nature of the Company's business, it is not meaningful to provide a geographical split of the Company's total assets.

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

[2] 'Principal transactions' includes realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities and private equity.

[3] 'Attributable transaction expenses' excludes sales credits payable/receivable to/from other Nomura Group entities. Sales credits payable are included in 'general and administrative expenses'; sales credits receivable are included in 'other revenues'.

b. Analysis of net fee and commission income:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Financial instruments not at fair value through profit or loss	245,577	307,920
Other fees and commission income	125,537	129,694
Net fees and commissions	371,114	437,614

2. TRADING PROFIT (CONTINUED)

Fees and commission income and expenses from financial instruments not at fair value through profit or loss include servicing and lending commitment 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.

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:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Financial instruments held for trading	692,283	180,987
Financial instruments designated at fair value through profit and loss	238,007	208,878
Principal transactions	930,290	389,865

3. INTEREST INCOME AND EXPENSE

Analysis of total interest income and expense by financial instrument type:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Interest receivable and similar income		
Cash and short-term funds	149,581	82,567
Securities borrowed and reverse repurchase agreements	821,371	531,460
Other	37,094	27,749
	1,008,046	641,776
Financial instruments at fair value through profit and loss	91,324	115,460
	1,099,370	757,236

Includes $428m of Interest Income on liabilities with negative interest rates for the year ended Mar 2017.

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Interest payable and similar expenses		
Overdrafts and loans	(89,651)	(52,287)
Securities lent and repurchase agreements	(1,155,299)	(902,206)
Other	(128,517)	(105,156)
	(1,373,467)	(1,059,649)
Financial instruments at fair value through profit and loss	(46,294)	-
	(1,419,761)	(1,059,649)

Includes $278m of Interest Expense on assets with negative interest rates for the year ended Mar 2017.

4. LOSS BEFORE TAXATION

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

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Wages, salaries and other personnel costs	738,916	783,283
Social security costs	68,368	80,997
Pension costs – defined contribution	28,911	37,505
Depreciation and Amortisation (note 7 & 8)	8,712	22,525
Software expenses	60,785	68,453
Loss on investment in subsidiary	12,847	-
Auditors' remuneration including expenses		
- Audit	1,451	1,528
- audit-related assurance services	689	959
- services relating to taxation	342	365
- all other services	661	1,174
Operating lease costs		
- buildings	59,052	68,469
- other	67	153
Interest receivable from Nomura Group undertakings	(319,080)	(410,958)
Interest payable to Nomura Group undertakings	588,730	583,569

In addition to the audit fee shown above, an amount of $1,058,578 (2016: $1,310,124) was borne by NHI.

The company recognised $88 million of restructuring costs for the year ended March 2017, which primarily relate to employee termination costs reported within General and administrative expenses.

The investment in Nomura Investment Advisor LLP was reviewed for impairment during the period as future profitability for the entity not now expected. Following this, the investment has been impaired, resulting in an impairment loss of $12,847,000.

5. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2017 by Premier Pensions Management Ltd, a qualified independent actuary.

During the year ended 31 March 2017, the Company made no additional contributions and the fund remained in surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Company's Statement of Financial Position. The expected employer’s contribution to the Company’s defined benefit pension scheme for year ended 31 March 2017 is Nil (2016: Nil).

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

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

	Year ended 31 March 2017	Year ended 31 March 2016
	%	%
Rate of increase in pensions in payment	3.60	3.35
Rate of increase in pensions in deferment	2.60	2.35
Discount rate	2.55	3.45
Inflation assumption	2.60	2.35

Life expectancy from mortality tables used to determine benefit obligations at:

	Year ended 31 March 2017 Years	Year ended 31 March 2016 Years
Male Member age 60 (life expectancy at age 60)	29.4	30.7
Male Member age 40 (life expectancy at age 60)	32.1	34.0
Female Member age 60 (life expectancy at age 60)	31.4	32.8
Female Member age 40 (life expectancy at age 60)	34.0	36.1

5. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	%	Year ended 31 March 2017 $'000	%	Year ended 31 March 2016 $'000
Equities	2.55	1,258	3.45	1,711
Dividend Growth Funds	2.55	28,701	3.45	33,913
Cash	2.55	369	3.45	1,396
Annuities	2.55	275,886	3.45	278,471
Market value of assets		306,214		315,491
Present value of scheme liabilities		(279,117)		(281,356)
Surplus in the scheme		27,097		34,135
Effect of surplus cap		(27,097)		(34,135)
Recoverable deficit in the scheme		-		-
Deferred tax asset		-		-
Net pension liability		-		-

The fair values of the equities and Dividend Growth Funds are determined via quoted prices.

The Company does not recognise the pension surplus as an unconditional right to a refund does not exist. The right to a refund requires the approval of the third party plan trustees and as such is contingent upon factors beyond the Company's control. To the extent the right is contingent, no asset is recognized.

There is no charge of operating loss in relation to the defined benefit pension scheme nil (2016: Nil).

The amount charged to other finance income:

	31 March 2017 $'000	31 March 2016 $'000
Interest income on pension scheme assets	8,509	10,175
Interest expense on pension scheme liabilities	(8,509)	(10,175)
Other finance income	-	-

5. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amounts recognised in the statement of comprehensive income for the year are set out below:

	31 March 2017 $'000	31 March 2016 $'000
Actual return on pension scheme assets less interest income	(39,349)	13,103
Experience gains arising on pension scheme liabilities	7,849	9,712
Changes in assumptions underlying the present value of the pension scheme liabilities:		
of which: actuarial gains/(losses) arising from changes in demographic assumptions	27,730	(22,052)
Actuarial gains/(losses) before adjustment due to movement in surplus cap	(3,770)	763
Adjustment due to movement in surplus cap	3,770	(763)
Actuarial loss recognized in other comprehensive income	-	-

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2016: No effect).

Analysis of movements in benefit obligation and plan assets during the year:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Change in benefit obligations		
Benefit obligations at beginning of year	(281,356)	(309,063)
Interest cost	(8,509)	(10,175)
Actuarial gains/(losses)	(42,068)	14,874
Benefits paid	15,109	14,046
Foreign currency exchange gains	37,707	8,962
Benefit obligations at end of year	(279,117)	(281,356)

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Change in plan assets		
Fair value of plan assets at beginning of year	315,491	342,558
Interest income on plan assets	9,560	11,181
Actuarial gains/(losses)	38,298	(14,110)
Benefits paid from plan	(15,109)	(14,046)
Foreign currency exchange losses	(42,026)	(10,092)
Fair value of plan assets at end of year	306,214	315,491

5. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would be affected by changes in the relevant actuarial assumption that were reasonably possible at the Statement of Financial Position date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. This sensitivity analysis applies to the defined benefit obligation and not to the net defined benefit asset/(liability) in its entirety. Caution should be used in extrapolating the sensitivities below to the overall impact on the defined benefit obligation as the sensitivities may not be linear.

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Sensitivity analysis of significant actuarial assumptions		
Discount rate applied to scheme liabilities		
Increase by 1%	(46,764)	(45,894)
Decrease by 1%	62,537	61,440
Inflation assumption		
Increase by 1%	32,517	34,346
Decrease by 1%	(31,095)	(29,987)
Life expectancy		
Increase by 1 year	7,669	6,121
Decrease by 1 year	(7,642)	(6,169)

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Maturity profile of defined benefit pension scheme:

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Defined benefit obligation		
Current pensioners	83,698	84,195
Deferred pensioners	195,419	197,161
	Years	Years
Weighted average age		
Current pensioners	65.0	64.7
Deferred pensioners	53.9	53.5
	Years	Years
Duration		
Current pensioners	14.7	14.5
Deferred pensioners	21.4	21.0

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

6. INCOME TAX

(a) TAX EXPENSE

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Current Income Tax:		
U.K. corporation tax credit	(5,097)	(39,099)
Foreign tax suffered	3,797	7,751
Amounts under provided in previous years	13,779	481
Total current income tax expense / (benefit)	12,479	(30,867)
Deferred Tax		
Originated and reversal of temporary differences	67	(73)
Impact of change in tax laws and rates	43	104
Total deferred tax expense	110	31
Total tax expense / (benefit) for the year recognised in the profit and loss account	12,589	(30,836)
Deferred tax expense recognised in other comprehensive income – Available for sale investments	(110)	(31)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

6. INCOME TAX (CONTINUED)

(b) RECONCILIATION OF CORPORATION TAX EXPENSE

	Year Ended 31 March 2017 $'000	Year Ended 31 March 2016 $'000
Loss before taxation	(26,811)	(749,176)
U.K. corporation tax credit at 20% (2016: 20%)	(5,362)	(149,835)
Effects of		
Expenses/(Income) not deductible /taxable for tax purpose		
- Bank levy	9,442	8,774
- Share based payments	13,943	27,469
- Others	1,748	4,140
Changes in statutory tax rates	43	104
Losses surrendered to group company for nil payment	1,805	2,011
Items affecting current tax on which deferred tax is not recognized		
- Tangible assets	8,509	18,639
- Share based payments	(23,905)	(23,405)
- Deferred emoluments	(10,517)	(3,042)
- Transition adjustment on adoption of FRS 25/26	-	8,813
Unrecognised tax losses	-	68,877
Foreign tax suffered	3,797	7,751
Amounts provided in previous years	13,779	481
Others	(693)	(1,613)
Total tax expense/(benefit) reported in profit and loss	12,589	(30,836)

7. TANGIBLE ASSETS

Cost	Construction In Progress $'000	Long Leasehold $'000	Furniture & Equipment $'000	Total $'000
At 1 April 2016	1,061	8,854	236,905	246,820
Additions	250	1,063	1,467	2,780
Disposals	-	(2)	(101)	(103)
Others	(1,021)	(84)	(338)	(1,443)
At 31 March 2017	290	9,831	237,933	248,054
Depreciation				
At 1 April 2016	-	2,907	223,664	226,571
Charged during the year	-	1,230	3,310	4,540
Disposals	-	-	(9)	(9)
Others	-	(38)	(273)	(311)
At 31 March 2017	-	4,099	226,692	230,791
Carrying Amount				
At 31 March 2017	290	5,732	11,241	17,263
At 31 March 2016	1,061	5,947	13,241	20,249

8. INTANGIBLE ASSETS

	Software	Total
Cost	**$'000**	**$'000**
At 1 April 2016	99,175	99,175
Additions	1,212	1,212
Disposals	-	-
At 31 March 2017	100,387	100,387
Amortisation		
At 1 April 2016	90,713	90,713
Charged during the year	4,172	4,172
Disposals	-	-
At 31 March 2017	94,885	94,885
Carrying Amount		
At 31 March 2017	5,502	5,502
At 31 March 2016	8,462	8,462

9. INVESTMENT IN SUBSIDIARIES

Cost	**Investment in Subsidiary Undertakings $'000**
At 1 April 2016	12,904
Additions	4
Return of Investment	-
Impairment	(12,847)
At 31 March 2017	61
Carrying amount	
At 31 March 2017	61
At 31 March 2016	12,904

The investment in Nomura Investment Advisor LLP was reviewed for impairment during the period as future profitability for the entity not now expected. Following this, the investment has been impaired, resulting in an impairment loss of $12,847,000.

