

NOMURA INTERNATIONAL PLC

ANNUAL REPORT
31 March 2016

WEDNESDAY



LD2 17/08/2016 #108
COMPANIES HOUSE

COMPANY REGISTRATION NUMBER 1550505

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NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

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 2016. 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

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 has 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.

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA").

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

	<u>Year ended</u> <u>31 March 2016</u>	<u>Year ended</u> <u>31 March 2015</u>
	\$'000	\$'000
Trading profit	1,264,729	1,764,447
Net interest payable	(302,413)	(235,546)
Loss on ordinary activities before taxation	(749,176)	(451,677)
Loss for the financial year	(718,340)	(458,525)
 Total assets	 383,005,749	 456,571,303
Total liabilities	377,984,866	452,579,899
Shareholders' funds	5,020,883	3,991,404

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

STRATEGIC REPORT (CONTINUED)

The Company reported a loss on ordinary activities before tax for the year of \$749,176,000 (March 2015 loss of \$451,677,000). During the year the Company entered into a settlement agreement with Banca Monte dei Paschi di Siena SpA ("MPS") to terminate certain historic transactions. This event resulted in a one-off loss during the year of \$308,736,000, more detail with respect to this settlement is included in Note 29 on page 104.

Disregarding this one-off loss, the Company has seen a slight reduction in losses year-on-year. However, the Company continues to be impacted by the tough and challenging market environment, seen across the industry. Economic growth in the Eurozone continued to remain weak, impacted by increasing uncertainty, coupled with geopolitical pressures on the economies in the region. Market volatility and significant decline in liquidity triggered by heightened uncertainty in the global economy are expected to continue to present a challenging business environment.

To address these losses, Nomura Group announced in April 2016 the restructuring of certain business units within the Wholesale Division, particularly in its international business. As part of the changes, the Company will close certain businesses and will focus on areas where it has strong capability to offer services to its clients. More details with respect to business restructuring are included in Note 30 on page 105.

In response to the losses reported in current and prior periods and the increasing regulatory requirements for financial institutions, the Company have strengthened its capital base by issuing further ordinary shares. This demonstrates the Nomura Groups' support to its European business. These capital increases comprised the issuance of \$550,000,000 of ordinary shares in May 2015, \$300,000,000 of ordinary shares in September 2015 and \$765,000,000 of ordinary shares in December 2015. The proceeds from the capital increase were partially used to repay more expensive subordinated debt issued to NEHS. The Company is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the U.K. Prudential Regulatory Authority. The Company is in compliance with these requirements which remain stringent.

Finally, the financial risks of the Company continues to be impacted by changes in the Nomura Group's legal entity strategy, which has seen market risk transferred to other Nomura Group companies and a corresponding reduction in revenue volatility. The Company has reduced the size of its balance sheet by novating client facing trades to other Nomura Group companies outside the UK and engaging in certain trade compression initiatives. As part of this legal entity strategy, the Company has materially transferred the market risk of a number of its trading portfolios to Nomura Financial Products & Services, Inc. ("NFPS"), domiciled in Japan. The Company will continue to transfer market risk to NFPS as its infrastructure develops and required regulatory approvals are obtained. Furthermore, trading portfolios from cross border businesses have been, and wherever possible will continue to be, transferred to entities in their respective regions.

Looking further ahead, the Company will continue to focus on delivering high value-added products and solutions to its clients as envisaged in the business restructuring programme mentioned above for year ending 31 March 2017. The Company will continue to remain alert to the impacts of the economic and geopolitical pressures explained above and manage risks accordingly.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

STRATEGIC REPORT (CONTINUED)

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

Legal Entity Strategy

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.

Following the outcome of the European Union (EU) referendum on 23 June 2016 to leave, the United Kingdom will remain a member of the EU and will continue to be bound by European law and treaties until it formally exits. The Company continues to closely monitor developments and evaluate appropriate actions to safeguard client interests as the terms of the UK's future relationship with the EU becomes clearer.

Regulatory Changes

There are a number of global regulatory reforms in the pipeline that could increase capital requirements or require compliance with new regulatory ratios. These include Leverage Ratio, Net Stable Funding Ratio (NSFR) and changes to Risk Weighted Asset (RWA) calculations. The timeline for implementation of most of these reforms in the EU and the UK is still unknown. Given the current market conditions and the changes to the regulatory and geopolitical environment, the Company will continue to review the capital planning process to ensure that it always maintains adequate capital to meet its minimum regulatory capital requirements.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

STRATEGIC REPORT (CONTINUED)

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 UK employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all UK employees as well as communication and updates on the employee training programs that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Company is not listed in the UK 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 2016

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 minimise 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 natural resources in order to minimise the impact of its footprint on the environment,
- is committed to continual improvement in energy performance,
- aims to maximise the efficiency of its property portfolio through effective asset management covering utilisation, 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 at

<http://www.nomuraholdings.com/csr/citizenship/environment/management>

BY ORDER OF THE BOARD AT A MEETING HELD ON 19 JULY 2016



Andrew Eames
Company Secretary
19 July 2016

Company Registration Number 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results for the year are set out on page 12. The loss transferred to reserves for the year amounted to \$718,340,000 (2015: loss of \$458,525,000).

