

NOMURA INTERNATIONAL PLC

ANNUAL REPORT

31 March 2000

COMPANY REGISTERED NUMBER 1550505



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NOMURA INTERNATIONAL PLC

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st March 2000.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is broking and dealing in securities and includes:

- Trading and sales in fixed income and equity products,
- Investment Banking services,
- Principal Finance business,
- Corporate Finance and private equity.

The company will continue to concentrate on and expand its present activities. No significant change in the nature of these activities is foreseen.

RESULTS AND DIVIDEND

The results for the year are set out on page 5.

The profit transferred to reserves for the year amounted to £100,274,000 (1999: £357,028,000 loss).

The directors do not recommend the payment of a dividend for the year under review (1999: £18,000,000).

FIXED ASSETS

Details of movements in fixed assets are set out in notes 7 and 8 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during all or part of the year were:

| | |
|----------------------|--------------------------------------|
| Takumi Shibata | President |
| Simon Fry | Director (Resigned 31 May 2000) |
| David Farrant | Director |
| Noriaki Nagai | Director |
| Hideyuki Takahashi | Director (Appointed 9 November 1999) |
| Tetsu Ozaki | Director (Appointed 10 January 2000) |
| Shinji Iwai | Director (Resigned 9 November 1999) |
| Nicholas Alicabiotis | Director (Deceased 7 March 2000) |

No director had any beneficial interest in the share capital of the company during the year.

NOMURA INTERNATIONAL PLC

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair review of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing those financial statements the directors are required to:

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

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

EMPLOYEES

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

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

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

We are committed to taking positive action to promote equality of opportunity which includes provision for disabled people, and our recruitment, training and promotion procedures are based on the requirements of a job.

DONATIONS

No political donations were made during the year (1999 £NIL). Charitable donations of £83,911 (1999: £89,882) have been made.

CREDITORS' PAYMENT POLICY

The company does not follow any code or standard on payment practice with its suppliers but it is the policy of the company to agree terms of payment when orders for goods or services are placed and to pay in accordance with those terms.

NOMURA INTERNATIONAL PLC

REPORT OF THE DIRECTORS (CONTINUED)

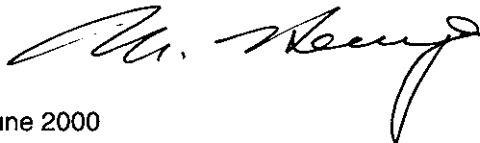
YEAR 2000

Nomura International plc was not adversely impacted in relation to Year 2000. The directors consider that there are no known residual risks associated with the Year 2000 issue.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution in accordance with Section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'M. Kemp', is written over the date. The signature is fluid and cursive.

20 June 2000

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 March 2000

AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

We have audited the financial statements on pages 5 to 30.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

London

20 June 2000

NOMURA INTERNATIONAL PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 March 2000

| Note | | <u>Year ended</u> <u>31 March 2000</u> £'000 | <u>Year ended</u> <u>31 March 1999</u> £'000 |
|---------|--|--|--|
| 1(k), 3 | TURNOVER | 751,565 | 215,558 |
| | Selling expenses | (116,725) | (84,906) |
| | General and administrative expenses | (425,198) | (455,034) |
| | OPERATING PROFIT /(LOSS) | 209,642 | (324,382) |
| 1 (l) | Interest receivable and similar income | 558,057 | 484,478 |
| 1 (l) | Interest payable and similar charges | (638,469) | (599,968) |
| 3, 4 | PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | 129,230 | (439,872) |
| 6 | Tax on profit/(loss) on ordinary activities | (28,952) | 100,843 |
| 2 | PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | 100,278 | (339,029) |
| | Minority Interests | (4) | 1 |
| | PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY | 100,274 | (339,028) |
| | Dividend paid to holders of: | | |
| | Sterling Ordinary shares of £1 each | - | (5,212) |
| | Yen Ordinary shares of ¥ 250 each | - | (12,788) |
| | RETAINED PROFIT/(LOSS) FOR THE YEAR | 100,274 | (357,028) |

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

The notes on pages 9 to 30 form part of these accounts.

NOMURA INTERNATIONAL PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | <u>Year ended</u> <u>31 March 2000</u> £'000 | <u>Year ended</u> <u>31 March 1999</u> £'000 |
|--|--|--|
| Profit/(loss) attributable to members of the parent company | 100,274 | (339,028) |
| Exchange loss on merger in relation to issuance of Yen share capital | - | (1,073) |
| Exchange (loss)/gain on re-translation of foreign subsidiaries | (490) | 11 |
| Total recognised gains and losses relating to the year | <u>99,784</u> | <u>(340,090)</u> |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| <u>Group</u> | <u>2000</u> £'000 | <u>1999</u> £'000 |
|--|----------------------|----------------------|
| Profit /(loss)for the year | 100,274 | (339,028) |
| Dividends paid | - | (18,000) |
| Revaluation of Yen share capital | - | 27,748 |
| Movement in merger reserve | - | (23,032) |
| Increase in share capital | 271,362 | 128,512 |
| Exchange differences on re-translation of subsidiaries | (490) | 11 |
| Net addition/ (reduction in) to shareholders' funds | 371,146 | (223,789) |
| Opening shareholders' funds | <u>396,758</u> | <u>620,547</u> |
| Closing shareholders' funds | <u>767,904</u> | <u>396,758</u> |
| <u>Company</u> | | |
| Profit /(loss)for the year | 100,018 | (339,011) |
| Dividends paid | - | (18,000) |
| Revaluation of Yen share capital | - | 27,748 |
| Movement in merger reserve | - | (23,032) |
| Increase in share capital | 275,769 | 124,105 |
| Net addition to /(reduction in) shareholders' funds | 375,787 | (228,190) |
| Opening shareholders' funds | <u>392,108</u> | <u>620,298</u> |
| Closing shareholders' funds | <u>767,895</u> | <u>392,108</u> |