The investment in subsidiary undertakings represents the following:

Subsidiary undertakings	Proportion of voting rights and ordinary share capital held	Nature of business	Company address
Nomura PB Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Custody Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura D1 Nominee Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Derivatives Clearing Nominee Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura PB Beneficial Ownership Markets Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Clearance and Settlement Nominees Limited	100%	Investment	1 Angel Lane, London EC4R 3AB, U.K.
Nomura RPS Limited	100%	Investment adviser	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Investment Advisor LLP	50%	Investment adviser	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Private Equity Investment GP Limited	100%	Investment Manager	1 Angel Lane, London EC4R 3AB, U.K.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The investment in subsidiary undertakings represents the following (continued):

Subsidiary undertakings	Proportion of voting rights and ordinary share capital held	Nature of business	Company address
Nomura Employment Services (Isle of Man) Limited	100%	Employment Services	1st Floor, Sixty Circular Road, Douglas, Isle of Man
Nomura Nominees Limited	100%	Custody	1 Angel Lane, London EC4R 3AB, U.K.
Nomura London Retirement Benefits Plan Trustee Limited	100%	Corporate Trustee	1 Angel Lane, London EC4R 3AB, U.K.
Nomura Investments (AH) Limited	99.99%	Investment	1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL
Meymott Street Holdings Limited**	-	Investment	5 New Street Square, London EC4A 3TW
Nomura.com Limited	100%	Dormant	1 Angel Lane, London EC4R 3AB, U.K.
IBJ Nomura Financial Products (U.K.) plc*	100%	Company in liquidation	PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
Nomura International Leasing Limited*	100%	Company in liquidation	Arthur Cox Building, Earlsfort Terrace, Dublin, Ireland
Nomura Investment Solutions PLC-Nomura Equity Volatility Fund	80.40%	Investment	Beaux Lane House Mercer Street Lower Dublin 2 Ireland
Nomura Investment Solutions PLC-Nomura Colrs Commodity Fund	67.50%	Investment	Beaux Lane House Mercer Street Lower Dublin 2 Ireland
Nomura Account Select 1207	100%	Investment	C/O Global Funds Trust Company, PO Box 309, Ugland House, South Church Street, George Town KY1-1104, Cayman Islands
Nomura Nikkei 225 EUR-Hedged ETF	71.18%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Nomura Nikkei 225 USD-Hedged ETF	31.53%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland
Nomura Index Fund JPX Nikkei 400 – EUR	74.28%	Investment	Nomura NEXT FUNDS Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland

* *Currently in liquidation*

** *The NEHS Group has ability to exercise controlling influence through the warrants it holds in Meymott Street Holdings Limited*

9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The investment in subsidiary undertakings represents the following (continued):

Subsidiary undertakings	Proportion of voting rights and ordinary share capital held	Nature of business	Company address
Nomura Index Fund JPX Nikkei 400 – USD	46.59%	Investment	Nomura NEXT Funds Ireland plc, Beaux Lane House, Mercer Street Lower, Dublin 2 Ireland
Novus Capital Plc, Series 2016-41	60%	Securitisation	11/12 Warrington Place, 2nd Floor, Dublin 2
Novus Capital Plc, Series 2012-23, 2016-43 and 2017-23	100%	Securitisation	11/12 Warrington Place, 2nd Floor, Dublin 2
Sylph Ltd Series 1011, 1012, 1013, 1014, 1686, 1687, 1738, 1811, 1855, 1881, 1921, 1922, 2001, 2125, 2141 and 2153	100%	Securitisation	South Church Street, Ugland House, George Town, KY1-1104

Held via subsidiary undertakings			
Meymott Street Holdings Limited			
Meymott Street Acquisitions Limited**	-	Investment	5 New Street Square, London EC4A 3TW

** *The NEHS Group has ability to exercise controlling influence through the warrants it holds in Meymott Street Holdings Limited*

10. FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by IAS 39 classification:

	2017	2017	2017	2017	2017	2017
	Available-for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash at bank and in hand	-	-	-	5,363,858	-	5,363,858
Held for trading	-	172,777,589	-	-	-	172,777,589
Investments – time deposits	-	-	260,145	162,191	-	422,336
Collateral posted for securities purchased under agreements to resell	-	-	9,597,851	72,949,512	-	82,547,363
Collateral posted for securities borrowed	-	-	-	11,963,227	-	11,963,227
Other debtors	-	-	1,848,140	16,050,758	-	17,898,898
Available-for-sale investments	5,139	-	-	-	-	5,139
Financial Liabilities						
Held for trading	-	(171,512,396)	-	-	-	(171,512,396)
Other creditors	-	-	(725,907)	-	(33,562,959)	(34,288,866)
Collateral received for securities sold under agreements to repurchase	-	-	(3,221,809)	-	(67,323,757)	(70,545,566)
Collateral received for Securities loaned	-	-	(1,335,275)	-	(5,827,581)	(7,162,856)
Creditors: amounts falling due after more than one year	-	-	(466,562)	-	(2,008,562)	(2,475,124)
	5,139	1,265,193	5,956,583	106,489,546	(108,722,859)	4,993,602

10. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by IAS 39 classification:

	2016	2016	2016	2016	2016	2016
	Available-for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash at bank and in hand	-	-	-	4,827,183	-	4,827,183
Held for trading	-	261,154,855	-	-	-	261,154,855
Investments – time deposits	-	-	15,422	938,641	-	954,063
Collateral posted for securities purchased under agreements to resell	-	-	11,816,617	67,041,693	-	78,858,310
Collateral posted for securities borrowed	-	-	-	17,565,535	-	17,565,535
Other debtors	-	-	847,986	18,116,372	-	18,964,358
Available-for-sale investments	5,474					5,474
Financial Liabilities						
Held for trading	-	(245,701,181)	-	-	-	(245,701,181)
Other creditors	-	-	(1,609,321)	-	(36,047,945)	(37,657,266)
Collateral received for securities sold under agreements to repurchase	-	-	(3,991,216)	-	(71,171,892)	(75,163,108)
Collateral received for Securities loaned	-	-	(1,150,602)	-	(14,592,893)	(15,743,495)
Creditors: amounts falling due after more than one year	-	-	(575,089)	-	(2,459,645)	(3,034,734)
	5,474	15,453,674	5,353,797	108,489,424	(124,272,375)	5,029,994

10. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by IAS 39 classification (continued)

Included within the loans and receivables above are the following positions with fellow Nomura Group undertakings:

	2017 $'000	2016 $'000
Loans and receivables		
Investments - time deposits	160,845	936,191
Collateral posted for securities purchased under agreements to resell	25,392,611	27,858,173
Collateral posted for securities borrowed	9,204,192	11,937,401
Other debtors	8,721,843	8,869,196
	43,479,491	49,600,961
Financial liabilities at amortised cost		
Other creditors	(18,855,336)	(20,895,138)
Collateral received for securities sold under agreements to repurchase	(24,270,378)	(25,104,719)
Collateral received for securities loaned	(2,605,918)	(11,767,036)
Creditors: amounts falling due after more than one year	(2,008,562)	(2,459,645)
	(47,740,194)	(60,226,538)

10. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2017 $'000	2016 $'000
Financial assets		
Equity securities	6,714,571	7,583,253
Debt securities	24,500,258	35,125,748
Derivatives	141,567,899	218,451,328
Investments - time deposits	260,145	15,422
Collateral posted for securities purchased under agreements to resell	9,597,851	11,816,617
Other debtors	1,848,140	847,986
	184,488,864	273,840,354
Financial liabilities		
Equity securities	(5,263,117)	(4,899,982)
Debt securities	(22,237,959)	(19,987,853)
Derivatives	(144,011,320)	(220,813,346)
Other creditors	(725,907)	(1,609,321)
Collateral received for securities sold under agreements to repurchase	(3,221,809)	(3,991,216)
Collateral received for securities loaned	(1,335,275)	(1,150,602)
Creditors: amounts falling due after more than one year	(466,562)	(575,089)
	(177,261,949)	(253,027,409)

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 Group undertakings:

	2017 $'000	2016 $'000
Financial assets		
Equity securities	382,857	559,968
Debt securities	33,193	276,139
Derivatives	79,078,744	140,224,729
Investments - time deposits	260,145	15,423
	79,754,939	141,076,259
Financial liabilities		
Equity securities	(15,111)	(4,520)
Debt securities	(5,057)	(3,685)
Derivatives	(86,313,134)	(147,067,165)
Other creditors	(205,750)	(396,172)
Collateral received for securities sold under agreements to repurchase	(1,293,085)	(1,134,261)
Creditors: amounts falling due after more than one year	(416,842)	(337,424)
	(88,248,979)	(148,943,227)

Available-for-sale investments

Available-for-sale investments are initially recognised at fair value and are subsequently held at fair value with unrealised gains or losses being recognised in other comprehensive income. As at 31 March 2017, such unquoted equity instruments comprised of investments in market bodies which the Company is required to hold for strategic purposes. The value of such investments held at the Statement of Financial Position date amounted to $ 5,139,318 (2016: $5,474,169).

Financial assets and liabilities designated at fair value through profit or loss

Refer to Note 1(c) (i) (b) for details of instruments on which fair value option applied:

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.

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

10. FINANCIAL INSTRUMENTS (CONTINUED)

The Role of Financial Instruments (continued)

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 exchanges 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.
Currency and Commodity Derivatives	Forward FX contracts, currency swaps, currency options, commodity forwards, commodity swaps and commodity 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 collateralised debt obligation ("CDO") tranches, CDO squared tranches and combinations of these.

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

Funding

The main unsecured funding sources used by the Treasury function include capital, intercompany borrowings and long term debt.

We typically fund trading activities on a secured basis through repurchase agreements. Re-financing risk is managed with a range of measures including transacting with a significant number of counterparties over various durations.

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 IAS 39.

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 Statement of Financial Position, together with their associated financial liabilities:

	2017 Financial assets $'000	2017 Financial liabilities $'000	2017 Difference $'000
Collateral received for securities sold under agreements to repurchase	15,446,495	(14,731,731)	714,764
Collateral received for securities loaned	1,978,550	(1,974,470)	4,080
Other	139,336	(139,336)	-
	17,564,381	(16,845,537)	718,844

	2016 Financial assets $'000	2016 Financial liabilities $'000	2016 Difference $'000
Collateral received for securities sold under agreements to repurchase	21,482,680	(20,579,025)	903,655
Collateral received for securities loaned	3,344,930	(3,263,210)	81,720
Other	1,024,469	(1,024,469)	-
	25,852,079	(24,866,704)	985,375

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 Statement of Financial Position 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.

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 Statement of Financial Position 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.

Financial asset 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 Statement of Financial Position at the level of the Company's continuing involvement with a corresponding liability.

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 associated financial liabilities and its net economic exposure, representing the fair value of the associated derivatives or similar instruments:

2017 Total carrying value of financial assets with continuing involvement $'000	2017 Total carrying value of associated liabilities $'000	2017 Net economic exposure $'000
59,414	(59,414)	-

2016 Total carrying value of financial assets with continuing involvement $'000	2016 Total carrying value of associated liabilities $'000	2016 Net economic exposure $'000
91,765	(91,765)	-

Financial assets accepted as collateral

Financial assets are accepted as collateral as part of reverse repurchases arrangements or securities borrowing transactions which the Company is permitted to sell or repledge 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 $281 billion (2016: $255 billion). Of this amount, $237 billion (2016: $208 billion) has been sold or repledged to comply with commitments under short sale transactions or in connection with financing activities. Included within these balances are $45 billion (2016: $44 billion) of balances due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is $0.2 billion (2016: $1.1 billion), relating to special purpose vehicles.