No interim dividend was paid (2015: nil) and the Directors do not recommend the payment of a final dividend (2015: nil).

TANGIBLE ASSETS

Movements in tangible assets are shown in Note 8 to the financial statements.

EVENTS SINCE THE BALANCE SHEET DATE

The Company established a new branch in Cape Town, South Africa, which commenced operations in April 2016.

In April 2016, the Company announced restructuring of certain business units within the Wholesale Division. As part of these changes, Nomura Group will close certain businesses in EMEA and will focus on areas where it has strong capability to offer services to its clients. These changes will position the Company for sustainable profitability under the new market and regulatory environment. More details with respect to business restructuring is included in Note 30.

DONATIONS

No political donations were made during the year (2015: nil).

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 82 respectively. The accounting policies with respect to financial instruments are described within Note 1 on page 19.

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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

James Leng	Non-Executive Chairman (appointed 27 January 2016)
	Non-Executive Director (appointed 10 December 2015)
David Benson	Chairman (appointed 13 June 2015)
	Chairman (resigned 27 January 2016)
	Non-Executive Director
Jonathan Lewis	Chief Executive Officer (appointed 13 April 2015)
	Executive Director (appointed 13 April 2015)
Lewis O'Donald	Executive Director
Paul Spanswick	Executive Director
David Findlay	Non-Executive Director (appointed 18 November 2015)
	Executive Director (resigned 18 November 2015)
Minoru Shinohara	Executive Director (appointed 30 July 2015)
Hiroyuki Suzuki	Non-Executive Director (resigned 22 June 2016)
Hisato Miyashita	Non-Executive Director (appointed 22 June 2016)
Sir Andrew Cahn	Non-Executive Director
Jonathan Britton	Non-Executive Director (appointed 1 April 2015)
David Godfrey	Non-Executive Director (appointed 27 November 2015)
Kieran Poynter	Chairman (resigned 12 June 2015)
	Non-Executive Director (resigned 12 June 2015)
Yasuo Kashiwagi	Acting Chief Executive Officer (resigned 13 April 2015)
	Executive Director (resigned 31 May 2015)

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.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

DIRECTORS' REPORT (CONTINUED)

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 94.

In response to the losses reported in current and prior periods and the increasing regulatory requirements for financial institutions, the Company has strengthened its capital base by issuing further ordinary shares. This demonstrates the Nomura Groups' support to its European business. While market and regulatory pressures remain challenging, the improved capital base will allow continued focus on client flow businesses and supplying liquidity to the market, whilst closely monitoring risk.

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 authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2016

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 UK 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless 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 19 JULY 2016



Andrew Eames
Company Secretary
19 July 2016

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 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related Notes 1 to 32. 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 Financial Reporting Standard 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 Statement of Directors' Responsibilities set out on page 8, 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 (UK 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 31 March 2016 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework', and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

Ernst & Young LLP

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

21 July 2016

NOMURA INTERNATIONAL PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

		<u>Year ended</u> <u>31 March 2016</u>	<u>Year ended</u> <u>31 March 2015</u>
Notes		\$'000	\$'000
1(e),2	TRADING PROFIT	1,264,729	1,764,447
		<hr/> 1,264,729	<hr/> 1,764,447
1(f),3	Interest receivable and similar income	757,236	1,112,919
1(f),3	Interest payable and similar charges	(1,059,649)	(1,348,465)
	Net interest payable	<hr/> (302,413)	<hr/> (235,546)
	General and administrative expenses	(1,654,623)	(1,880,108)
	OPERATING LOSS	<hr/> (692,307)	<hr/> (351,207)
	Interest payable on subordinated borrowings	(56,869)	(100,470)
4	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<hr/> (749,176)	<hr/> (451,677)
6	Tax charge on loss on ordinary activities	30,836	(6,848)
	LOSS FOR THE FINANCIAL YEAR	<hr/> (718,340)	<hr/> (458,525)
	OTHER COMPREHENSIVE INCOME		
	Items that can be reclassified to profit and loss		
	- Gain/(loss) on available-for-sale investments	358	(1,088)
	- Foreign currency loss	(4,912)	(12,563)
		<hr/> (4,554)	<hr/> (13,651)
	Tax on items relating to components of other comprehensive income	31	218
	Other comprehensive loss for the year, net of tax	<hr/> (4,523)	<hr/> (13,433)
	TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<hr/> (722,863)	<hr/> (471,958)

The notes on pages 19 to 111 form part of these financial statements

All profits and losses noted above are derived from continuing activities

NOMURA INTERNATIONAL PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

Available for sale gains and losses recognised 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 2016