NOMURA INTERNATIONAL PLC

CONSOLIDATED BALANCE SHEET - 31 March 2000

| Note | | 2000 £'000 | 2000 £'000 | 1999 £'000 | 1999 £'000 |
|------|---|---------------|---------------|---------------|---------------|
| | FIXED ASSETS | | | | |
| 7 | Tangible Assets | 67,762 | | 93,579 | |
| 8 | Investments | 2,350 | | 2,486 | |
| | | | 70,112 | | 96,065 |
| | CURRENT ASSETS | | | | |
| 9 | Trading securities - long positions | 8,391,782 | | 9,362,389 | |
| 10 | Debtors | 14,061,899 | | 12,980,586 | |
| 11 | Cash at bank and in hand | 753,652 | | 697,696 | |
| | | 23,207,333 | | 23,040,671 | |
| 12 | CREDITORS (amounts falling due within one year) | (21,788,076) | | (21,962,378) | |
| | NET CURRENT ASSETS | | 1,419,257 | | 1,078,293 |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,489,369 | | 1,174,358 |
| | CREDITORS (amounts falling due after more than one year) | | | | |
| 13 | Provision for deferred taxation | | (15,450) | | - |
| 14 | Subordinated debt | | (706,016) | | (777,606) |
| | | | 767,903 | | 396,752 |
| | SHAREHOLDERS' FUNDS - EQUITY | | | | |
| 15 | Called up share capital | | 668,621 | | 328,569 |
| 16 | Merger difference | | 1,182 | | 1,182 |
| 16 | Capital redemption reserve | | 121,612 | | 121,612 |
| 16 | Other reserves | | - | | 19,970 |
| 16 | Profit and loss account | | (23,511) | | (74,575) |
| | Shareholders' funds | | 767,904 | | 396,758 |
| | MINORITY INTEREST | | (1) | | (6) |
| | | | 767,903 | | 396,752 |

APPROVED BY THE BOARD ON: 20 June 2000



The notes on pages 9 to 30 form part of these accounts.

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 March 2000

| Note | | 2000 £'000 | 2000 £'000 | 1999 £'000 | 1999 £'000 |
|------|---|---------------|---------------|---------------|---------------|
| | FIXED ASSETS | | | | |
| 7 | Tangible Assets | 67,705 | | 93,516 | |
| 8 | Investments | 6,954 | | 2,843 | |
| | | | 74,659 | | 96,359 |
| | CURRENT ASSETS | | | | |
| 9 | Trading securities - long positions | 8,391,782 | | 9,362,389 | |
| 10 | Debtors | 14,058,091 | | 12,970,922 | |
| 11 | Cash at bank and in hand | 748,740 | | 692,804 | |
| | | | | | |
| | | 23,198,613 | | 23,026,115 | |
| 12 | CREDITORS (amounts falling due within one year) | (21,783,911) | | (21,948,353) | |
| | | | | | |
| | NET CURRENT ASSETS | | 1,414,702 | | 1,077,762 |
| | | | | | |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,489,361 | | 1,174,121 |
| | | | | | |
| | CREDITORS (amounts falling due after more than one year) | | | | |
| 13 | Provision for deferred taxation | | (15,450) | | - |
| 14 | Subordinated debt | | (706,016) | | (777,606) |
| | | | | | |
| | | | 767,895 | | 396,515 |
| | SHAREHOLDERS' FUNDS - EQUITY | | | | |
| 15 | Called up share capital | | 668,621 | | 328,569 |
| 16 | Capital redemption reserve | | 121,612 | | 121,612 |
| 16 | Other reserves | | - | | 19,970 |
| 16 | Profit and loss account | | (22,338) | | (73,636) |
| | | | | | |
| | Shareholders' funds | | 767,895 | | 396,515 |

APPROVED BY THE BOARD ON: 20 June 2000



The notes on pages 9 to 30 form part of these accounts.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared on a going concern basis and in accordance with applicable Accounting Standards under the historic cost convention, as modified by the inclusion of trading securities at market value as defined in Note e (i) below. In so far as the valuation of these positions at market value represents a departure from current statutory requirements, the directors consider it necessary for the accounts to show a true and fair view. The effects of this departure, which is consistent with the industry standard, have not been disclosed since, along with other companies in a similar business, the company does not retain records on an historic basis which would provide reasonable quantification.

(b) Basis of Consolidation

The consolidated accounts comprise the accounts of the company and its subsidiary undertakings, Nomura Gilts Limited, Nomura Nominees Limited, Murana Investment Services NV, Nomura International Leasing Limited and Nomura Espana Sociedad de Valores, S.A.

The entire issued share capital of Nomura Espana Sociedad de Valores, S.A. was acquired on 14th December 1999. The acquisition has been accounted for as a merger under the group reconstruction rules as set out in Financial Reporting Standard Number 6.

The comparative figures for 1999 have been restated to reflect the merger.

(c) Profit Recognition

Transactions in securities are accounted for on a trade date basis.

(d) Foreign Currencies

All monetary assets and liabilities in foreign currencies are expressed in sterling at rates of exchange ruling on the balance sheet date. Translation differences arising from the application of closing rates of exchange are, together with exchange profits and losses which arises from normal trading activities, included in the profit before taxation.

The financial statements are prepared in Sterling. Translation differences arising from the application of closing rates of exchange to the opening net assets in subsidiaries held in currencies other than sterling are taken directly to reserves.

(e) Asset valuations

(i) Trading Securities

In order to present a true and fair view of the state of affairs and results of the company and group and in accordance with market practice the long and short positions (representing the aggregate of book quantities of individual securities arising from respectively a net bought and a net sold position resulting from securities dealing and market making activities) have been valued at market value.

Certain private equity investments are held at cost, which is considered to reflect fair value given the size and liquidity of the positions.

(ii) Fixed Asset Investments

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

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Derivatives

Derivative instruments are used for trading and hedging purposes. Derivatives used by the company include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are measured at market or fair value. Provisions are made to cover credit and liquidity risks.

In the ordinary course of business the resultant profits and losses from trading and hedging positions are included in dealing profits. However, there may be circumstances determined by specific transactions where profits or losses on derivative contracts used for hedging may not be recognised in current dealing profits but are deferred in other assets and liabilities and then recognised in the profit and loss account when the cashflows, that the hedges relate to, occur.

Assets and liabilities resulting from gains or losses on derivative and foreign exchange contracts are reported gross in prepayments and accrued income and accruals and deferred income, reduced by the effects of qualifying netting agreements with counterparties.

(g) Securities Sold or Borrowed Under Repurchase Agreements

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are carried at the amounts at which the securities will be subsequently resold or reacquired including interest as specified in the respective agreements.