12. OTHER DEBTORS

	2017 $'000	2016 $'000
Loans and advances	1,897,920	682,823
Trade debtors	1,619,360	2,597,716
Broker balances	14,381,619	15,683,819
Accrued interest and dividends receivable	44,788	72,047
Prepayments and accrued income	530,312	523,197
	18,473,999	19,559,602

Included within debtor balances above are the following balances due from fellow Nomura Group undertakings:

	2017 $'000	2016 $'000
Trade debtors	288,414	323,727
Broker balances	8,433,430	8,545,468
Accrued interest and dividends receivable	29,223	36,293
Prepayments and accrued income	258,237	261,753
	9,009,304	9,167,241

Refer to note 18 for an aged analysis of other debtors which are past due but not impaired.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

13. OTHER CREDITORS

	2017 $'000	2016 $'000
Loans and overdrafts	5,568,453	3,026,722
Trade creditors	2,813,234	2,206,125
Broker balances	25,907,179	32,424,419
Other tax and social security payable	26,894	7,034
Accrued interest and dividends payable	63,125	55,733
Accruals and deferred income	512,930	621,150
	34,891,815	38,341,183

Included within creditor balances above are the following balances due to fellow Nomura Group undertakings:

	2017 $'000	2016 $'000
Loans and overdrafts	4,777,685	1,568,311
Trade creditors	209,676	213,803
Broker balances	14,073,725	19,509,195
Accrued interest and dividends payable	43,096	38,857
Accruals and deferred income	77,586	181,186
	19,181,768	21,511,352

14. DEFERRED TAX

	2017 $'000	2016 $'000
Available for sale investments	(823)	(933)
Unutilised capital tax losses	823	933
Total Deferred Tax Asset/ (Deferred tax Liability)	-	-

UNRECOGNISED DEFERRED TAX ASSET	2017 $'000	2016 $'000
Tangible fixed assets	78,724	75,918
Other short term temporary differences	46,950	33,208
Unutilised tax losses	692,517	723,397
Unutilised capital tax losses	495	463
Total deferred tax not recognised	818,686	832,986

14. DEFERRED TAX (CONTINUED)

DEFERRED TAX MOVEMENT IN OTHER COMPREHENSIVE INCOME	2017 $'000	2016 $'000
Opening balance	933	964
Tax credit during the year	(110)	(31)
Closing balance	823	933

Deferred tax has been disclosed at 17% in the accounts (2016: 18%) reflecting the reduction in the U.K. Corporation tax rate to 17% which takes effect from 1 April 2020 and which was enacted by the Statement of Financial Position date.

From 1 April 2016 only 25% of taxable profits can be relieved by brought forward losses in existence at 31 March 2015. This restriction was legislated by Finance Act 2016, which was enacted on 15 September, 2016.

The company has unutilised losses of $4,073,631,416 (2016: $4,018,870,246) that are available for offset against future taxable profits. Deferred tax assets of $692,517,341 (2016: $723,396,644) have not been recognised in respect of these losses due to uncertainty surrounding the Company's future profitability.

The company has unutilised capital losses of $7,756,268 (2016: $7,756,268) that are available for offset against future capital gains. A deferred tax asset of $495,153 (2016: $463,172) has not been recognised in respect of capital losses due to uncertainty surrounding future expectation of chargeable capital gains and a deferred tax asset of $823,413 on capital losses has been recognised in the period and offset against a deferred tax liability of $(823,413) in respect of available for sale investments.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 $'000	2016 $'000
Loans and other liabilities	1,215,124	1,774,734
Subordinated debt	1,260,000	1,260,000
	2,475,124	3,034,734

Included within creditor balances above are $2,425,405,000 (2016: $2,797,069,000) of balances due to fellow Nomura Group undertakings.

Subordinated debt agreements

The amounts subject to Subordinated loan agreements are wholly repayable as shown below:

Long Term	Repayment date	2017 $'000	2016 $'000
Nomura Europe Holdings plc	23 Apr 2025	600,000	600,000
Nomura Europe Holdings plc	13 Apr 2025	460,000	460,000
Nomura Europe Holdings plc	17 May 2025	200,000	200,000
		1,260,000	1,260,000

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

Nomura Europe Holdings plc	23 Apr 2025	LIBOR + 2.26%
Nomura Europe Holdings plc	13 Apr 2025	LIBOR + 2.26%
Nomura Europe Holdings plc	17 May 2025	LIBOR + 2.26%

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

16. SHARE CAPITAL

2017	Number '000	Fully paid consideration $'000
US Dollar Ordinary shares of $1 each	9,991,226	9,991,226
		9,991,226

2016	Number '000	Fully paid consideration $'000
US Dollar Ordinary shares of $1 each	9,991,226	9,991,226
		9,991,226

17. RESERVES

	Share Premium 2017 $'000	Other Reserve 2017 $'000	Capital Redemption Reserve 2017 $'000	Available For Sale Reserve 2017 $'000	Share-based payment Reserve 2017 $'000	Retained Earnings 2017 $'000
At 1 April 2016	27,479	(17,475)	184,499	4,246	1,004,216	(6,173,308)
Loss for the year	-	-	-	-	-	(39,400)
Foreign currency translation reserve charged during the year	-	(2,653)	-	-	-	-
Share-based payment expense for the year	-	-	-	-	43,176	-
Gain on available-for-sale investments	-	-	-	(334)	-	-
Current tax recognised in other comprehensive income	-	-	-	110	-	-
At 31 Mar 2017	27,479	(20,128)	184,499	4,022	1,047,392	(6,212,708)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

17. RESERVES (CONTINUED)

	Share Premium 2016 $'000	Other Reserve 2016 $'000	Capital Redemption Reserve 2016 $'000	Available For Sale Reserve 2016 $'000	Share-based payment Reserve 2016 $'000	Retained Earnings 2016 $'000
At 1 April 2016	27,479	(12,563)	184,499	3,857	866,874	(5,454,968)
Loss for the year	-	-	-	-	-	(718,340)
Foreign currency translation reserve charged during the year	-	(4,912)	-	-	-	-
Share-based payment expense for the year	-	-	-	-	137,342	-
Gain on available-for-sale investments	-	-	-	358	-	-
Current tax recognised in other comprehensive income	-	-	-	31	-	-
At 31 Mar 2017	27,479	(17,475)	184,499	4,246	1,004,216	(6,173,308)

18. FINANCIAL RISK MANAGEMENT

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

The Company defines risks as (i) the potential erosion of the Company's capital base due to unexpected losses arising from risks which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in the Nomura Group's creditworthiness or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

The Capital Requirements Directive IV ("CRD IV"), including the Capital Requirements Regulation ("CRR"), requires the Company to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website:

http://www.nomuraholdings.com/company/group/europe

Risk management strategy

The Company's risk strategy comprises a key component of the overall NHI risk strategy and is closely linked to that broader risk strategy. The Company's risk strategy has been established using a similar risk management framework as the one for the Nomura Group, and is articulated by the Board of NEHS Group through three key elements:

- Risk taking is a component of the business strategy approved by the Board of NEHS;
- Risk governance is established through the Board-approved committee structure, risk management policies and devolved individual accountabilities for risk management;
- The risk appetite statement is established to articulate the maximum level and types of risk that the NEHS Group is willing to assume in pursuit of its strategic objectives and business plan.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure

- The Board of Directors of the Company is ultimately responsible for identifying and controlling these risks through its overall risk management approach and approval of risk strategies and principles. These risks are managed through sub-committees of the Board of NEHS Group, including the Company:
- The Prudential Risk Committee ("PRC") has oversight of, and provides advice to, the Board on the Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework.
- The Financial Conduct Committee is responsible for ensuring an effective internal control and risk management environment is maintained in respect of the financial conduct risks impacting the NEHS Group, including the Company, and for ensuring corporate objectives for the NEHS Group are achieved and are consistent with the Nomura Group.
- The Risk Management Committee is established and chaired by the EMEA Chief Risk Officer ("CRO") and is primarily responsible for monitoring and controlling market risk, credit risk and operational risk for the NEHS Group, including the Company.
- The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, as well as reporting to regulatory bodies where required, and handling regulatory applications concerning risk management methods and other items as necessary.

  The Risk Management Division comprises the following functions to manage the various types of risk that the Company is exposed to:

  - Market Risk Management ("MRM"), which provides independent oversight, assessment and monitoring of market risks taken by the Company and includes the Stress Testing Group, which develops and performs various sensitivity and scenario analyses;
  - Credit Risk Management ("CRM"), which provides independent oversight, assessment and monitoring of credit risks taken by the Company
  - Operational Risk Management ("ORM"), which is responsible for defining and coordinating the Company's operational risk strategy and framework and provides challenge to the 1st Line of Defence, and EMEA New Business Group ("NBG"), which is responsible for the approval process of new products and transactions to ensure that risks associated with these new products and transactions are identified and managed appropriately;
  - Business Resilience ("BR"), which is responsible for assessing the Company's business resilience and facilitating the implementation of business continuity strategies and approach across the Nomura offices in EMEA, enabling it to rapidly adapt and respond to situations such as events causing a loss of office access or a loss of data centre, a major system issue, a cyber-attack, a pandemic crisis, a geo or socio political disorder and business disruption, dependency outages in other regions or critical third parties supporting the Company. This includes facilitating the Company's approach to Operational Continuity in Resolution.
  - Risk Methodology Group ("RMG"), which is responsible for designing and building risk models that calculate potential losses incurred from a specific risk type and are used for regulatory or economic capital calculations, limit monitoring, trade approval, etc.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure (Continued)

- Model Validation Group ("MVG"), which is responsible for validating the integrity and comprehensiveness of valuation and risk models to ensure that they are fit-for-purpose, independently from those who design and build the models; is, independently from those who design and build them.

The EMEA Heads of MRM, CRM, ORM/NBG and BR report to the EMEA CRO.
The EMEA CRO is also member of the Global Risk Analytics Committee ("GRAC") and Model Risk Analytics Committee ("MRAC"). Upon delegation from the Global Risk Management Committee, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees' primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes.

- Various committees are responsible for the review and approval of risks arising in relation to transactions originated and booked within EMEA. Additionally there are committees dedicated to overseeing cross-border risk in relation to non-Europe Middle East and Africa ("non-EMEA") business booked into certain European entities, including the subsidiaries of the Group.
- Other departments or functions within the Company are responsible for contributing to the overall risk management of the Company as further described below:

Finance Division

The Finance Division monitors compliance with internally and externally set regulatory limits and guidelines. The annual process for budgeting entity level capital needs is part of the Internal Capital Adequacy Process ("ICAAP") exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to U.K.-regulated entities, including the Company, is coordinated and challenged by the Financial and Regulatory Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.

Treasury

Treasury has responsibility for managing the Company's unsecured funding profile, Liquidity Portfolio and undertaking Liquidity Stress testing ensuring compliance with Board approved Liquidity Risk Appetite and Policies. The Treasury function reports to the Chief Financial Officer ("CFO") and is fully independent of the trading activities. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management structure (Continued)

Internal Audit Division

The Nomura Group Internal Audit Division is responsible for examining, evaluating and making recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The EMEA Head of Internal Audit has an independent reporting line to the Chairman of the NEHS Audit Committee. The EMEA Head of Internal Audit also reports to the Global Head of Internal Audit and locally to the Chief Executive Officer of NEHS.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents.

The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment.

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including such techniques as inquiry and observation, sampling and in some cases substantive testing.