	Called-up Share Capital \$'000	Share Premium \$'000	Other Reserve \$'000	Capital Redempti on 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

	Called-up Share Capital \$'000	Share Premium \$'000	Other Reserve \$'000	Capital Redempti on Reserve \$'000	Available For Sale Reserve \$'000	Share- based Payment Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 April 2014	8,376,226	27,479	-	184,499	4,727	688,150	(4,996,443)	4,284,638
Loss for the year	-	-	-	-	-	-	(458,525)	(458,525)
Other Comprehensive loss	-	-	(12,563)	-	(870)	-	-	(13,433)
Total Comprehensive Loss	-	-	(12,563)	-	(870)	-	(458,525)	(471,958)
Share based payment reserve	-	-	-	-	-	178,724	-	178,724
New Share Capital Subscribed	-	-	-	-	-	-	-	-
At 31 March 2015	8,376,226	27,479	(12,563)	184,499	3,857	866,874	(5,454,968)	3,991,404

The notes on pages 19 to 111 form part of these financial statements

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2016

Notes		<u>2016</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2015</u> \$'000
	FIXED ASSETS				
7	Tangible assets	20,249		30,961	
8	Intangible assets	8,462		9,939	
9	Investment in subsidiaries	12,904		12,895	
10,18	Available-for-sale investments	5,474		5,116	
			47,089		58,911
	CURRENT ASSETS				
1(c),10,18	Financial assets held for trading	261,154,855		342,076,273	
1(c),10,18	Financial assets designated at fair value through profit and loss	12,680,024		15,417,047	
10	Collateral paid for securities purchased under agreements to resell	67,041,693		55,679,956	
10	Collateral paid for securities borrowed	17,565,535		17,536,526	
12	Other debtors	18,711,617		23,502,093	
	Current tax receivable	39,112		287	
10	Investments - time deposits	938,641		382,399	
10	Cash at bank and in hand	4,827,183		1,917,811	
			382,958,660		456,512,392
	CREDITORS:AMOUNTS FALLING DUE WITHIN ONE YEAR				
1(c),10,18	Financial liabilities held for trading	(245,701,181)		(319,628,239)	
1(c),10,18	Financial liabilities designated at fair value through profit and loss	(7,326,228)		(9,822,824)	
10	Collateral received for securities sold under agreements to repurchase	(71,171,892)		(64,549,336)	
10	Collateral received for securities loaned	(14,592,893)		(14,046,866)	
13	Other creditors	(36,731,862)		(40,752,151)	
	Current tax payable	(1,165)		(1,328)	
			(375,525,221)		(448,800,744)
	NET CURRENT ASSETS		7,433,439		7,711,648
	TOTAL ASSETS LESS CURRENT LIABILITIES		7,480,528		7,770,559
10,15	CREDITORS: AMOUNTS FALLING DUE MORE THAN ONE YEAR		(2,459,645)		(3,779,155)
	NET ASSETS		5,020,883		3,991,404

NOMURA INTERNATIONAL PLC

BALANCE SHEET AT 31 MARCH 2016 (CONTINUED)

Notes		<u>2016</u> \$'000	<u>2015</u> \$'000
	CAPITAL AND RESERVES		
16	Called up share capital	9,991,226	8,376,226
17	Share premium	27,479	27,479
17	Other reserve	(17,475)	(12,563)
17	Capital redemption reserve	184,499	184,499
17	Available-for-sale reserve	4,246	3,857
17	Share-based payment reserve	1,004,216	866,874
17	Retained earnings	(6,173,308)	(5,454,968)
	SHAREHOLDERS' FUNDS – Equity	<u>5,020,883</u>	<u>3,991,404</u>

Approved by the board of Directors on 19 July 2016 and subsequently signed on its behalf on 19 July 2016 by


Minoru Shinohara

Director

The notes on pages 19 to 111 form part of these financial statements

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	<u>31 March 2016</u> \$'000	<u>31 March 2015</u> \$'000
Operating activities		
Loss before tax	(749,176)	(451,677)
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation	90,978	104,656
Movement in investment in subsidiaries	(9)	162
Share-based payment expense	137,342	178,724
Foreign exchange loss	(5,292)	(11,606)
Available-for-sale reserve	390	(870)
Interest paid on subordinated borrowings	56,869	100,470
Change in working capital adjustments		
Net change in available-for-sale investments	(358)	1,088
Net change in financial assets held of trading	80,921,417	(77,081,423)
Net change in financial assets designated at fair value through profit and loss	2,737,022	677,128
Net change in collateral paid for securities purchased under agreements to resell	(11,361,738)	6,944,818
Net change in collateral paid for securities borrowed	(29,009)	1,234,594
Net change in other debtors	4,780,896	(8,688,744)
Net change in investments – time deposits	(556,242)	41,969
Net change in financial liabilities held for trading	(73,927,058)	79,167,082
Net change in financial liabilities designated at fair value through profit and loss	(2,496,596)	2,103,377
Net change in collateral received for securities sold under agreements to repurchase	6,622,556	(8,698,099)
Net change in collateral received for securities loaned	546,028	(303,740)
Net change in other creditors	(4,080,140)	5,881,202
Income tax received/(paid)	(8,152)	3,676
Net cash flow from operating activities	<u>2,679,728</u>	<u>1,202,787</u>
Investing activities		
Purchase of fixed assets	(71,278)	(64,339)
Proceeds from disposal of fixed assets	2,451	3,222
Net cash flow used in investing activities	<u>(68,827)</u>	<u>(61,117)</u>