(h) Depreciation

Fixed assets are depreciated on a straight-line basis in order to write off their cost over their estimated useful lives as follows:

| | |
|-----------------------------------|----------------------------|
| Long leasehold property | over the life of the lease |
| Short leasehold property | over the life of the lease |
| Leasehold improvements | Five years |
| Furniture, equipment and software | Five or ten years |
| Company cars | Three years |

(i) Pension Costs

The pension cost relating to the company's final salary section of the plan is assessed in accordance with the advice of a qualified actuary using the projected unit method. Variations from the regular cost are spread over the average remaining service lives of current employees.

The pension cost relating to the company's contributions for the money purchase section of the Plan is the actual contributions paid. The contributions are based on a percentage of salary, which is linked to the relevant age bands.

(j) Deferred Taxation

Deferred taxation is provided at the estimated rates at which future taxation will become payable on all timing differences, including those arising on pension contributions, between the accounting and taxation treatment of income and expenses where, in the directors' opinion, it is probable that the taxation will become payable in the foreseeable future.

Deferred tax assets are recognised to the extent that they are expected to be recoverable.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(k) Turnover

Turnover comprises broking, management and underwriting commission from the primary market, broking commission and dealing profit from the secondary market and private equity business.

(l) Interest receivable and similar income/interest payable and similar charges

Interest income and interest expense comprises amounts receivable and payable on bank deposits and bank borrowing respectively. In addition interest receivable and payable includes dividends and interest paid and earned on both securities positions and securities bought and sold under repurchase agreements.

(m) Operating Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

(n) Cashflow Statement

The group has taken advantage of the exemption under FRS 1 (revised) and has not produced a cashflow statement, since the group is a wholly owned subsidiary undertaking of The Nomura Securities Co. Ltd group whose accounts are publicly available.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

In accordance with S230(1) Companies Act 1985, the company has taken advantage of the dispensation not to produce its own profit and loss account. Of the profit transferred to reserves, a profit of £100,018,000 (1999: £357,011,000 loss) has been dealt with in the accounts of the holding company.

3. SEGMENTAL INFORMATION

The whole of the company's turnover and profit before taxation is derived from investment banking, comprising securities broking and dealing, primary market business and private equity business, to which all net assets are attributable.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before tax is stated after charging/(crediting):

| | <u>Year ended</u> <u>31 March 2000</u> £'000 | <u>Year ended</u> <u>31 March 1999</u> £'000 |
|---|--|--|
| Wages and salaries | 278,670 | 316,907 |
| Social security costs | 8,389 | 6,427 |
| Pension costs | 6,061 | 6,918 |
| Depreciation | 19,402 | 16,910 |
| Auditors' remuneration including expenses | | |
| - audit | 288 | 327 |
| - non audit | 2,772 | 462 |
| Operating lease costs | 14,514 | 18,071 |
| Interest receivable from fellow subsidiary undertakings | (69,657) | (121,634) |
| Interest receivable from parent undertaking | (1,764) | (6,324) |
| Interest payable to parent undertaking | 3,727 | 7,207 |
| Interest payable to fellow subsidiary undertakings | 89,283 | 68,992 |
| Interest payable on bank loans and overdrafts | 56,281 | 93,765 |
| Interest payable on long-term loans | 25,400 | 4,459 |

5. PENSIONS

The pension scheme covers 96% of employees and with effect from 1st January 1996 has two sections - funded final salary and money purchase. Staff do not make contributions for basic pensions.

Independent actuarial valuations of the Pension Scheme are carried out at least triennially, the latest being 1st April 1998 that was undertaken by William M Mercer Limited. The market value of the scheme at that date was £51.041m and the actuarial value of the assets was sufficient to cover 105% of the benefits that had accrued to the members after allowing for expected future increases in earnings. The principal actuarial assumption adopted at the last valuation date is that, over the long term, the annual projected income from the assets of the scheme would be 2.6% higher than the annual increase in future pensionable remuneration.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | <u>Year ended</u> <u>31 March 2000</u> £'000 | <u>Year ended</u> <u>31 March 1999</u> £'000 |
|--|--|--|
| UK Corporation Tax charge/(credit) at 30% (1999: 31%) | 91,004 | (112,518) |
| Overseas tax credits | (15,965) | - |
| Overseas taxation charge | 1,799 | 16,810 |
| Deferred taxation credit | (47,886) | (13,660) |
| | <hr/> 28,952 | <hr/> (109,368) |
| Adjustments in respect of prior years' corporation tax | <hr/> - | <hr/> 8,525 |
| | <hr/> 28,952 | <hr/> (100,843) |

7. TANGIBLE FIXED ASSETS

Group

| <u>Cost</u> | <u>Long</u> <u>Leasehold</u> £'000 | <u>Short</u> <u>Leasehold</u> £'000 | <u>Leasehold</u> <u>Improvements</u> £'000 | <u>Furniture,</u> <u>Equipment,</u> <u>Software &</u> <u>Vehicles</u> £'000 | <u>Total</u> £'000 |
|------------------|--|---|--|---|-----------------------|
| At 1 April 1999 | 7,492 | 205 | 23,247 | 153,917 | 184,861 |
| Additions | 84 | - | - | 6,489 | 6,573 |
| Written off | - | (205) | (23,247) | (75,721) | (99,173) |
| At 31 March 2000 | <hr/> 7,576 | <hr/> - | <hr/> - | <hr/> 84,685 | <hr/> 92,261 |

Depreciation

| | | | | | |
|---------------------|-----------|---------|----------|--------------|--------------|
| At 1 April 1999 | 807 | 205 | 23,247 | 67,023 | 91,282 |
| Charged during year | 186 | - | - | 19,216 | 19,402 |
| Written off | - | (205) | (23,247) | (62,733) | (86,185) |
| At 31 March 2000 | <hr/> 993 | <hr/> - | <hr/> - | <hr/> 23,506 | <hr/> 24,499 |

Net book amount

| | | | | | |
|------------------|-------------|---------|---------|--------------|--------------|
| At 31 March 2000 | <hr/> 6,583 | <hr/> - | <hr/> - | <hr/> 61,179 | <hr/> 67,762 |
| At 31 March 1999 | <hr/> 6,685 | <hr/> - | <hr/> - | <hr/> 86,894 | <hr/> 93,579 |

Fixed assets written off comprises assets that were fully depreciated and assets where the value is less than capitalisation limits.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