Internal Audit reports its findings and the agreed action plans and responsible owners to the NEHS Audit Committee, Senior Management and Line Management as appropriate.

The status of outstanding issues is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for action plans which Management represents as having been completed.

Risk Appetite

The risk appetite defines the type and quantum of risk that the Group is willing to assume in pursuit of its strategic objectives and business plan. This must be within its risk capacity which is determined by constraints including regulatory capital, liquidity, and business conditions.
The risk appetite includes quantitative metrics and/or qualitative statements in relation to capital adequacy, liquidity risk, market and credit risk, cross-border risk, operational risk, model risk, and compliance risk.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Appetite (Continued)

Quantitative Metrics

Quantitative metrics of risk appetite are used to define, wherever possible, the maximum level of risk that the NEHS Group, including the Company, is willing to assume for each risk class.
To ensure compliance with the quantitative metrics of risk appetite, risk limits are established as a control measure where required. Risk limits are cascaded down to business unit levels where appropriate.

The risk appetite and risk limits for the NEHS Group, including the Company are established at levels that are consistent with the cascaded Nomura Group risk appetite and risk limits. Lower level risk limits are used to manage the business at the more granular levels of the hierarchy in a manner that is consistent with the Company's risk appetite.
Some of the measures used for the quantitative risk appetite of the NEHS Group, including the Company, are calculated differently from those used in the Nomura Group's risk appetite in line with local regulations, and for some of the measures there are additional local regulatory requirements, so additional specific measures have been established at the NEHS Group level to ensure this compliance.

The quantitative metrics include, but are not limited to:

- Capital adequacy metrics, such as Tier 1 capital headroom above capital buffers, capital coverage ratio, stressed Tier 1 ratio and economic capital ratio
- Liquidity risk metrics, such as Maximum Cumulative Outflow under different scenarios, Liquidity Coverage Ratio
- Market and credit risk metrics, such as economic capital
- Operational risk metrics, such as the aggregated operational risk losses as a percentage of gross revenue on a 12-month rolling basis
- Model risk metrics, such as model reserves as a percentage of economic capital

Qualitative Statements

Qualitative statements of risk appetite complement quantitative metrics in articulating, for each risk class, the motivations for taking on or avoiding certain types of risks.
The qualitative statements include, but are not limited to, a description of the approach used to manage market risk and credit risk, concentration risk, illiquid assets, cross-border risk, operational risk, model risk and compliance risk.
The risk appetite statement for the NEHS Group, including the Company, is approved by the Board, and tracked and communicated to that forum on an ongoing basis. There is clear ownership and accountability for each category of risk and individual risk appetite measures across both quantitative and qualitative components. The risk appetite statements may be reviewed on an ad hoc basis, and must specifically be reviewed following any significant change in strategy.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Policy Framework

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura Group, including the Company. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information ("risk MI") are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of the NEHS Group, including the Company, relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflects the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

Adequacy of the risk management arrangements

The Directors are ultimately responsible for reviewing the adequacy of the risk management arrangements of the NEHS Group, including the Company, and consider that the arrangements in place are adequate.

Market Risk

Market risk is the risk of loss arising from fluctuations in values of financial assets and liabilities (including off- balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Company classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk and managed and monitored on a daily basis on a Value-at-Risk ("VaR") methodology. Non-trading positions are managed and monitored using other sensitivity analysis. The Company uses the Nomura Group's MRM framework for the management of market risk, with some specific criteria applied to the Company where relevant.

Use of the Internal Models for Market Risk

In July 2013, the Company was granted permission by the PRA to use the internal model method, such as Value at Risk ("VaR"), Stressed VaR ("SVaR"), Incremental Risk Charge ("IRC"), to calculate market risk regulatory capital requirements for a range of trading positions. VaR scope covers certain credit and interest rates positions (e.g. bonds, credit default swaps, loans in the trading book and others), certain equity positions (e.g. cash equities, equity forwards, equity swaps and others) and certain foreign exchange positions (e.g. FX spot, FX futures, FX forwards, FX swaps, cross-currency swaps and others).For trading positions that are not in scope under the internal model method, the standard rules are applied to calculate their market risk regulatory capital requirements.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Effective management of market risk requires the ability to analyse a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Company uses a variety of statistical measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to, Value at Risk (“VaR”), Stressed VaR (“SVaR”) and Incremental Risk Charge (“IRC”).

Within the Company, there is also a formal process for the allocation and management of economic capital (Nomura Capital Allocation Target or “NCAT”), which is facilitated through the capital allocation agenda discussed at the PRC. The PRC recommends any changes to the Board, who must opine and approve, if appropriate. Day-to-day responsibility for the NCAT calculation and the monitoring of risk limits, within the risk control framework, rests with MRM.

NCAT is used 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, and results reviewed, monthly. For additional information about stress testing performed at the Nomura Group, refer to Form 20-F of the Nomura Holdings, Inc.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

Value at Risk

VaR is a measure of the potential loss due to adverse movements in market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

The Company uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented where historical market moves over a two-year window are applied to the Company's current exposure, in order to construct a P&L distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility.

For credit and interest rates products, a profit and loss distribution is generated using the full revaluation method. For equity and foreign exchange products, a profit and loss distribution is generated using spot-volatility grids. However, for some products that have linear returns, "greeks" (e.g. the "delta" or the ratio comparing the change in the price of a derivative to the corresponding change in the price of the underlying asset) are applied to the underlying price series in order to generate a profit and loss distribution.

The Company uses the same VaR model for both internal risk management purposes and for regulatory reporting. For internal risk management purposes, VaR is calculated across the Company at a 99% confidence level and using a 1-day time horizon. For regulatory capital, the Company uses the same confidence level but a 10-day time horizon calculated using actual 10-day historical market moves.

To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations equally weighted.

The Company's VaR model uses exact time series for each individual risk factor. However, if good quality data are not available, a 'proxy logic' maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

VaR Backtesting

The performance of the Company's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day trading losses with the corresponding VaR estimate. The Company's VaR model is backtested at different levels. Backtesting results are reviewed on a monthly basis by the Risk Management Division.

1-day trading losses exceeded the 99% VaR estimate on two occasions for the Company for the year ended 31 March 2017.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events.

Given these limitations, Nomura uses VaR only as one component of a diverse risk management process.

The table below illustrates, by major risk category, the VaR used for internal risk management purpose during the financial years ended 31 March 2017 and 31 March 2016. It shows the highest, lowest and average VaR during the financial year.

	Average VaR 2017 $'000	Min VaR 2017 $'000	Max VaR 2017 $'000	Average VaR 2016 $'000	Min VaR 2016 $'000	Max VaR 2016 $'000
Equity VaR	1,688	634	3,223	3,596	1,247	11,435
Credit VaR	5,622	2,798	9,828	3,766	2,372	11,395
Interest Rates VaR	5,688	3,106	9,617	5,239	2,676	10,703
Inflation VaR	549	357	804	879	363	1,954
FX VaR	3,432	1,207	9,398	4,002	1,296	10,109
Commodity VaR	114	4	835	56	-	184
Diversification / other	(7,683)	-	-	(8,705)	-	-
Company's VaR	9,410	6,053	15,748	8,833	5,466	16,946

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

The total average, minimum and maximum VaR values are shown over the full annual period. Total average VaR during the fiscal year ended 31 March 2017 was higher than previous year following an increase in the average credit VaR, partially offset by decrease in the average equity VaR.

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.

B. Incremental Risk Charge ("IRC")

IRC is a measure of the potential loss from credit migration and default events on debt securities over a one year time horizon and 99.9% confidence level. IRC is calculated by Monte Carlo simulation of correlated migration and default events. P&L from migration is computed by applying credit spread shocks based on initial and final credit rating, adjusted for basis risk by product, recovery and maturity. P&L from default is simulated including stochastic recovery, correlated with overall default rates. A key determinant of IRC on a position is the credit rating of the obligor, which is based on the Nomura Group's Internal Rating system also used for the Internal Ratings-Based approach. IRC scope covers all debt securities as approved by the PRA. All positions in the IRC model are assumed to have a one year liquidity horizon.

C. Stress testing of internal risk models

Stress testing is used to complement any internal risk models in order to identify certain risks to portfolios, at various levels, which are adversely affected by certain shocks when such portfolios are non-linear and tail risks from potential higher moves than those captured by the VaR model; to overcome limitations of models and historical data when assessing and controlling risk; and to identify risk concentrations and potential correlations across instruments, risk types and businesses.

Stress tests are designed to be economically coherent, challenging, and comprehensive in terms of business and risk coverage. Stress tests specific to one risk class, also known as grids, are run and aggregated at levels where this specific risk is managed. Stress tests are applied to all trades notwithstanding the way they are treated in VaR in order to be able to get a consistent view of the risks. However, analysis could be done at any level of business, or aggregation when required. Stress tests are performed by defining and applying shocks to the data used as input into the VaR model such as shocks to credit spreads, to bond prices, to interest rates, to equity price, foreign exchange rates as well as shocks to the volatility and other factors impacting the data used as input into the VaR model.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

D. 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 does 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a Credit Valuation Adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty. The Company uses the Nomura Group's CRM framework for managing credit risk, with some specific criteria applied to the Company where relevant.

A. Credit Risk Management Process

The process for managing credit risk at the Company includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal credit ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of the firm's current and potential future credit exposures;
- Setting credit terms in legal documentation; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

B. Credit Risk Measures

The Company's main type of counterparty credit risk exposures arise from derivatives transactions securities financing transactions and loans.

In December 2012, the Company was granted permission by the PRA to use the Internal Model Method ("IMM") in combination with the standardised approach in the calculation of counterparty credit risk requirements for certain derivatives and securities financing transactions. In the calculation of risk-weighted exposure amounts under the standardised approach to credit risk, the ratings of Fitch, Moody's and Standard and Poor's are used for all applicable exposure classes.

For derivatives and securities financing transactions, the Company measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management is also used for the IMM-based exposure calculation for regulatory capital reporting purposes since the end of December 2012. Loans and lending commitments are measured and monitored on both a funded and unfunded basis.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

C. Credit Limits

Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of the Company's counterparties. Any change in circumstance that alters the Company's risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Internal ratings form an integral part in the assignment of credit limits to counterparties. The Company's credit limit framework is designed to ensure that the Company takes appropriate credit risk in a manner that is consistent with its risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

NCAT, the measure of economic capital used by the Nomura Group and its affiliates, including the Company, is used as a constraint on the total level of risk which can be taken by the Company. NCAT has various uses within the Company: for example, for counterparty credit exposure management, the Company used the Credit NCAT model to derive single name limits by rating.

A bespoke limit framework has been developed to monitor exposures against central counterparty cleaning houses, which include limits to funded exposures related to default fund and initial margin, and limits to unfunded exposures related to loss sharing amount (also known as stress loss) and potential variation margin callback.

D. Wrong Way Risk

Wrong Way Risk ("WWR") occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. The Nomura Group, including the Company, has established policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

WWR analysis is performed by the Risk Management Division and presented monthly to the PRC. The analysis is provided to assist the business and senior management in determining whether the level of wrong way risk is a concern and action should be taken to reduce it.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

E. Risk Mitigation

The Company utilises financial instruments, agreements and practices to assist in the management of credit risk. The Company enters into legal agreements, such as the International Swap and Derivatives Association, Inc (“ISDA”) agreements or equivalent (referred to as “Master Netting Agreements”), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow the Company to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

Given the potential for loss resulting from unsecured exposures, as a general rule, all extensions of credit by the Company should be collateralized. However, in certain cases where there is sufficient risk appetite, unsecured exposure may be approved by the relevant credit risk managers. In addition, there are certain jurisdictions with specific rules relating to approvals and management of collateral. To ensure compliance, any local regulatory rules or statutes that are stricter must be followed.