NOMURA INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016 (CONTINUED)

	<u>31 March 2016</u> \$'000	<u>31 March 2015</u> \$'000
Financing activities		
Share capital issued	1,615,000	-
Repayment of subordinated borrowings	(1,465,000)	(2,750,000)
Net change in loans and other liabilities	145,490	376,068
Interest paid on subordinated borrowings	(56,869)	(100,470)
Net cash flow/ (used in) financing activities	<u>238,621</u>	<u>(2,474,402)</u>
 Net increase/ (decrease) in Cash at bank and in hand	 <u>2,849,522</u>	 <u>(1,332,732)</u>
 Cash at 1 April	 <u>1,886,214</u>	 <u>3,218,946</u>
Cash at 31 March	<u>4,735,736</u>	<u>1,886,214</u>
 Included within operational cash flows		
Interest paid	(1,039,770)	(1,442,697)
Interest received	692,804	1,187,948

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The Company adopted Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") for all periods presented. These financial statements are therefore prepared in accordance with FRS 101, and have been prepared 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 s401 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 UK. 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.

It is the intention of the ultimate parent company to provide the necessary level of support to the Company to enable it to pay its debts as they fall due for a period of at least a year from the date of issue of the financial statements. The Directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis.

(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 recognised 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 amortised 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 recognised as regular way transactions, on a settlement date basis. Derivatives, including separated embedded 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 recognised initially and subsequently carried at fair value, with derivatives having positive fair values carried as assets and derivatives with negative fair values carried as liabilities on the balance sheet.

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

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 recognised 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:

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

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

- 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 derecognised 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 categorised 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 recognised on a settlement date basis.

When a fair value financial asset or liability is recognised initially, the Company measures it at its fair value and transaction costs are taken directly to 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 recognised in profit and loss. All reliably measurable fair value financial assets and liabilities are subsequently held at fair value until derecognition.

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit.

(ii) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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.

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

(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 paid for securities purchased under agreements to resell and collateral paid 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

(iv) Financial liabilities at amortised cost (continued)

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

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

The Company also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. Where the securities were sourced from the Company's balance sheet, they will continue to be retained on the Company's balance sheet, and where they are to be rehypothecated by the transferee, they are shown within held for trading pledged as collateral. The cash amount received by the Company is shown within creditors as collateral received for securities sold under agreements to repurchase.

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

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

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

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

(v) Held-to-maturity investments

As at the balance sheet date, the Company did not hold any held-to-maturity investments.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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:

- 1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument, or
- 2) 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
- 3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Company's key management personnel.

The fair value option election under 1) and 2) 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 balance sheet in accordance with the presentation requirements of IAS 32.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

(g) Impairment

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

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

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

(h) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Company retains the financial assets on its balance sheet with an associated liability for 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 to which the asset relates fair value less costs to sell and its 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 balance sheet date. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to 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

- (iv) the initial recognition of goodwill, or
- (v) 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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

- (vi) is not a business combination, and
- (vii) 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

- (viii) in other comprehensive income, shall be recognized in other comprehensive income
- (ix) 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(s) Pension Costs (continued)

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status and broadly consistent term to the liabilities), 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 balance sheet 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 balance sheet 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense 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 balance sheet 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 balance sheet 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 2016 (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.

(y) Standard issued but not effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of 'own credit' with respect to issued debt liabilities that are designated at fair value through other comprehensive income, introduces the new expected credit loss model for impairment of financial assets and amends the requirements for hedge accounting.