7. TANGIBLE FIXED ASSETS (CONTINUED)

| <u>Company</u> | | | | <u>Furniture, Equipment, Software & Vehicles</u> | |
|------------------------|-------------------------------------|--------------------------------------|---|--|------------------------|
| <u>Cost</u> | <u>Long Leasehold £'000</u> | <u>Short Leasehold £'000</u> | <u>Leasehold Improvements £'000</u> | <u>£'000</u> | <u>Total £'000</u> |
| At 1 April 1999 | 7,492 | 205 | 23,247 | 153,498 | 184,442 |
| Additions | 84 | - | - | 6,495 | 6,579 |
| Written off | - | (205) | (23,247) | (75,721) | (99,173) |
| At 31 March 2000 | 7,576 | - | - | 84,272 | 91,848 |
| <u>Depreciation</u> | | | | | |
| At 1 April 1999 | 807 | 205 | 23,247 | 66,667 | 90,926 |
| Charged during year | 186 | - | - | 18,987 | 19,173 |
| Written off | - | (205) | (23,247) | (62,504) | (85,956) |
| At 31 March 2000 | 993 | - | - | 23,150 | 24,143 |
| <u>Net book amount</u> | | | | | |
| At 31 March 2000 | 6,583 | - | - | 61,122 | 67,705 |
| At 31 March 1999 | 6,685 | - | - | 86,831 | 93,516 |

Fixed assets written off comprises assets that were fully depreciated and assets where the value is less than capitalisation limits.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

8. FIXED ASSET INVESTMENTS

| <u>Group</u> | <u>Investment in Subsidiary Undertakings</u> £'000 | <u>Investment in Fellow Subsidiary Undertakings</u> £'000 | <u>Other (unlisted)</u> £'000 | <u>Total</u> £'000 |
|---------------------|---|--|--------------------------------------|-----------------------|
| At 1 April 1999 | - | 19 | 2,467 | 2,486 |
| Additions | - | 8 | 145 | 153 |
| Disposals | - | - | (289) | (289) |
| At 31 March 2000 | - | 27 | 2,323 | 2,350 |
| <u>Company</u> | | | | |
| At 1 April 1999 | 357 | 19 | 2,467 | 2,843 |
| Additions | 4,407 | 8 | 145 | 4,560 |
| Disposals | - | - | (289) | (289) |
| Exchange difference | (160) | - | - | (160) |
| At 31 March 2000 | 4,604 | 27 | 2,323 | 6,954 |

- (i) The investment in subsidiary undertakings represents the investment in 100% of the issued share capital and voting rights of Nomura Gilts Limited and Nomura Nominees Limited, companies incorporated in the United Kingdom and registered in England; Murana Investment Services N.V. a company incorporated in The Netherlands, and Nomura International Leasing Limited, a company incorporated in Ireland.

During the year 100% of the share capital of Nomura Espana Sociedad de Valores, S.A., a company incorporated in Spain, was acquired in a share exchange (see note 15).

Nomura Nominees Limited acts as a nominee company. Murana Investment Services N.V. provides management, administrative, advisory and technical services to companies that invest in and finance real estate. Nomura International Leasing Limited operates an asset leasing business. Nomura Espana Sociedad de Valores, S.A acts as an agency sales company. Nomura Gilts Limited is dormant.

- (ii) The year end of Murana Investment Services N.V. and Nomura Espana Sociedad de Valores, S.A is 31st December, for local regulatory and accounting reasons.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

9. TRADING SECURITIES

| <u>Group</u> | <u>2000</u> <u>£'000</u> | <u>1999</u> <u>£'000</u> |
|---------------------------|-----------------------------|-----------------------------|
| Long positions | 8,391,782 | 9,362,389 |
| Short positions (Note 12) | (6,554,026) | (4,331,180) |

| <u>Company</u> | <u>2000</u> <u>£'000</u> | <u>1999</u> <u>£'000</u> |
|---------------------------|-----------------------------|-----------------------------|
| Long positions | 8,391,782 | 9,362,389 |
| Short positions (Note 12) | (6,554,026) | (4,331,180) |

10. DEBTORS

| <u>Group</u> | <u>2000</u> <u>£'000</u> | <u>1999</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Trade debtors | 4,123,955 | 4,032,239 |
| Amount owed by parent undertaking | 3,223,031 | 275,296 |
| Amount owed by fellow subsidiary undertakings | 2,242,677 | 3,098,695 |
| Deposits paid for securities borrowed | 3,855,976 | 4,036,086 |
| Other debtors | 167 | 173 |
| Taxation | 98,343 | 88,426 |
| Prepayments and accrued income | 517,750 | 1,449,671 |
| | <u>14,061,899</u> | <u>12,980,586</u> |

| <u>Company</u> | <u>2000</u> <u>£'000</u> | <u>1999</u> <u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Trade debtors | 4,123,932 | 4,022,415 |
| Amount owed by parent undertaking | 3,223,031 | 279,703 |
| Amount owed by fellow subsidiary undertakings | 2,242,677 | 3,098,695 |
| Deposits paid for securities borrowed | 3,855,962 | 4,035,912 |
| Other debtors | 152 | 155 |
| Taxation | 98,365 | 88,165 |
| Prepayments and accrued income | 513,972 | 1,445,877 |
| | <u>14,058,091</u> | <u>12,970,922</u> |

All debtors are receivable within one year.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

11. CASH AT BANK AND IN HAND

Cash at bank and in hand includes:

| | <u>2000</u> £'000 | <u>1999</u> £'000 |
|--|----------------------|----------------------|
| <u>Group and Company</u> | | |
| On deposit with fellow subsidiary undertakings | 482,419 | 101,078 |