Legal agreements should ensure that margin agreements and collateral accepted from clients provide the best possible protection for the Company. Any collateral types included for exposure reduction must meet the Basel standards. New collateral types, including non-standard collateral must be approved by the Global Collateral Steering Committee. Any non-standard collateral that gets approved must also be reviewed by all relevant departments to ensure that the operational capability is in place to properly control the new collateral type, and that concentration, reuse and liquidity implications are understood. The review must include any local or legal vehicle policies or procedures that contain rules relating to eligibility or acceptable collateral.

Concentrations of collateral by issuer, country and counterparty are monitored and reported to senior management. Haircuts are applied to collateral and set according to the market risk of the asset. Haircut levels are determined through quantitative and historical analysis, and are reviewed periodically.

The Company utilises financial instruments, to assist in the management of counterparty credit risk. The Company enters into credit hedges in the form of single name credit default swaps, credit contingent CDS and credit index swaps to mitigate losses arising from deterioration in counterparty creditworthiness. The Company actively monitors large exposures to collateralised counterparties and seeks to reduce exposures through trade compression and hedging with single name credit default swaps.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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. Collateral is held on financial assets held for trading, financial assets designated at fair value through profit and loss, collateral posted for securities purchased under agreements to resell and collateral posted for securities borrowed. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer failing to perform its contractual commitment.

	Maximum Exposure to Credit Risk 2017 $m	Maximum Exposure to Credit Risk 2016 $m
Available-for-sale debt investments	5	5
Financial assets held for trading	172,778	261,155
Collateral posted for securities purchased under agreements to resell	82,547	78,858
Collateral posted for securities borrowed	11,963	17,566
Other debtors	18,507	19,599
Investments - Time deposits	422	954
Cash at bank and in hand	5,365	4,827
	291,587	382,964
Commitments to extend credit	6,064	5,528
Total exposure to credit risk	297,651	388,492

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 provides a more meaningful presentation of Statement of Financial Position credit exposure. Also included in the total exposure to credit risk are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (continued)

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.

	Maximum Exposure to Credit Risk 2017 $m	Maximum Exposure to Credit Risk 2016 $m
Credit Rating		
AAA	7,785	10,554
AA	51,905	47,124
A	168,220	118,658
BBB	32,185	174,693
Non-Investment grade	26,633	24,410
Unrated	4,859	7,525
Total exposure to credit risk by credit rating	291,587	382,964

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 the Company's normal operation in derivative instruments, securities financing transactions and underwriting activities, and from exposures to central counterparty clearing houses, and may be impacted by changes in political or economic factors. The Company's significant single concentrations of credit risk are typically with strongly rated credit institutions in the US and Europe and benefit from credit risk mitigation such as bilateral collateral agreements.

The Company is exposed to significant counterparty credit risk from other Nomura Group undertakings. The maximum credit exposure to other Nomura Group undertakings is $124 billion (2016: $129 billion) and is rated using the Nomura Group's credit rating of A (2016: 'BBB').

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure (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.

Amounts past due but not impaired were $567,913,000 (2016: $416,860,000). None of these were more than 90 days past due.

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.

The amount charged to profit and loss for assets subject to impairment losses during the period is nil. (2016: nil).

As at 31 March 2017 the cumulative impairment loss on available-for-sale investments was nil (2016: nil).

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity Risk Management

The Company defines liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from various scenarios and could be due both to Nomura-specific and market-wide events. The Company's primary liquidity risk management objective is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within Board-established survival horizons and risk tolerances can be met without any reliance on additional unsecured funding or forced liquidation of assets.

The Company's Maximum Cumulative outflow ("MCO") model quantifies the amount of liquidity required to survive the approved stress scenarios. The Company manages liquidity risk on a self-sufficiency basis and controls liquidity usage via an unsecured funding limit framework. The Liquidity Portfolio held in the form of highly liquid, unencumbered securities and central bank deposits, ensures that sufficient liquidity is held locally to meet the modeled requirements.

The Company as a U.K. regulated entity is fully compliant with the U.K. Prudential Regulation Authority ("PRA") prescribed liquidity requirements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

18. 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. Derivative contracts and other financial instruments 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. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities. Perpetual cash flows are shown for a period of ten years. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. 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.

	On demand 2017 $m	Less than 30 days 2017 $m	31 – 90 days 2017 $m	91 days – 1 year 2017 $m	1 – 5 years 2017 $m	Later than 5 Years 2017 $m	Total 2017 $m
Financial liabilities held for trading – derivatives	129,198	3,901	5,689	4,088	1,045	90	144,011
Financial liabilities held for trading – non derivatives	27,501	-	-	-	-	-	27,501
Collateral received for securities sold under agreements to repurchase	14,081	44,881	2,507	6,271	2,473	-	70,213
Collateral received for securities loaned	5,812	193	958	184	-	193	7,340
Other Creditors	34,002	285	-	-	-	-	34,287
Creditors: amounts falling due after more than one year	-	-	-	-	1,242	1,260	2,502
	210,594	49,260	9,154	10,543	4,760	1,543	285,854
Other commitments	-	2,245	519	551	1,462	1,287	6,064
Total exposure to liquidity risk	210,594	51,505	9,673	11,094	6,222	2,830	291,918

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	On demand 2016 $m	Less than 30 days 2016 $m	31 – 90 days 2016 $m	91 days – 1 year 2016 $m	1 – 5 years 2016 $m	Later than 5 years 2016 $m	Total 2016 $m
Financial liabilities held for trading – derivatives	203,752	5,173	4,347	6,062	1,334	145	220,813
Financial liabilities held for trading – non derivatives	24,888	-	-	-	-	-	24,888
Collateral received for securities sold under agreements to repurchase	14,494	49,176	3,287	4,897	3,392	48	75,294
Collateral received for securities loaned	14,534	1,209	-	-	-	-	15,743
Other creditors	36,936	227	38	464	-	-	37,665
Creditors: amounts falling due after more than one year	-	-	-	-	1,688	1,348	3,036
	294,604	55,785	7,672	11,423	6,414	1,541	377,439
Other commitments	-	902	327	1,381	1,348	1,570	5,528
Total exposure to liquidity risk	294,604	56,687	7,999	12,804	7,762	3,111	382,967

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

The table below shows the maturity profile of the Company's financial assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised.

	On demand 2017 $m	Less than 30 days 2017 $m	31 – 90 days 2017 $m	91 days – 1 year 2017 $m	1 – 5 years 2017 $m	Later than 5 years 2017 $m	Total 2017 $m
Cash at bank and in hand	5,364	-	-	-	-	-	5,364
Available-for-sale investments	5	-	-	-	-	-	5
Financial assets held for trading – derivatives	126,974	3,696	5,651	4,120	1,040	87	141,568
Financial assets held for trading – non derivatives	31,210	-	-	-	-	-	31,210
Collateral posted for securities purchased under agreement to resell	7,118	55,585	8,058	7,438	4,414	129	82,742
Collateral posted for securities borrowed	10,909	404	650	-	-	-	11,963
Other debtors	17,404	495	-	-	-	-	17,899
Investments - time deposits	422	-	-	-	-	-	422
Total exposure to liquidity risk	199,406	60,180	14,359	11,558	5,454	216	291,173

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	On demand 2016 $m	Less than 30 days 2016 $m	31 – 90 days 2016 $m	91 days – 1 year 2016 $m	1 – 5 years 2016 $m	Later than 5 years 2016 $m	Total 2016 $m
Cash at bank and in hand	4,348	479	-	-	-	-	4,827
Available-for-sale investments	5	-	-	-	-	-	5
Financial assets held for trading – derivatives	201,704	5,006	4,456	5,838	1,304	143	218,451
Financial assets held for trading – non derivatives	42,704	-	-	-	-	-	42,704
Collateral posted for securities purchased under agreement to resell	5,082	56,154	6,629	7,920	3,050	252	79,087
Collateral posted for securities borrowed	16,577	877	112			-	17,566
Other debtors	17,742	389	91	58	684	-	18,964
Investments - time deposits	954	-	-	-	-	-	954
Total exposure to liquidity risk	289,116	62,905	11,288	13,816	5,038	395	382,558

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Within 12 months 2017 $m	After 12 months 2017 $m	Total 2017 $m	Within 12 months 2016 $m	After 12 months 2016 $m	Total 2016 $m
Cash in bank and in hand	5,364	-	5,364	4,827	-	4,827
Financial assets held for trading	171,650	1,128	172,778	259,709	1,446	261,155
Investment time deposit	422	-	422	954	-	954
Current tax receivable	33	-	33	39	-	39
Collateral posted for securities purchased under agreements to resell	78,004	4,544	82,548	75,552	3,306	78,858
Collateral posted for securities borrowed	11,963	-	11,963	17,566	-	17,566
Other Debtors	18,474	-	18,474	18,877	684	19,561
Available-for-sale Investment	5	-	5	5	-	5
Tangible Fixed Assets	-	17	17	-	20	20
Intangible Fixed Assets	-	6	6	-	8	8
Investment in subsidiaries	-	-	-	-	13	13
Total Assets	285,915	5,695	291,610	377,529	5,477	383,006

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of assets and liabilities (continued)

	Within 12 months 2017 $m	After 12 months 2017 $m	Total 2017 $m	Within 12 months 2016 $m	After 12 months 2016 $m	Total 2016 $m
Financial liabilities held for trading	170,377	1,135	171,512	244,221	1,480	245,701
Current tax payable	-	-	-	1	-	1
Other creditors	34,892	-	34,892	38,341	-	38,341
Collateral received for securities sold under agreements to repurchase	67,115	3,431	70,546	71,889	3,275	75,164
Collateral received for securities loaned	6,970	193	7,163	15,743	-	15,743
Creditors (amounts falling due after more than one year)	-	2,475	2,475	-	3,035	3,035
Total Liabilities	279,354	7,234	286,588	370,195	7,790	377,985

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura Group's reputation if caused by an operational risk. The Company uses the Nomura Group's Operational Risk Management ("ORM") framework for managing operational risk.

The Three Lines of Defence

The Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising:

1) 1st Line of Defence: The business which owns and manages its risks
2) 2nd Line of Defence: The ORM function, which defines and co-ordinates the Nomura Group's operational risk strategy and framework and provides challenge to the 1st Line of Defence
3) 3rd Line of Defence: Internal Audit, who provide independent assurance

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Nomura Group's ORM framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards
- Training and awareness: Action taken by ORM to improve business understanding of operational risk

Products and Services

- Risk and Control Self-Assessment ("RCSA"): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability 'tail events'
- Event Reporting: Process to obtain information on and learn from actual events impacting the Nomura Group and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators ("KRI"): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Model Risk

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

The Nomura Group has documented policies and procedures in place, approved by Group Integrated Risk Management Committee and/or Global Risk Strategic Committee, which define the process and validation requirements for implementing changes to valuation and risk models. In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required. MVG defines these materiality thresholds in a formal procedure and operates a control process to identify where the procedure is not followed. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration of the earnings environment or a deterioration of the efficiency or effectiveness of the Company's business operations. Business risk is managed by the senior management of the Company, including the Board of Directors.