IFRS 9 is effective for the Company for the financial period beginning April 1, 2018. The Company is currently assessing the impact of IFRS 9. The standard has yet to be endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", replacing several other IFRS standards and interpretations that currently govern revenue recognition under IFRS. IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 is effective for the Company for the financial period beginning April 1, 2018. The Company is currently assessing the impact of IFRS 15. The standard has yet to be endorsed by the EU.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(y) Standard issued but not effective (continued)

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, "Leases", which introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16's approach to lessor accounting is substantially unchanged. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

IFRS 16 is effective for the Company for the financial period beginning April 1, 2019. The Company is currently assessing the impact of IFRS 16. The standard has yet to be endorsed by the EU.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Net fees and commissions ¹	437,614	321,272
Principal transactions ²	389,865	1,185,773
Other revenues ³	621,868	484,255
Less attributable transaction expenses ³	<u>(184,618)</u>	<u>(226,853)</u>
Trading profit	<u>1,264,729</u>	<u>1,764,447</u>

\$1,118,458,000 (2015 \$1,617,673,000) of the trading profit in the year ended 31 March 2016 is attributable to EMEA and \$146,271,000 (2015 \$146,774,000) 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'

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

2. TRADING PROFIT (CONTINUED)

b Analysis of net fee and commission income

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Financial instruments not at fair value through profit or loss	307,920	235,164
Other fees and commission income	129,694	86,108
Net fees and commissions	<u>437,614</u>	<u>321,272</u>

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

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Financial instruments held for trading	180,987	1,333,712
Financial instruments designated at fair value through profit and loss	208,878	(147,939)
Principal transactions	<u>389,865</u>	<u>1,185,773</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

3. INTEREST INCOME AND EXPENSE

Analysis of total interest income and expense by financial instrument type

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Interest receivable and similar income		
Cash and short-term funds	82,567	27,551
Securities borrowed and reverse repurchase agreements	531,460	808,388
Other	27,749	28,593
	<u>641,776</u>	<u>864,532</u>
Financial instruments at fair value through profit and loss	115,460	248,387
	<u>757,236</u>	<u>1,112,919</u>
Interest payable and similar charges		
Overdrafts and loans	(52,287)	(41,451)
Securities lent and repurchase agreements	(902,206)	(1,166,524)
Other	(105,156)	(122,754)
	<u>(1,059,649)</u>	<u>(1,330,729)</u>
Financial instruments at fair value through profit and loss	-	(17,736)
	<u>(1,059,649)</u>	<u>(1,348,465)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Wages, salaries and other personnel costs	783,283	899,023
Social security costs	80,997	93,996
Pension costs – defined contribution	37,505	39,715
Depreciation and Amortisation (note 7 & 8)	22,525	42,477
Auditors' remuneration including expenses		
- audit	1,528	2,050
- audit-related assurance services	959	245
- services relating to taxation	365	160
- all other services	1,174	2,723
Operating lease costs		
- buildings	68,469	66,199
- other	153	911
Interest receivable from Nomura Group undertakings	(410,958)	(620,326)
Interest payable to Nomura Group undertakings	583,569	763,089

In addition to the audit fee shown above, an amount of \$1,310,124 (2015 \$1,120,770) was borne by NHI

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

5. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2016 by Premier Pensions Management Ltd, a qualified independent actuary

During the year ended 31 March 2016, 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 balance sheet. 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:

	<u>31 March 2016</u>	<u>31 March 2015</u>
	%	%
Rate of increase in pensions in payment	3.35	3.26
Rate of increase in pensions in deferment	2.35	2.26
Discount rate	3.45	3.30
Inflation assumption	2.35	2.26

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

	<u>31 March 2016</u>	<u>31 March 2015</u>
	Years	Years
Male Member age 60 (life expectancy at age 60)	30.7	30.5
Male Member age 40 (life expectancy at age 60)	34.0	33.8
Female Member age 60 (life expectancy at age 60)	32.8	32.6
Female Member age 40 (life expectancy at age 60)	36.1	36.0

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

5. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	<u>31 March 2016</u>		<u>31 March 2015</u>	
	%	\$'000	%	\$'000
Equities	3 45	1,711	3 30	1,143
Bonds	-	-	-	-
Property	-	-	-	-
Dividend Growth Funds	3 45	33,913	3 30	33,761
Cash	3 45	1,396	3 30	1,561
Annuities	3 45	278,471	3 30	306,093
Market value of assets		<u>315,491</u>		<u>342,558</u>
Present value of scheme liabilities		<u>(281,356)</u>		<u>(309,063)</u>
Surplus in the scheme		34,135		33,495
Effect of surplus cap		<u>(34,135)</u>		<u>(33,495)</u>
Recoverable deficit in the scheme		-		-
Deferred tax asset		-		-
Net pension liability		<u>-</u>		<u>-</u>

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 recognised.

There is no charge of operating loss in relation to the defined benefit pension scheme (2015 Nil)

The amount charged to other finance income

	<u>31 March 2016</u>	<u>31 March 2015</u>
	\$'000	\$'000
Past service cost	-	689
Unrecognised surplus applied to past service cost	-	(689)
Interest income on pension scheme assets	10,175	11,902
Interest expense on pension scheme liabilities	<u>(10,175)</u>	<u>(11,902)</u>
Other finance income	<u>-</u>	<u>-</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