12. CREDITORS (amounts falling due within one year)

| <u>Group</u> | <u>2000</u> £'000 | <u>1999</u> £'000 |
|---|-----------------------------|-----------------------------|
| Bank loans and overdrafts | 710,069 | 861,288 |
| Trade creditors | 3,200,268 | 3,769,018 |
| Other loans | - | 79,202 |
| Amount owed to parent undertaking | 232,578 | 165,048 |
| Amount owed to fellow subsidiary undertakings | 3,061,665 | 3,660,256 |
| Deposits received for securities lent | 7,245,939 | 6,783,390 |
| Other tax and social security payable | 2,594 | 1,379 |
| Other creditors | - | 135,641 |
| Accruals and deferred income | 780,937 | 1,985,544 |
| Trading securities - short positions (Note 9) | 6,554,026 | 4,331,180 |
| Subordinated debt | - | 190,432 |
| | <u>21,788,076</u> | <u>21,962,378</u> |

| <u>Company</u> | <u>2000</u> £'000 | <u>1999</u> £'000 |
|---|-----------------------------|-----------------------------|
| Bank loans and overdrafts | 710,069 | 861,288 |
| Trade creditors | 3,200,028 | 3,758,760 |
| Other loans | - | 79,202 |
| Amount owed to parent undertaking | 232,578 | 165,048 |
| Amount owed to fellow subsidiary undertakings | 3,061,665 | 3,660,256 |
| Deposits received for securities lent | 7,245,939 | 6,783,390 |
| Other tax and social security payable | 2,594 | 1,379 |
| Other creditors | - | 135,641 |
| Accruals and deferred income | 777,012 | 1,981,777 |
| Trading securities - short positions (Note 9) | 6,554,026 | 4,331,180 |
| Subordinated debt | - | 190,432 |
| | <u>21,783,911</u> | <u>21,948,353</u> |

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

13. PROVISION FOR DEFERRED TAXATION

| | <u>Group</u> | | <u>Company</u> | |
|---|--------------|-------------|----------------|-------------|
| | <u>2000</u> | <u>1999</u> | <u>2000</u> | <u>1999</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | (9,445) | (24,934) | (9,445) | (24,934) |
| Other short-term timing differences | 43,164 | 92,111 | 43,164 | 92,111 |
| | 33,719 | 67,177 | 33,719 | 67,177 |
| Unutilised tax losses | (53,750) | (123,852) | (53,750) | (123,852) |
| | (20,031) | (56,675) | (20,031) | (56,675) |
| Deferred taxation is expected to reverse: | | | | |
| Within one year | (35,481) | (38,477) | (35,481) | (38,477) |
| Greater than one year | 15,450 | (18,198) | 15,450 | (18,198) |
| | (20,031) | (56,675) | (20,031) | (56,675) |

Deferred taxation movements are:

| | <u>Group</u> | <u>Company</u> |
|--|--------------|----------------|
| | £'000 | £'000 |
| At 1 April 1999 | (56,675) | (56,675) |
| Transfer to profit and loss account | (47,886) | (47,886) |
| Tax losses utilised against current year profits | 84,530 | 84,530 |
| At 31 March 2000 | (20,031) | (20,031) |

Deferred taxation has been recognised at 30% (1999: 30%), being the rate at which the timing differences are expected to reverse.

There is no unprovided deferred taxation in the group or company as at 31st March 2000 (1999: £NIL).

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

14. SUBORDINATED DEBT

| | <u>Repayment date</u> | <u>2000</u> <u>£'000</u> | <u>1999</u> <u>£'000</u> |
|----------------------------|-----------------------|-----------------------------|-----------------------------|
| Nomura Europe Finance NV | 26 September 2003 | 40,083 | 34,315 |
| Nomura Europe Finance NV | 6 November 2001 | 18,333 | 15,695 |
| Nomura Europe Holdings plc | 25 September 2001 | 48,367 | 47,737 |
| Nomura Europe Holdings plc | 16 October 2003 | 20,778 | 18,575 |
| Nomura Europe Holdings plc | 20 October 2001 | 7,333 | 6,911 |
| Nomura Europe Holdings plc | 19 April 2002 | 44,854 | 44,270 |
| Nomura Europe Holdings plc | 1 July 2003 | 62,733 | 61,916 |
| Nomura Europe Holdings plc | 25 September 2002 | 30,945 | 30,542 |
| Nomura Europe Holdings plc | 8 December 2003 | 33,611 | - |
| Nomura Europe Holdings plc | 21 December 2002 | 158,213 | - |
| Nomura Europe Holdings plc | 1 July 2003 | 31,367 | - |
| Nomura Europe Holdings plc | 8 December 2003 | 66,000 | - |
| Nomura Europe Holdings plc | 23 March 2003 | 80,666 | - |
| Floating rate notes issued | 10 February 2004 | 62,733 | 61,916 |
| Nomura Europe Finance NV | 19 September 2000 | - | 78,168 |
| Nomura Europe Finance NV | 3 October 2000 | - | 32,317 |
| Nomura Europe Finance NV | 3 October 2000 | - | 4,334 |
| Nomura Europe Holdings plc | 21 December 2002 | - | 176,234 |
| Nomura Europe Holdings plc | 22 July 2005 | - | 109,868 |
| Nomura Europe Finance NV | 9 November 2005 | - | 15,639 |
| Nomura Europe Finance NV | 22 May 2000 | - | 39,169 |
| | | <hr/> | <hr/> |
| | | 706,016 | 777,606 |

The legal nature of the subordinated loans differs from that usually associated with debt. In a winding up of the company no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

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

The subordinated loan due to Nomura Europe Finance NV due November 2005 pays interest at 0.1875% above the six month Yen London Inter Bank Offer Rate and the loan due to Nomura Europe Holdings plc due July 2005 pays interest at 0.6% above the three month Yen London Inter Bank Offer Rate, both of these were terminated early during the year.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

15. SHARE CAPITAL

| <u>2000</u> | <u>Authorised Number '000</u> | <u>Allotted and fully paid Number '000</u> | <u>Consideration £'000</u> |
|---|---------------------------------------|--|--------------------------------|
| Sterling Ordinary shares of £1 each | 450,000 | 312,407 | 312,407 |
| Yen Ordinary shares of ¥ 250 each | 270,000 | 238,265 | 356,214 |
| Sterling Redeemable Convertible Participating Preference shares of £1 each | 50,000 | | - |
| | | | <u>668,621</u> |

| <u>1999</u> | <u>Authorised Number '000</u> | <u>Allotted and fully paid Number '000</u> | <u>Consideration £'000</u> |
|---|---------------------------------------|--|--------------------------------|
| Sterling Ordinary shares of £1 each | 200,000 | 162,407 | 162,407 |
| Yen Ordinary shares of ¥250 each | 150,000 | 142,308 | 166,162 |
| Sterling Redeemable Convertible Participating Preference shares of £1 each | 50,000 | - | - |
| | | | <u>328,569</u> |

Movements in Share Capital

| | <u>£'000</u> |
|-----------------------------------|----------------|
| At 1 April 1999 | 328,569 |
| Issue of Yen ordinary shares | 121,362 |
| Issue of Sterling ordinary shares | <u>150,000</u> |
| | 271,362 |
| Transfer from revenue reserve | <u>68,690</u> |
| At 31 May 2000 | <u>668,621</u> |

All ordinary capital ranks pari passu.