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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Statement of Financial Position date is of plus and/or minus of $12,748,212 (2016: $36,674,800) which is 10% of fair value of Level 3 Equity and Debt securities.

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 Statement of Financial Position date is a loss of $4,833,218 (2016: profit of $41,600,475).

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:

	2017 $'000	2016 $'000
As at 1 April	38,208	8,313
New transactions	8,761	31,969
Redemptions and terminations	(2,809)	(2,074)
As at 31 March	44,160	38,208

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

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

	2017 $m	2016 $m
Bond and equity derivatives	(222)	336
Convertible bonds	10	(6)
Equities	537	144
Warrants	103	(2)
Bank and corporate bonds	(670)	(1,291)
Government bonds	1,508	1,820
Interest rate derivatives	(621)	(882)
Currency derivatives	(310)	(325)
Credit derivatives	358	387
	693	181

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Gains and losses on financial assets and financial liabilities held or issued for trading (Continued)

The information provided in the table on the previous page 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.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

c) Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. Valuations models are based wherever possible on assumptions supported by observable market prices or rates. 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.

Fair value hierarchy

Level 1 - quoted prices in active markets for the same instrument (i.e. without modification or repackaging).

Level 2 - quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3 - valuation techniques for which any significant input is not based on observable market data.

The following table presents information about the Company's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Company to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2017

	Level 1	Level 2	Level 3	Counterparty and cash collateral netting	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets held for trading					
- Equities	5,388,975	1,295,019	30,577	-	6,714,571
- Debt securities and loans	15,580,550	8,822,803	96,905	-	24,500,258
- Derivatives	123,339	148,835,177	2,097,216	(9,487,833)	141,567,899
Collateral posted for securities purchased under agreements to resell	-	9,690,592	-	(92,741)	9,597,851
Other debtors	-	1,668,260	179,880	-	1,848,140
Investments-time deposits	-	116,114	144,031	-	260,145
	21,092,864	170,427,965	2,548,609	(9,580,574)	184,488,864

	Level 1	Level 2	Level 3	Counterparty and cash collateral netting	Total
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities held for trading					
- Equities	(4,088,934)	(1,168,841)	(5,342)	-	(5,263,117)
- Debt securities and loans	(14,700,681)	(7,537,276)	(2)	-	(22,237,959)
- Derivatives	(122,171)	(150,862,797)	(2,602,687)	9,576,335	(144,011,320)
Collateral received for securities sold under agreements to repurchase	-	(3,314,550)	-	92,741	(3,221,809)
Collateral received for securities loaned	-	(1,335,275)	-	-	(1,335,275)
Other creditors	(31,187)	(689,670)	(5,050)	-	(725,907)
Creditors due after more than one year	-	(466,562)	-	-	(466,562)
	(18,942,973)	(165,374,971)	(2,613,081)	9,669,076	(177,261,949)

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NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2016

	Level 1	Level 2	Level 3	Counterparty and cash collateral netting	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets held for trading					
- Equities	6,519,919	1,024,194	39,141	-	7,583,254
- Debt securities and loans	24,592,256	10,205,885	327,607	-	35,125,748
- Derivatives	65,926	264,184,461	2,864,948	(48,664,007)	218,451,328
Collateral posted for securities purchased under agreements to resell	-	12,150,431	-	(333,814)	11,816,617
Other debtors	-	719,832	128,153	-	847,985
Investments-time deposits	-	15,422	-	-	15,422
	31,178,101	288,300,225	3,359,849	(48,997,821)	273,840,354

	Level 1	Level 2	Level 3	Counterparty and cash collateral netting	Total
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities held for trading					
- Equities	(4,794,310)	(98,530)	(7,142)		(4,899,982)
- Debt securities and Loans	(10,933,493)	(9,041,522)	(12,838)		(19,987,853)
- Derivatives	(66,422)	(266,575,711)	(2,832,810)	48,661,598	(220,813,345)
Collateral received for securities sold under agreements to repurchase	-	(4,325,030)	-	333,814	(3,991,216)
Collateral received for securities loaned	-	(1,150,602)	-	-	(1,150,602)
Other creditors	(697,162)	(901,178)	(10,980)	-	(1,609,320)
Creditors (amounts falling due after more than one year)	-	(544,661)	(30,428)	-	(575,089)
	(16,491,387)	(282,637,234)	(2,894,198)	48,995,412	(253,027,407)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 financial assets and financial liabilities

Level 3 financial assets and financial liabilities include instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorised in accordance with their lowest level significant input. As a result, a derivative valued using a combination of level 1, level 2 and level 3 parameters would be classified in level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.

These financial instruments are often hedged with instruments within level 1 or level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Company has utilised level 3 inputs to determine fair value.

	At 1 April 2016 $'000	Total gains (losses) in P&L $'000	Purchase $'000	Sales $'000	Settlements $'000	Transfers in level 3 $'000	Transfers out of level 3	At 31 March 2017 $'000	Unrealised Total gains (losses) in P&L $'000
Financial Assets									
Financial assets held for trading									
- Equities	39,141	(8,150)	22,316	(32,915)	-	12,971	(2,786)	30,577	3,802
- Debt securities and loans	327,607	3,316	58,591	(293,476)	-	10,129	(9,262)	96,905	2,734
- Derivatives	2,864,948	327,801	-	-	(930,908)	209,443	(374,068)	2,097,216	284,322
Other debtors	128,153	4,854	164,891	(118,018)	-	-	-	179,880	2,595
Investments-time deposits	-	(100)	144,131	-	-	-	-	144,031	(100)
	3,359,849	327,721	389,929	(444,409)	(930,908)	232,543	(386,116)	2,548,609	293,353

	At 1 April 2016 $'000	Total gains (losses) in P&L $'000	Purchase $'000	Sales $'000	Settlements $'000	Transfers in level 3 $'000	Transfers out of level 3	At 31 March 2017 $'000	Unrealised Total gains (losses) in P&L $'000
Financial liabilities									
Financial liabilities held for trading									
- Equities	(7,142)	(1,995)	(3,324)	41,194	-	(35,060)	985	(5,342)	1,841
- Debt securities and loans	(12,838)	87	(22)	11,713	-	-	1,058	(2)	87
- Derivatives	(2,832,810)	(961,853)	-	-	924,685	(109,820)	377,111	(2,602,687)	(889,159)
Other creditors	(10,980)	-	(5,050)	10,980	-	-	-	(5,050)	-
Creditors due after more than one year	(30,428)	-	-	30,428	-	-	-	-	-
	(2,894,198)	(963,761)	(8,396)	94,315	924,685	(144,880)	379,154	(2,613,081)	(887,231)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Total gains and losses on financial assets included in the above table are included in 'Trading profit' in the statement of comprehensive income.

The Company assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place.

Instruments transferred out of level 3 due to valuation inputs became observable and Transfer into level 3, due to valuation inputs became unobservable.

Transfers between level 1 and 2

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

As at 31 March 2017

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Assets		
Financial assets held for trading		
- Equities	1,033,009	200,076
	1,033,009	200,076

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(916,285)	(44,610)
	(916,285)	(44,610)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2016

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Assets		
Financial assets held for trading		
- Equities	320,826	154,284
- Derivatives	-	178,228
	320,826	332,512

	Transfers from level 1 to level 2 $'000	Transfers from level 2 to level 1 $'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(36,576)	(33,448)
- Derivatives	-	(178,197)
	(36,576)	(211,645)

Instruments were transferred from level 1 to level 2 due to observable parameters became less active and transfer from level 2 to level 1 because the valuation parameters became more active.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Level 3 quantitative disclosures on significant unobservable inputs

The following table presents quantitative information about the significant unobservable inputs and assumptions used by the Company for Level 3 financial instruments as of 31 March 2017 and 2016.

31 March 2017 **Class of financial instrument**	**Fair value** **$'000**	**Valuation techniques**	**Unobservable inputs**	**Range**	**Weighted average**
Financial Assets held for trading					
-Equity securities	30,577	DCF	Liquidity discount	45% - 65%	57.70%
-Debt securities and loans	96,905	DCF	Credit Spreads	0% - 20%	9.40%
			Recovery Rates	4% - 62%	7.20%
-Derivatives	2,097,216	DCF/Option Models	Interest Rates	0.1% - 3.0%	
			Credit Spread	0.0% - 7.60%	
			Recovery Rate	20% - 90%	
			Dividend Yield	0% - 5.30%	
			Volatilities	1% - 83%	
			Correlations	(0.75) - 0.96	
Financial assets designated at fair value through profit and loss	323,911		Credit Spreads	2.90% - 9.80%	4.4%
Total Level 3	2,548,609				

31 March 2016 **Class of financial instrument**	**Fair value** **$'000**	**Valuation techniques**	**Unobservable inputs**	**Range**	**Weighted average**
Financial Assets held for trading	39,141	DCF	Liquidity discount	30% - 45%	41.70%
-Equity securities	327,607	DCF	Credit Spreads	0% - 85%	3.90%
-Debt securities and loans			Recovery Rates	4% - 13%	6.40%
-Derivatives	2,864,948	DCF/Option Models	Interest Rates	(0.20%) - 3.10%	
			Credit Spread	0.10% - 14.40%	
			Recovery Rate	0% - 90%	
			Dividend Yield	0% - 6.60%	
			Volatilities	0% - 125%	
			Correlations	(0.50) - 1.00	
Financial assets designated at fair value through profit and loss	128,153	DCF	Credit Spreads	5.90% - 16.80%	9.00%
Total Level 3	3,359,849				

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NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

A. Level 3 quantitative disclosures on significant unobservable inputs

31 March 2017 Class of financial instrument	Fair value $'000	Valuation techniques	Unobservable inputs	Range	Weighted average
Financial liabilities held for trading					
-Equity securities	(5,342)	DCF	Liquidity discount	45% - 65%	57.70%
-Debt securities and loans	(2)	DCF	Credit Spreads	0% - 20%	9.40%
			Recovery Rates	4% - 62%	7.20%
-Derivatives	(2,602,687)	DCF/Option Models	Interest Rates	0.1% - 3.0%	
			Credit Spread	0.0% - 7.60%	
			Recovery Rate	20% - 90%	
			Dividend Yield	0% - 5.30%	
			Volatilities	1% - 83%	
			Correlations	(0.75) - 0.96	
Financial liabilities designated fair value through profit and loss	(5,050)	DCF	Yields	12.80% - 12.90%	12.90%
Total Level 3	(2,613,081)				

31 March 2016 Class of financial instrument	Fair value $'000	Valuation techniques	Unobservable inputs	Range	Weighted average
Financial liabilities held for trading					
-Equity securities	(7,142)	DCF	Liquidity discount	30% - 45%	41.70%
-Debt securities and loans	(12,838)	DCF	Credit Spread	5.30% - 5.30%	5.30%
-Derivatives	(2,832,810)	DCF/Option Models	Interest Rates	(0.20%) - 3.10%	
			Credit Spread	0.10% - 14.40%	
			Recovery Rate	0% - 90%	
			Dividend Yield	0% - 6.60%	
			Volatilities	0% - 125%	
			Correlations	(0.50) - 1.00	
Financial liabilities designated fair value through profit and loss	(41,408)	DCF	Yields	0.50% - 5.70%	5.00%
			Correlations	0.37 – 0.87	0.62
Total Level 3	(2,894,198)				

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

B. Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the Statement of Financial Position since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortised cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within Loans, Debtors, Cash at bank and in hand, Borrowings from fellow subsidiary undertakings, Cash collateral and other liabilities.