5 DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	31 March 2016	31 March 2015
	\$'000	\$'000
Actual return on pension scheme assets less interest income	13,103	7,415
Experience gains arising on pension scheme liabilities	9,712	1,265
Changes in assumptions underlying the present value of the pension scheme liabilities		
of which actuarial gains/(losses) arising from changes in demographic assumptions	(22,052)	52,195
of which actuarial gains/(losses) arising from changes in financial assumptions	-	-
of which experience gains/(losses)	-	-
Actuarial gains/(losses) before adjustment due to movement in surplus cap	763	60,875
Adjustment due to movement in surplus cap	(763)	(60,875)
Actuarial loss recognised in other comprehensive income	-	-

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2015 no effect)

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

	Year ended	Year ended
	31 March 2016	31 March 2015
	\$'000	\$'000
Change in benefit obligations		
Benefit obligations at beginning of year	(309,063)	(284,128)
Plan amendments	-	(689)
Interest cost	(10,175)	(11,902)
Actuarial gains/(losses)	14,874	(53,460)
Benefits paid	14,046	5,584
Foreign currency exchange gains	8,962	35,532
Benefit obligations at end of year	(281,356)	(309,063)

	Year ended	Year ended
	31 March 2016	31 March 2015
	\$'000	\$'000
Change in plan assets		
Fair value of plan assets at beginning of year	342,558	385,629
Interest income on plan assets	11,181	11,902
Actuarial losses	(14,110)	(7,415)
Benefits paid from plan	(14,046)	(5,584)
Foreign currency exchange losses	(10,092)	(41,974)
Fair value of plan assets at end of year	315,491	342,558

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet 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.

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Sensitivity analysis of significant actuarial assumptions		
Discount rate applied to scheme liabilities		
Increase by 1%	(45,894)	(50,714)
Decrease by 1%	61,440	67,708
Inflation assumption		
Increase by 1%	34,346	37,293
Decrease by 1%	(29,987)	(31,651)
Life expectancy		
Increase by 1 year	6,121	6,496
Decrease by 1 year	(6,169)	(6,563)

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

6. INCOME TAX

(a) TAX CHARGE

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
<u>Current Income Tax</u>		
UK corporation tax (credit)	(39,099)	(277)
Foreign tax suffered	7,751	7,794
Amounts (over)/under provided in previous years	481	(887)
Total current income tax expense/(benefit)	<u>(30,867)</u>	<u>6,630</u>
<u>Deferred Tax</u>		
Originated and reversal of temporary differences	(73)	218
Impact of change in tax laws and rates	104	-
Total deferred tax expense/(benefit)	<u>31</u>	<u>218</u>
Total tax charge / (benefit) for the year recognised in the profit and loss account	<u>(30,836)</u>	<u>6,848</u>
Deferred tax charge recognised in other comprehensive income – Available for sale investments	<u>(31)</u>	<u>(218)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

6. INCOME TAX (CONTINUED)

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Year Ended</u> <u>31 March 2016</u> \$'000	<u>Year Ended</u> <u>31 March 2015</u> \$'000
Loss on ordinary activities before taxation	(749,176)	(451,677)
UK corporation tax credit at 20% (2015 21%)	(149,835)	(94,852)
Effects of		
Expenses/(Income) not deductible /taxable for tax purpose		
- Bank levy	8,774	10,644
- Share based payments	27,469	37,532
- Others	4,140	2,027
Changes in statutory tax rates	104	-
Losses surrendered to group company for nil payment	2,011	6,516
Items affecting current tax on which deferred tax is not recognised		
- Tangible assets	18,639	22,365
- Share based payments	(23,405)	(24,828)
- Deferred emoluments	(3,042)	(290)
- Transition adjustment on adoption of FRS 25/26	8,813	9,254
Unrecognised tax losses	68,877	33,059
Foreign tax deduction	7,751	7,794
Amounts provided in previous years	481	(887)
Others	(1,613)	(1,486)
Total tax expense/(benefit) reported in profit and loss	<u>(30,836)</u>	<u>6,848</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

7. TANGIBLE ASSETS

Cost	<u>Construction in Progress</u> \$'000	<u>Long Leasehold</u> \$'000	<u>Furniture & Equipment</u> \$'000	<u>Total</u> \$'000
At 1 April 2015	889	6,012	234,677	241,578
Additions	171	2,764	2,103	5,038
Disposals	-	-	(221)	(221)
Others	1	78	346	425
At 31 March 2016	1,061	8,854	236,905	246,820
Depreciation				
At 1 April 2015	-	1,769	208,848	210,617
Charged during the year	-	1,113	14,730	15,843
Disposals	-	-	(157)	(157)
Others	-	25	243	268
At 31 March 2016	-	2,907	223,664	226,571
Carrying Amount				
At 31 March 2016	1,061	5,947	13,241	20,249
At 31 March 2015	889	4,243	25,829	30,961