95,956,800 new Yen Ordinary shares of ¥250 each were issued on 12th May 1999 at par and 150,000,000 Ordinary shares of £1 each were issued on 2nd July 1999 at par to expand the Group's capital base. 4,407,000 Ordinary shares of £1 each were issued on 14th December 1999 to finance the acquisition of Nomura Espana Sociedad de Valores, S.A.

During the year the Yen Ordinary shares of ¥250 each were amended so that all future rights and benefits would be based on a Sterling exchange rate of 167.2202. To reflect this in the accounts a transfer of £68,690,000 has been made from Profit and Loss Account reserves (see note 16).

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

16. RESERVES

Group

| | <u>Merger difference</u> £'000 | <u>Capital redemption reserve</u> £'000 | <u>Other reserves</u> £'000 | <u>Profit and loss account</u> £'000 |
|--|---------------------------------------|--|------------------------------------|---|
| At 1 April 1999 as previously reported | - | 121,612 | 19,970 | (73,810) |
| Difference on merger | 1,182 | - | - | - |
| Reserves consolidated on merger accounting | - | - | - | (765) |
| Restated at 1 April 1999 | 1,182 | 121,612 | 19,970 | (74,575) |
| Transfer to share capital | - | - | - | (68,690) |
| Transfer to profit and loss | - | - | (19,970) | 19,970 |
| Exchange differences on re-translation of subsidiaries | - | - | - | (490) |
| Profit attributable to members of the parent company | - | - | - | 100,274 |
| At 31 March 2000 | 1,182 | 121,612 | - | (23,511) |

The merger difference arises on the consolidation of Nomura Espana Sociedad de Valores, S.A which has been accounted for as a group reconstruction under FRS6.

Company

| | <u>Capital redemption reserve</u> £'000 | <u>Other reserves</u> £'000 | <u>Profit and loss account</u> £'000 |
|--|--|------------------------------------|---|
| At 1 April 1999 | 121,612 | 19,970 | (73,636) |
| Transfer to profit and loss | - | (19,970) | 19,970 |
| Transfer to share capital | - | - | (68,690) |
| Profit attributable to members of the parent company | - | - | 100,018 |
| At 31 March 2000 | 121,612 | - | (22,338) |

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS

Nomura International plc holds or issues financial instruments for two main purposes:

Trading Activities

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

Financing Activities

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

A - Trading Activities

Trading includes both customer-orientated activities and positions which are taken for Nomura International plc's own account. These two activities are managed together.

To meet the expected needs of its client base, Nomura International plc 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 markets division of Nomura International plc also takes its own positions in the interest rate, equity and foreign exchange markets based on expectations of future client demand and its own views on the future direction of markets.

Products Traded:

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

However there may be circumstances determined by specific transactions where profits or losses on derivative contracts used for hedging may not be recognised in current dealing profits but instead are deferred and then recognised in the profit and loss account when the cashflows, that the hedge relates to, occur.

In addition, the resulting interest rate, equity and foreign exchange risk that arises from activities in these products are captured by the Market Risk process, which is described in more detail in the Risk section below.

Cash Products

- Government Bonds, Corporate Bonds, Asset Backed Bonds, Equities and Convertible Bonds

Exchange Traded Derivatives

- Financial futures and options on financial futures

Foreign Exchange Derivatives

- Forward FX contracts, currency swaps and currency options

Interest rate Derivatives

- Interest rate swaps, forward rate agreements, caps, floors, swaptions and combinations of these products

Equity Derivatives

- Single stock and index swaps and options, and warrants

Credit Derivatives

- Total return swaps, credit default swaps and credit options

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS

Risk management Process:

Within Nomura International plc, the formal process for the management of Market Risk is through the Risk Management Committee, which is chaired by the president. Day to day responsibility rests with the Independent Risk Management function, the head of which reports independently of the business units, jointly to the president of Nomura International plc and the Global Head of Risk Management in Tokyo.

The Capital Allocation Committee allocates market risk limits to the business units of Nomura International plc, in conjunction with the respective Global Product Heads. Daily risk utilisation reports are produced for each business unit, for each division and for the company as a whole.

The primary mechanism used for controlling market Risk is the 'value at risk' measure (VAR). The VAR measurement used in Nomura International plc was introduced in April 1998 as part of a group wide, consistent global approach to controlling risk. VAR is an estimate, based on a confidence level of 98%, of the daily potential loss, assuming no change in positions. The effectiveness of VAR is assessed by a comparison of actual daily trading gains/losses with the estimated VAR, a process known as back testing. Some financial assets and liabilities have not been included in the calculation due to VAR not being an appropriate measure of Market Risk for these positions.

The table below illustrates, by major risk category, the average VAR during the financial year ended 31st March 2000. It also shows the highest and lowest VAR estimations. The peak VAR of £12,894,000 was recorded in April 1999.

| | <u>Average</u> | <u>2000</u> <u>High</u> | <u>Low</u> | <u>Average</u> | <u>1999</u> <u>High</u> | <u>Low</u> |
|-------------------|----------------|----------------------------|--------------|----------------|----------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equity | 5,367 | 8,233 | 3,444 | 8,951 | 11,997 | 5,905 |
| Interest rate | 6,461 | 9,605 | 4,849 | 5,342 | 8,849 | 3,791 |
| Foreign exchange | 116 | 415 | 12 | 835 | 1,169 | 700 |
| Total VAR* | 9,213 | 12,894 | 7,115 | 10,466 | 14,954 | 7,052 |

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

Since VAR provides only an indication of the likelihood of the potential loss, it does not provide a definitive measure of the maximum possible loss that could arise in normal and extreme conditions, the Risk Management Committee also allocates to business units, risk limits for inventory size, unsecured funding and Regulatory Capital. Like VAR, these limits are set on the basis of past performance, business strategy and the overall risk appetite of the firm. Utilisation of actual usage versus these limits is monitored daily.

Stress testing is performed on large positions by reference to specific risk factors. Large exposures are identified based on the understanding of the business.

Nomura International plc's Credit Risk Management function is responsible for managing credit risks to which the firm is exposed in the nature of its business. The credit function is independent of the business areas and reports directly to the president, who also chairs the firms Credit Committee.