Cash at bank and in hand, Other debtors, Borrowings from fellow subsidiary undertakings and Cash Collateral, in the Statement of Financial Position would generally be classified in either Level 1 or Level 2 within the fair value hierarchy.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

B. Estimated fair value of financial instruments not carried at fair value

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments of which a portion of the ending balance was carried at fair value as of March 31, 2017 and 2016.

	2017	2017	2017	2017	2017
				Fair value by level	
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000
Financial Assets:					
Collateral posted for securities purchased under agreements to resell	72,949,512	72,949,512	-	72,923,878	25,634
Collateral posted for securities borrowed	11,963,227	11,963,227	-	11,963,227	-
Other Debtors	16,050,758	16,050,758	-	16,050,758	-
Investment time deposit	162,191	162,191	-	162,191	-
Cash at bank and in hand	5,363,858	5,363,858	3,058,976	2,304,882	-
	106,489,546	106,489,546	3,058,976	103,404,936	25,634
Financial Liabilities:					
Collateral received for securities sold under agreements to repurchase	(67,323,757)	(67,323,757)	-	(67,323,757)	-
Collateral received for securities loaned	(5,827,581)	(5,827,581)	-	(5,827,581)	-
Other creditors	(33,562,959)	(33,562,959)	-	(33,562,959)	-
Creditors: Amounts falling due after more than one year	(2,008,562)	(2,008,562)	-	(2,008,562)	-
	(108,722,859)	(108,722,859)	-	(108,722,859)	-

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

B. Estimated fair value of financial instruments not carried at fair value

	2016	2016	2016	2016	2016
				Fair value by level	
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000
Financial Assets:					
Collateral posted for securities purchased under agreements to resell	67,041,693	67,041,693	-	67,041,693	-
Collateral posted for securities borrowed	17,565,535	17,565,535	-	17,565,535	-
Other Debtors	18,711,617	18,711,617	-	18,711,617	-
Investment time deposit	938,641	938,641	-	938,641	-
Cash at bank and in hand	4,827,182	4,827,182	3,469,263	1,357,919	-
	109,084,668	109,084,668	3,469,263	105,615,405	-
Financial Liabilities:					
Collateral received for securities sold under agreements to repurchase	(71,171,892)	(71,171,892)	-	(71,171,892)	-
Collateral received for securities loaned	(14,592,893)	(14,592,893)	-	(14,592,893)	-
Other creditors	(36,731,862)	(36,731,862)	-	(36,731,862)	-
Creditors: Amounts falling due after more than one year	(2,459,645)	(2,459,645)	-	(2,459,645)	-
	(124,956,292)	(124,956,292)	-	(124,956,292)	-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 March 2017 (CONTINUED)

20. OFFSETTING DISCLOSURES

The following tables provide a summary of financial assets and liabilities that are Statement of Financial Position netted and which are subject to enforceable master netting arrangements and similar agreements.

31 March 2017	**Collateral posted for securities purchased under agreements to resell**	**Collateral posted for securities borrowed**	**Derivatives**
Assets:	**$'000s**	**$'000s**	**$'000s**
Total gross balance (1)	201,129,003	11,963,227	151,055,732
Less: Amounts offset in the Statement of Financial Position	(118,581,640)	-	(9,487,833)
Total net amounts of reported on the face of the Statement of Financial Position	82,547,363	11,963,227	141,567,899
Less: Additional amounts not offset in the Statement of Financial Position (2)	(15,599,701)	(2,815,718)	(128,034,428)
Financial instruments and non-cash collateral	(63,525,846)	(8,091,119)	(1,518,660)
Cash collateral	-	-	(8,327,558)
Net amount	3,421,816	1,056,390	3,687,253

31 March 2016	**Collateral posted for securities purchased under agreements to resell**	**Collateral posted for securities borrowed**	**Derivatives**
Assets:	**$'000s**	**$'000s**	**$'000s**
Total gross balance (1)	172,578,702	17,565,535	267,115,336
Less: Amounts offset in the Statement of Financial Position	(93,720,392)	-	(48,664,007)
Total net amounts of reported on the face of the Statement of Financial Position	78,858,310	17,565,535	218,451,329
Less: Additional amounts not offset in the Statement of Financial Position (2)	(18,830,775)	(11,513,314)	(202,736,491)
Financial instruments and non-cash collateral	(54,691,451)	(4,392,768)	(10,227)
Cash collateral	-	-	(8,679,028)
Net amount	5,336,084	1,659,453	7,025,583

20. OFFSETTING DISCLOSURES (CONTINUED)

31 March 2017 **Liabilities:**	Collateral received for securities sold under agreements to repurchase $'000s	Collateral received for securities loaned $'000s	Derivatives $'000s
Total gross balance (1)	(189,127,206)	(7,162,856)	(153,587,656)
Less: Amounts offset in the Statement of Financial Position	118,581,640	-	9,576,336
Total net amounts of reported on the face of the Statement of Financial Position	(70,545,566)	(7,162,856)	(144,011,320)
Less: Additional amounts not offset in the Statement of Financial Position (2)	15,599,701	2,815,718	128,034,428
Financial instruments and non-cash collateral	52,756,537	2,248,710	180,005
Cash collateral	-	-	11,184,728
Net amount	(2,189,328)	(2,098,428)	(4,612,159)

31 March 2016 **Liabilities:**	Collateral received for securities sold under agreements to repurchase $'000s	Collateral received for securities loaned $'000s	Derivatives $'000s
Total gross balance (1)	(168,883,500)	(15,743,495)	(269,474,943)
Less: Amounts offset in the Statement of Financial Position	93,720,392	-	48,661,598
Total net amounts of reported on the face of the Statement of Financial Position	(75,163,108)	(15,743,495)	(220,813,345)
Less: Additional amounts not offset in the Statement of Financial Position (2)	18,830,775	11,513,314	202,738,900
Financial instruments and non-cash collateral	51,838,400	2,448,607	25,830
Cash collateral	-	-	12,005,226
Net amount	(4,493,933)	(1,781,574)	(6,043,389)

20. OFFSETTING DISCLOSURES (CONTINUED)

1) Includes all recognised balances irrespective of whether they are transacted under legally enforceable master netting agreements. Amounts include transactions carried at fair value through election of the fair value option and amounts carried at amortised cost.

2) Represents amounts which are not permitted to be offset on the face of the Statement of Financial Position but which provide the Company with the right of offset in the event of counterparty default. Amounts relating to agreements where the Company does not have a legal right of offset or has not yet determined with sufficient certainty whether the right of offset is legally enforceable are excluded. The amount disclosed has been capped per the relevant netting agreement so as not to exceed the net amount of financial assets presented on the Statement of Financial Position. Thus, over-collateralization is not reflected in the table.

21. 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 Statement of Financial Position 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 to and has complied with the regulatory requirements imposed by the PRA under the CRD IV framework.

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

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the PRA for supervisory purposes define two '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 consists of long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity and all market and counterparty risks.

	2017 $'000	2016 $'000
Common Equity Tier 1	5,021,782	5,020,883
Adjustments to CET 1 due to prudential filters	(292,986)	(325,064)
Tier 1 Capital	4,728,796	4,695,819
Tier 2 Capital	1,260,000	1,260,000
Own Funds	5,988,796	5,955,819

22. UNCONSOLIDATED STRUCTURED ENTITIES

The Company has an involvement with various structured entities which are designed to achieve a specific business purpose. Structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. Such entities generally have restricted activities as well as narrow and well-defined objectives.

As the Company has taken the exemption from preparing consolidated financial statements under section 401 of Companies Act 2006, disclosures are in relation to the Companies involvement with all structured entities, irrespective of whether they are consolidated or not.

Below is a description of the Company's involvements in structured entities by type:

Securitisation Vehicles:

The Company establishes securitisation vehicles to meet clients' investment needs through the combination of securities and derivatives, including fixed income and equities products. The vehicles fund these investments by issuing structured notes, the repayment of which is linked to the performance of the assets in the vehicles. The Company often transfers assets and enters into derivatives with these securitisation vehicles.

The Company also invests in third party securitisation vehicles in the form of asset backed securities.

Investment Funds:

The Company holds investments in third party investment funds such as Mutual Funds and Hedge Funds in the normal course of trading activity. In addition, the Company holds seed investments in UCITS and other Funds sponsored by fellow subsidiaries within the Nomura Group.

Other:

These are investments in third party structured entities that do not fall into any criteria above.

The following table shows the carrying amounts of Company's interests' recognised in the Statement of Financial Position as well as the maximum exposure to loss resulting from their interests in structured entities. It also provides an indication of the size of the structured entities.

The maximum exposure to loss is determined by considering the nature of the interest in the structured entity. The maximum exposure for loans and trading instruments is reflected by the carrying amounts. The maximum exposure for derivatives and off Statement of Financial Position commitments is reflected by the notional amounts. Maximum exposure to loss does not reflect the Company's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Company enters into to reduce its exposure. The risks associated with structured entities in which the Company is involved are limited to the amounts recorded in the Statement of Financial Position and the amount of commitments.

22. UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

	2017 Carrying amount of variable interests Asset $'000	2017 Carrying amount of variable interests Liabilities $'000	2017 Maximum exposure to loss to unconsolidated Structured Entities $'000	2017 Total size of Structured Entities $'000
Financial assets held for trading	1,470,525	-	3,792,445	
Financial liabilities held for trading	-	(336,710)	6,812,370	
Collateral posted for securities purchased under agreements to resell	513,248	-	513,248	
Collateral received for securities sold under agreements to repurchase	-	(2,418,897)	-	
Gross assets of structured entities	-	-	-	449,510,824
	1,983,773	(2,755,607)	11,118,063	449,510,824

	2016 Carrying amount of variable interests Asset $'000	2016 Carrying amount of variable interests Liabilities $'000	2016 Maximum exposure to loss to unconsolidated Structured Entities $'000	2016 Total size of Structured Entities $'000
Financial assets held for trading	1,440,491	-	5,025,981	
Financial liabilities held for trading	-	(112,913)	6,514,866	
Collateral posted for securities purchased under agreements to resell	246,633	-	246,633	
Collateral received for securities sold under agreements to repurchase	-	(2,294,398)	-	
Gross assets of structured entities	-	-	-	651,920,050
	1,687,124	(2,407,311)	11,787,480	651,920,050

The Company did not provide non-contractual support during the year to unconsolidated structured entities.

23. OPERATING LEASE COMMITMENTS

The Company's obligations from operating leases relate to long-term leases of real estate, equipment and vehicle leases. Some of these leases contain extension options at rentals based on market prices.

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

	2017 Buildings $'000	2017 Other $'000	2016 Buildings $'000	2016 Other $'000
Within one year	57,997	33	61,530	82
Within two to five years	212,905	18	242,444	68
After five years	365,724	-	470,372	-
	636,626	51	774,346	150

The future minimum sublease payments expected to be received under sublease agreements as at 31 March 2017 is $ 9,216,781 ($8,304,659 as at 31 March 2016).

The total lease and sublease payments recognised in profit and loss were as follows:

	2017 $'000	2016 $'000
Minimum lease payments	59,118	68,622
Sublease payments	9,014	5,642
Total operating lease payments	50,104	62,980

24. EMPLOYEES

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

	Year ended 31 March 2017 Number	Year ended 31 March 2016 Number
United Kingdom	2,166	2,468
Other Europe	117	113
Middle East	21	25
	2,304	2,606

25. DIRECTORS' REMUNERATION

	Year ended 31 March 2017 $'000	Year ended 31 March 2016 $'000
Salaries, allowances and taxable benefits	4,176	3,718
Company contributions to pension	72	78
Bonuses	2,139	3,128
	6,387	6,924

The number of Directors who exercised share options during the year was 5 (2016: 1).