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

8. INTANGIBLE ASSETS

Cost	<u>Software</u> \$'000	<u>Total</u> \$'000
At 1 April 2015	93,970	93,970
Additions	5,205	5,205
Disposals	-	-
	-	-
At 31 March 2016	99,175	99,175
Amortisation		
At 1 April 2015	84,031	84,031
Charged during the year	6,682	6,682
Disposals	-	-
	-	-
At 31 March 2016	90,713	90,713
Carrying Amount		
At 31 March 2016	8,462	8,462
At 31 March 2015	9,939	9,939

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

9. INVESTMENT IN SUBSIDIARIES

<u>Cost</u>	<u>Investment in Subsidiary Undertakings</u> \$'000
At 1 April 2015	12,895
Additions	9
Return of Investment	-
Impairment	-
At 31 March 2016	12,904
<u>Carrying amount</u>	
At 31 March 2016	12,904
At 31 March 2015	12,895

The investment in subsidiary undertakings represents the following

<u>Name of Subsidiary</u>	<u>Ordinary Shares/ Voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business activities</u>
Nomura Investments (AH) Limited	99.99%	Guernsey	Investment
Nomura PB Nominees Limited	100%	England and Wales	Investment
Nomura Custody Nominees Limited	100%	England and Wales	Investment
Nomura D1 Nominee Limited	100%	England and Wales	Investment
Nomura Derivatives Clearing Nominee Limited	100%	England and Wales	Investment
Nomura PB Beneficial Ownership Markets Limited	100%	England and Wales	Investment
Nomura Clearance and Settlement Nominees Limited	100%	England and Wales	Investment
Nomura RPS Limited	100%	England and Wales	Investment adviser
Nomura Investment Advisor LLP	50%	England and Wales	Investment adviser
Nomura Private Equity Investment GP Limited	100%	England and Wales	Investment Manager
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment Services
Nomura Nominees Limited	100%	England and Wales	Custody
Nomura com Limited	100%	England and Wales	Dormant
Nomura London Retirement Benefits Plan Trustee Limited	100%	England and Wales	Corporate Trustee
Nomura Investment Solutions plc	39.71%	Ireland	Investment
IBJ Nomura Financial Products (UK) plc	100%	England and Wales	Company in liquidation

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

10. FINANCIAL INSTRUMENTS

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

	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<u>Available- for-sale investments</u>	<u>Held for trading</u>	<u>Designated at fair value through profit and loss</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Available-for-sale Investments	5,474					5,474
Held for trading	-	261,154,855	-	-	-	261,154,855
Financial assets designated at fair value through profit and loss	-	-	12,680,024	-	-	12,680,024
Collateral paid for securities purchased under agreement to resell	-	-	-	67,041,693	-	67,041,693
Collateral paid for securities borrowed	-	-	-	17,565,535	-	17,565,535
Other debtors	-	-	-	18,116,372	-	18,116,372
Investments – time deposits	-	-	-	938,641	-	938,641
Cash at bank and in hand	-	-	-	4,827,183	-	4,827,182
Financial Liabilities						
Held for trading	-	(245,701,181)	-	-	-	(245,701,181)
Financial liabilities designated at fair value through profit and loss	-	-	(7,326,228)	-	-	(7,326,228)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(71,171,892)	(71,171,892)
Collateral received for Securities loaned	-	-	-	-	(14,592,893)	(14,592,893)
Other creditors	-	-	-	-	(36,047,945)	(36,047,945)
Creditors amounts falling due after more than one year	-	-	-	-	(2,459,645)	(2,459,645)
	5,474	15,453,674	5,353,796	108,489,424	(124,272,375)	5,029,993

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

10. FINANCIAL INSTRUMENTS (CONTINUED)

	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
	<u>Available- for-sale investments</u>	<u>Held for trading</u>	<u>Designated at fair value through profit and loss</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Available-for-sale Investments	5,116	-	-	-	-	5,116
Held for trading		342,076,273	-	-	-	342,076,273
Financial assets designated at fair value through profit and loss	-	-	15,417,047	-	-	15,417,047
Collateral paid for securities purchased under agreements to resell	-	-	-	55,679,956	-	55,679,956
Collateral paid for securities borrowed	-	-	-	17,536,526	-	17,536,526
Other debtors	-	-	-	22,612,123	-	22,612,123
Investments – time deposits	-	-	-	382,399	-	382,399
Cash at bank and in hand	-	-	-	1,917,811	-	1,917,811
Financial Liabilities						
Held for trading	-	(319,628,239)	-	-	-	(319,628,239)
Financial liabilities designated at fair value through profit and loss	-	-	(9,822,824)	-	-	(9,822,824)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(64,549,336)	(64,549,336)
Collateral received for Securities loaned	-	-	-	-	(14,046,866)	(14,046,866)
Other creditors	-	-	-	-	(39,860,487)	(39,860,487)
Creditors amounts falling due after more than one year	-	-	-	-	(3,779,155)	(3,779,155)
	5,116	22,448,034	5,594,223	98,128,815	(122,235,844)	3,940,344