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor for credits, based on credit rating. Nomura International plc use a scale of internal ratings that mirrors the credit-rating agencies' rating scales. Changes to credit policy are presented to the Credit Committee, as are all credit actions for the month.

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

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

B - Financing Activities

The responsibility for both financing the operations of Nomura International plc and managing any resulting interest rate and foreign exchange risk is the responsibility of the Treasury function. The Treasury function reports to the Chief Financial Officer and is fully independent of the trading activities. Working closely with the Global Treasury function in Tokyo, its primary responsibility is to pro-actively manage the liquidity and financing needs of the firm via a diversified financing programme, supported by a comprehensive and tested contingency plan. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

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

Liquidity Risk is controlled by a process that ensures that cumulative financing requirements are restricted to pre-set levels, over both the next ten, and the next twenty working days. In addition, to ensure that Nomura International plc has sufficient reserves to guard against any foreseen event, Treasury has to operate within an unsecured funding limit that is set at a level significantly below what is estimated to be available. In addition, a key operating requirement of the Treasury function is to ensure that long term assets, defined as Fixed Assets, one years annual operating expenses and long dated inventory/principal investments are covered by equity, long term debt and committed credit.

During the course of Treasury's financing activities, there is often a need to swap surplus flows in one currency, into another, a process achieved via FX Swap transactions. Similarly, financial futures are also occasionally used to mitigate any Interest Rate risk arising out of funding Nomura International's operations.

In relation to the disclosures given below, the Group has taken advantage of the exemption available under Financial Reporting Standard Number 13 for the exclusion of short-term debtors and creditors.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate profile of financial liabilities

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

| | <u>31 March</u> <u>2000</u> | | | <u>31 March</u> <u>1999</u> | | |
|--------------|--|---|--------------|--|---|--------------|
| | <u>Floating rate</u> <u>financial</u> <u>liabilities</u> | <u>Fixed rate</u> <u>financial</u> <u>liabilities</u> | <u>Total</u> | <u>Floating rate</u> <u>financial</u> <u>liabilities</u> | <u>Fixed rate</u> <u>financial</u> <u>liabilities</u> | <u>Total</u> |
| | £m | £m | £m | £m | £m | £m |
| Sterling | 36 | - | 36 | 7 | - | 7 |
| Japanese yen | 278 | - | 278 | 325 | - | 325 |
| US dollar | 287 | - | 287 | 269 | - | 269 |
| Euro | 191 | - | 191 | 249 | - | 249 |
| Other | 21 | - | 21 | 8 | - | 8 |
| | 813 | - | 813 | 858 | - | 858 |

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

The floating rate financial liabilities comprise the following:

- subordinated loans and bank borrowings at rates fixed in advance for periods ranging from three to six months; and
- a floating rate note listed on the London Stock Exchange

Interest rate profile of financial assets

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

| | <u>2000</u> <u>£m</u> | <u>1999</u> <u>£m</u> |
|----------------------------|--------------------------|--------------------------|
| Sterling cash deposits | 32 | 1 |
| Japanese yen cash deposits | 27 | 219 |
| US dollar cash deposits | 25 | 31 |
| Euro cash deposits | 69 | 6 |
| Swiss Franc cash Deposits | 7 | - |
| Other cash deposits | 12 | 6 |
| | 172 | 263 |

The cash deposits are all bank current accounts.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures

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

| | 2000 £m | 1999 £m |
|------------------|------------|------------|
| Japanese yen | (32) | (7) |
| US dollar | 18 | 185 |
| Euro | 8 | 250 |
| Swedish Krone | 1 | 27 |
| Swiss Franc | - | (31) |
| Hong Kong Dollar | - | 6 |
| Danish Krone | - | 4 |
| Other | - | (5) |
| | <u>(5)</u> | <u>429</u> |

Currency exposures result from foreign currency profits and losses generated in the ordinary course of business. These exposures are eliminated at the earliest practicable opportunity after each month end.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

| | 2000 £m | 1999 £m |
|--|------------|------------|
| In three months or less, or on demand | 107 | 80 |
| In more than three months but not more than one year | - | - |
| In more than one year but not more than two years | 74 | 154 |
| In more than two years but not more than five years | 632 | 498 |
| In more than five years | - | 126 |
| | <u>813</u> | <u>858</u> |

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available were as follows:

| | 2000 £m | 1999 £m |
|--|--------------|------------|
| Expiring in one year or less | 1,066 | 584 |
| Expiring in more than one year but not more than two years | - | 248 |
| | <u>1,066</u> | <u>832</u> |

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities

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

| | <u>Book value</u> 2000 £m | <u>Fair value</u> 2000 £m | <u>Book value</u> 1999 £m | <u>Fair value</u> 1999 £m |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Primary financial instruments held or issued to finance the Group's operations: | | | | |
| Short-term borrowings | (107) | (107) | (80) | (80) |
| Long-term borrowings | (643) | (643) | (778) | (778) |
| Cash deposits | 172 | 172 | 263 | 263 |
| Financial instruments held or issued for trading purposes – long positions: | | | | |
| Equities | 1,151 | 1,151 | 1,808 | 1,808 |
| Warrants | 297 | 297 | 417 | 417 |
| Government bonds | 1,396 | 1,396 | 1,792 | 1,792 |
| Bank and corporate bonds | 3,345 | 3,345 | 3,822 | 3,822 |
| Convertible bonds | 1,971 | 1,971 | 1,181 | 1,181 |
| Beneficiary certificates | - | - | 4 | 4 |
| Bond and equity derivatives | 360 | 360 | 239 | 239 |
| Currency derivatives | 745 | 745 | 1,068 | 1,068 |
| Interest rate derivatives | 1,905 | 1,905 | 2,206 | 2,206 |
| Credit derivatives | 30 | 30 | - | - |
| Derivative netting under ISDA | (1,883) | (1,883) | (1,638) | (1,638) |

| | <u>Book value</u> 2000 £m | <u>Fair value</u> 2000 £m | <u>Book value</u> 1999 £m | <u>Fair value</u> 1999 £m |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Financial instruments held or issued for trading purposes – short positions: | | | | |
| Equities | (2,832) | (2,832) | (2,054) | (2,054) |
| Warrants | (276) | (276) | (164) | (164) |
| Government bonds | (2,863) | (2,863) | (1,410) | (1,410) |
| Bank and corporate bonds | (236) | (236) | (259) | (259) |
| Convertible bonds | (80) | (80) | (225) | (225) |
| Bond and equity derivatives | (265) | (265) | (117) | (117) |
| Currency derivatives | (787) | (787) | (930) | (930) |
| Interest rate derivatives | (1,955) | (1,955) | (2,704) | (2,704) |
| Credit derivatives | (43) | (43) | - | - |
| Provisions against derivatives | 61 | 61 | 31 | 31 |
| Derivative netting under ISDA | 1,883 | 1,883 | 1,638 | 1,638 |