The number of Directors who were entitled to receive shares under long-term incentive plans during the year was 3 (2016: 5).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 4 (2016: 3).

The highest paid Director received emoluments of $2,426,758 (2016: $1,952,169) and Company contributions to pension of $49,613 (2016: $57,304). The highest paid Director exercised share options during 2017 and was entitled to receive shares under long-term incentive plans.

26. SHARE-BASED PAYMENTS

SAR Awards

The ultimate holding company, NHI, has issued two types of share option schemes – SAR plan A and SAR plan B.

All issuances of SAR plan A awards to employees expired in the financial year ending March 16, therefore the below disclosure refers to SAR plan B only.

Share options have variable vesting periods during which the options may not be exercised.

The exercise price of stock option plan B will be 1¥ per share.

Stock options are exercisable during a certain period from the vesting date (five years at maximum from the vesting date), which is to be decided by the ultimate holding company's Executive Management Board.

The share price as at the grant date has been used as an estimate for the fair value at grant date.

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 $43,176,823 (2016: $137,342,762).

NSU and CSU Awards

NSUs and CSUs are cash-settled awards linked to the price of NHI's common stock which have graded vesting, generally over three years from grant date. NSUs vest annually, generally over three years while CSUs vest quarterly, generally over three years. NSUs are tied to the value of the ultimate holding company's common stock on the Tokyo Stock Exchange (JP: 8604) and are settled in cash rather than NHI's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of NHI's common stock is subject to a cap and floor. The fair value of NSUs and CSUs are determined using the average closing NHI's share price over the five trading days up to and including the vesting date.

For NSU and CSU awards the expense recognised for employee services received during the year was $60,911,957 (2016: $101,709,809).

Other Awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International which have graded vesting, generally over three years from grant date. NIUs vest quarterly, generally over three years. The fair value of NIUs is determined using the average closing price of the Index during the five trading days up to and including the vesting date.

For NIU awards the expense recognised for employee services received during the year was $45,443,693 (2016: $27,486,925).

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

26. SHARE-BASED PAYMENTS (CONTINUED)

	Share Option Plan	Number of share options		Weighted average exercise price ¥
Outstanding at the beginning of the year	B	498,026		1
	NSU	5,011,913		
	CSU	18,736,578		
	NIU	8,346,405		
			32,592,922	
Granted during the year	B	142,831		1
	NSU	5,805,345		
	CSU	7,706,103		
	NIU	2,846,163		
			16,500,442	
Forfeited during the year	B	(5,824)		1
	NSU	(79,647)		
	CSU	(381,433)		
	NIU	(190,125)		
			(657,029)	
Exercised during the year	B	(261,196)		1
	NSU	(6,271,795)		
	CSU	(14,227,143)		
	NIU	(6,441,131)		
			(27,201,265)	
Expired during the year	B	(9)		1
	NSU	-		
	CSU	-		
	NIU	-		
			(9)	
Outstanding at the end of the year	B	373,828		1
	NSU	4,465,816		
	CSU	11,834,105		
	NIU	4,561,312		
			21,235,061	
Exercisable at the end of the year	B	-		1

The weighted average remaining contractual life for the share options outstanding as at 31 March 2017 was 5.16 years (2016: 5.36 years).

27. CAPITAL COMMITMENTS

As at 31 March 2017 there were capital commitments of $7,811relating to assets in the course of construction (2016: $8,972).

28. RELATED PARTY TRANSACTIONS

Statement of comprehensive income

The Company has taken advantage of the exemption under FRS 101 from the requirement in IAS 24 for disclosing related party transactions with other entities included in the consolidated financial statements of NHI.

As part of the Company's Merchant Banking operations, financial arrangements are made with certain companies for the purpose of holding investments. As a result of these arrangements, these companies become related parties. As at 31 March 2017 and 31 March 2016, aggregate amounts due from such related parties of $ 404,820 and $422,624, respectively, had been fully provided for.

29. CONTINGENT LIABILITIES AND COMMITMENTS

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 U.K. – Italy Double Taxation Treaty of 1998. The alleged breaches relate to payments to the Company of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which the Company claims to be entitled but is also seeking reimbursement of €33.8 million, plus interest, already refunded. 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 claim for further refunds.

The matter went to a hearing in March 2009 and in November 2009 a decision was issued by the First Instance Pescara Tax Court in favour of the Italian Tax Authorities. The Company lodged an appeal of this decision and in March 2012 a second decision was issued by the Second Instance Pescara Tax Court in favour of the Italian Tax Authorities. As is allowed under Italian tax procedure, in September 2012 the Company received a demand for payment from the Italian Tax Authorities in the amount of €37.5 million which comprised the original refunded amount, interest and collection fees. Payment of this amount was made on 26 October 2012. Payment does not undermine the Company's arguments in the dispute and the Company intends to continue to vigorously challenge the second decision and a further appeal to the Supreme Court in Rome was filed on 8 July 2013 in order to seek full reimbursement of this amount plus further interest. Ultimately the Company expects that its appeal will prevail. The specified amount paid is the Company's current estimate of the maximum reasonably possible loss from this matter.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Fairfield Claims

The Company is a defendant in two actions seeking recovery of payments allegedly made to the Company by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the "Fairfield Funds"). The Fairfield Funds, now in liquidation, were feeder funds to Bernard L. Madoff Investment Securities LLC ("BLMIS"). BLMIS is itself now in liquidation in the US pursuant to the Securities Investor Protection Act. The first claim was brought by the liquidators of the Fairfield Funds. It was filed on 5 October 2010 in the Supreme Court of the State of New York, but was subsequently removed to the US District Court, which in turn referred it to the US Bankruptcy Court. The claim is one of many similar claims that have been brought against a number of investors. The second claim was brought by the Trustee for the liquidation of BLMIS (the "Madoff Trustee"). The Company was added as a defendant on 6 June 2012 when the Madoff Trustee filed an amended complaint in the US Bankruptcy Court. Again, this claim is one of many claims being brought against a range of investors. In November 2016, the US Bankruptcy Court granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. The amount claimed in each case is approximately US$35 million plus interest. The Company intends to vigorously contest the proceedings. The Company does not believe that it will face the prospect of double recovery of the sums in question. The Company's current estimate of the maximum reasonably possible loss from this matter is US$35 million.

Harley Claim

On 6 October 2011, the Madoff Trustee filed an adversary proceeding against the Company in the US Bankruptcy Court for the recovery of redemption payments allegedly made by Harley International (Cayman) Ltd. (the "Harley Fund") to the Company. The basis of the claim is that the redemptions in question were and continue to be "Customer Property" within the meaning of the Securities Investor Protection Act and are therefore avoidable and recoverable under the US Bankruptcy Code and New York Debtor and Creditor law. The Harley Fund, now in liquidation, was a feeder fund to BLMIS. The claim is one of many similar claims that have been brought against a number of investors. In November 2016, the US Bankruptcy Court granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. The claim is for approximately US$21.5 million plus interest. The Company intends to vigorously contest the proceedings. The specified amount claimed is the Company's current estimate of the maximum reasonably possible loss from this matter.

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS"

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against (1) two former directors of MPS and (2) the Company. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with the Company in 2009 ("Transactions") and that the Company acted fraudulently and was jointly liable for the unlawful conduct of MPS's former directors. MPS claimed damages of not less than EUR 1.142 billion.

In March 2013, the Company commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleged in its Counterclaim that the Company was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, the Company entered into a settlement agreement with MPS to terminate the Transactions.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS" (Continued)

The Company believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, the Company considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and the Company in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and the Company applied to the Italian Courts to discontinue the proceedings brought by MPS against the Company. In December 2015, the Italian Courts ordered the discontinuance of all claims against the Company; except a claim brought by a former director of MPS. In March 2017, the Italian Court ordered the discontinuance of the entire proceedings (on the basis that MPS chose to pursue and could recover equivalent civil damages in the criminal proceedings), including the claim brought by the former director of MPS. MPS appealed against this decision in April 2017. The Company and other parties filed reply briefs against this appeal in May 2017, and await the Court's decision. The financial impact of the settlement on the Company's results for the fiscal year ending March 31, 2016 is a loss of approximately $309 million and has been included in Trading profit in the statement of comprehensive income for the year ended March 31, 2016.

In July 2013, a claim was also issued against the same former directors of MPS, and the Company, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not less than EUR 315.2 million. The Company filed and served Defences to both the MPS and the FMPS claims.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation, which was re-served on the Company on January 14, 2016. Under that notice the Public Prosecutor sought to indict, amongst others, MPS, three individuals from MPS's former management, the Company and two Company individuals for the offences of false accounting and market manipulation in relation to MPS's previous accounts for 2009, 2010, 2011, and the interim and quarterly statements for 2012. The Public Prosecutor also sought to indict the two Company individuals, as well as MPS and three individuals from MPS's former management, for the offence of obstructing the supervisory activities of CONSOB. The preliminary hearing at which the court considered whether or not to grant the indictment concluded on October 1, 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor). The trial (which also involves three other sets of allegations in relation to MPS and its counterparties in other transactions unrelated to the Company) has now commenced and is ongoing.

Additionally, on January 12, 2017, the Company was served by CONSOB (the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market manipulation in connection with the Transactions. In relation to the Transactions, the notice names MPS, three individuals from MPS's former management and two former employees of the Company as defendants, whereas the Company is named only in its capacity as vicariously and jointly liable to pay any fines imposed on its former employees. The Company filed its first defensive brief in these proceedings on March 28, 2017. These proceedings are likely to conclude at the end of 2017 or early 2018.

The Company will continue to vigorously defend its position in all the ongoing proceedings.

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Civitavecchia

In January 2016, the Municipality of Civitavecchia in Italy commenced civil proceedings against the Company in the local courts in Civitavecchia. Civitavecchia's claim relates to derivatives transactions entered into by it between 2003 and 2005. Civitavecchia alleges that the Company failed to comply with its duties under an advisory agreement and seeks to recover approximately €35 million in damages. The Company intends to vigorously contest the proceedings.

Employee Litigation

In March 2016, the Company was served with proceedings by a former employee. The claim has been brought in the English High Court and alleges breaches of contract and duty. The amount claimed has yet to be quantified, but could amount to approximately £65 million. The Company filed and served a Defense and Counterclaim to these proceedings in May 2016. A directions hearing has not yet been scheduled and therefore the timetable for the proceedings is unclear. The Company will continue to vigorously defend its position in the ongoing proceedings.

Bond Investigations and related class action

Various authorities continue to conduct investigations concerning the activities of company, other entities in the Nomura Group and other parties in respect of government, supranational, sub-sovereign and agency bonds. Company and other entities in the Nomura Group are also defendants to a consolidated class action complaint filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law and common law related to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds. The Company intends to vigorously defend the proceedings

Commitments

The Company had commitments as at 31 March 2017 amounting to $6,064,000,000 (2016: $5,528,000,000) in respect of undrawn loan facilities.

30. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

No events to report post balance sheet date

31. 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 NHI, 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 is NEHS, a company registered at 1 Angel Lane, London, EC4R 3AB, United Kingdom.