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

Derivative instruments are not shown within trading securities but are included within prepayments and accrued income or accruals and deferred income in the balance sheet.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

17. ROLE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

| | 2000 | 1999 |
|-----------------------------|-------|-------|
| | £m | £m |
| Bond and equity derivatives | 390 | 366 |
| Convertible bonds | 249 | - |
| Equities | (315) | 92 |
| Warrants | (187) | 56 |
| Government bonds | 210 | (318) |
| Bank and corporate bonds | (46) | (177) |
| Interest rate derivatives | 176 | 15 |
| Currency derivatives | 102 | (60) |
| Credit derivatives | (52) | 30 |
| | <hr/> | <hr/> |
| | 527 | 4 |

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

Hedges

| | Losses |
|--|----------|
| | £m |
| Deferred losses on hedges at 31 March 1999 | <hr/> 27 |
| Deferred losses on hedges at 31 March 2000 | <hr/> 27 |
| Of which: | |
| Losses expected to be recognised in 2001 | <hr/> 27 |

The Directors expect to realise a gain of at least the magnitude of the loss above on the underlying transaction being hedged.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

18. OPERATING LEASE COMMITMENTS

At 31st March 2000 the group was committed to making the following payments during the next year in respect of operating leases expiring:

| | <u>2000</u> <u>Buildings</u> £'000 | <u>2000</u> <u>Other</u> £'000 | <u>1999</u> <u>Buildings</u> £'000 | <u>1999</u> <u>Other</u> £'000 |
|--------------------------|--|--------------------------------------|--|--------------------------------------|
| Within one year | - | 1,258 | - | 3,804 |
| Within two to five years | - | 173 | - | 133 |
| After five years | 12,522 | - | 12,522 | - |
| | <u>12,522</u> | <u>1,431</u> | <u>12,522</u> | <u>3,937</u> |

19. EMPLOYEES

The average number of persons employed by the company during the year was 984 (1999:1028), all of whom were employed in the United Kingdom.

20. DIRECTORS' EMOLUMENTS

| | <u>Year ended</u> <u>31 March 2000</u> £'000 | <u>Year ended</u> <u>31 March 1999</u> £'000 |
|---|--|--|
| Salaries, allowances and taxable benefits | 1,514 | 1,437 |
| Company contribution to money purchase pension scheme | 38 | 38 |
| Bonuses | <u>7,767</u> | <u>1,324</u> |
| | <u>9,319</u> | <u>2,799</u> |

Two directors (1999:2) have retirement benefits accruing under money purchase pension schemes. In addition, retirement benefits are accruing to one director (1999:1) under the company defined benefit pension scheme.

The highest paid director received emoluments of £6,075,601 (1999: £681,687). In addition pension contributions of £20,000 (1999:£20,000) have been made.

21. CAPITAL COMMITMENTS

At 31st March 2000 there were capital commitments of £NIL (1999: £NIL).

22. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Nomura Europe Holdings plc, a company registered at Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NP, England. The ultimate parent undertaking and controlling party is The Nomura Securities Co., Ltd., which is incorporated in Japan. Copies of the group accounts of The Nomura Securities Co., Ltd. may be obtained from 1-9-1, Nihonbashi, Tokyo 1030027, Japan.

NOMURA INTERNATIONAL PLC

NOTES TO THE ACCOUNTS - 31 March 2000 (CONTINUED)

23. RELATED PARTY TRANSACTIONS

As part of the Company's Investment Banking operations, investments and financial arrangements are made with companies for the purpose of re-financing and re-structuring. As a result of these arrangements, these companies become related parties. During the year ended 31st March 2000 underwriting fees of £1.0m (1999:£2.0m) were earned from debt re-financing, fees of £6.2m (1999:£30.0m) were earned from re-structuring and £99.4m (1999:£29.2m) was earned from the net interest income on loans financed. In addition, proceeds from investments disposed of during the year totalled £257.1m (1999:£319.0m). As at 31st March 2000, the amounts due from related parties was as follows:

| | £m 2000 | £m 1999 |
|---|-------------|---------------|
| Angel Street Holdings Ltd | 15.9 | - |
| Annington Homes Ltd | 11.1 | 18.8 |
| Cambridge Animation Systems Ltd | 1.5 | 0.8 |
| Capital Revolving Trust | 6.6 | - |
| Downing Holdings Limited | 7.5 | - |
| Epsilon Tel.Com Holdings plc | 100.0 | - |
| Future Rentals Ltd | 316.0 | 366.1 |
| Hercules Holdings (UK) Ltd | 9.3 | - |
| Noble Street Holdings II Ltd | 6.0 | - |
| Phoenix Inns Holdings Ltd | 13.0 | 32.0 |
| St Martin's Holdings II Ltd | 3.0 | 2.1 |
| Tallis Street Holdings II Ltd | 1.6 | - |
| Thame Finance plc | 430.1 | 163.9 |
| The Grand Facilities Management Holdings Ltd | 7.9 | 7.0 |
| The Grand Leasing Co Ltd | 1.0 | 318.0 |
| Wizard Inns Holdings Ltd | 11.1 | - |
| GRS Holdings | - | 28.9 |
| Hemisphere Investments | - | 2.8 |
| The Grand Pub Co Ltd | - | 405.4 |
| Weston Medical | - | 1.3 |
| Radegast | - | 51.0 |
| Czech Beer | - | 5.1 |
| | <hr/> 941.6 | <hr/> 1,403.2 |

No amounts were due to related parties as at 31st March 2000.

The group has taken advantage of the exemption in FRS8 from disclosing related party transactions with other entities included in the consolidated financial statements for The Nomura Securities Co., Ltd.

24. CONTINGENT LIABILITIES

The company has contingent liabilities which cannot be quantified in respect of letters of indemnity for lost stock deeds given in the ordinary course of business.