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Loans and receivables		
Collateral paid for securities purchased under agreements to resell	27,858,173	22,586,952
Collateral paid for securities borrowed	11,937,401	9,615,970
Other debtors	8,869,196	12,161,338
Investments - time deposits	936,191	127,687
	<hr/> 49,600,961	<hr/> 44,491,947
Financial liabilities at amortised cost		
Collateral received for securities sold under agreements to repurchase	(25,104,719)	(23,387,610)
Collateral received for securities loaned	(11,767,036)	(9,278,481)
Other creditors	(20,895,138)	(19,364,994)
Creditors amounts falling due after more than one year	<hr/> (2,459,645)	<hr/> (3,328,161)
	<hr/> (60,226,538)	<hr/> (55,359,246)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Financial assets		
Equity securities	7,583,253	9,328,714
Debt securities	35,125,748	40,526,436
Derivatives	218,451,328	292,226,239
Financial assets designated at fair value through profit and loss	12,680,024	15,417,047
	<u>273,840,353</u>	<u>357,498,436</u>
Financial liabilities		
Equity securities	(4,899,982)	(3,966,896)
Debt securities	(19,987,853)	(21,900,414)
Derivatives	(220,813,346)	(293,760,929)
Financial liabilities designated at fair value through profit and loss	(7,326,228)	(9,822,824)
	<u>(253,027,409)</u>	<u>(329,451,063)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

10 FINANCIAL INSTRUMENTS (CONTINUED)

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

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Group undertakings

	<u>2016</u> \$'000	<u>2015</u> \$'000
Financial assets		
Equity securities	559,968	514,023
Debt securities	276,139	256,262
Derivatives	140,224,729	179,427,428
Financial assets designated at fair value through profit and loss	15,423	70,072
	<u>141,076,259</u>	<u>180,267,785</u>
Financial liabilities		
Equity securities	(4,520)	(39,541)
Debt securities	(3,685)	(217,826)
Derivatives	(147,067,165)	(187,901,621)
Financial liabilities designated at fair value through profit and loss	(1,867,857)	(1,899,151)
	<u>(148,943,227)</u>	<u>(190,058,139)</u>

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 2016, 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 balance sheet date amounted to \$5,474,169 (2015: \$5,116,000).

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

11 DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

In the ordinary course of business, the Company enters into transactions resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under 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 balance sheet, together with their associated financial liabilities

	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<u>Financial</u>	<u>Financial</u>	<u>Difference</u>
	<u>assets</u>	<u>liabilities</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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)	-
	<u>25,852,079</u>	<u>(24,866,704)</u>	<u>985,375</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>
	<u>Financial</u>	<u>Financial</u>	<u>Difference</u>
	<u>assets</u>	<u>liabilities</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Collateral received for securities sold under agreements to repurchase	23,774,048	(20,208,290)	3,565,758
Collateral received for securities loaned	3,076,024	(2,826,293)	249,731
Other	851,757	(851,757)	-
	<u>27,701,829</u>	<u>(23,886,340)</u>	<u>3,815,489</u>

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

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

11. DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

Continuing involvement

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

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 balance sheet 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.

<u>2016</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2016</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2016</u> <u>Net economic</u> <u>exposure</u> \$'000
91,765	(91,765)	-
<u>2015</u> <u>Total carrying value of</u> <u>financial assets with</u> <u>continuing involvement</u> \$'000	<u>2015</u> <u>Total carrying value of</u> <u>associated liabilities</u> \$'000	<u>2015</u> <u>Net economic</u> <u>exposure</u> \$'000
30,303	(30,303)	-

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

11 DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)

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 \$255 billion (2015 \$244 billion) Of this amount, \$208 billion (2015 \$206 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 \$44 billion (2015 \$41 billion) of balances due to fellow Nomura Group undertakings The corresponding obligation to return securities received which have been sold or repledged is \$1.1 billion (2015 \$0.9 billion), relating to special purpose vehicles

12. OTHER DEBTORS

	<u>2016</u> \$'000	<u>2015</u> \$'000
Trade debtors	2,432,553	2,865,843
Broker balances	15,683,819	19,746,280
Accrued interest and dividends receivable	72,048	73,443
Prepayments and accrued income	523,197	816,527
	<hr/> 18,711,617	<hr/> 23,502,093

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Trade debtors	323,727	256,242
Broker balances	8,545,468	11,905,096
Accrued interest and dividends receivable	36,293	33,031
Prepayments and accrued income	261,753	575,034
	<hr/> 9,167,241	<hr/> 12,769,403

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 2016 (CONTINUED)

13. OTHER CREDITORS

	<u>2016</u> \$'000	<u>2015</u> \$'000
Loans and overdrafts	1,417,401	1,881,232
Trade creditors	2,206,125	2,298,232
Broker balances	32,424,419	35,668,120
Other tax and social security payable	7,034	12,904
Accrued interest and dividends payable	55,733	43,820
Accruals and deferred income	621,150	847,843
	<hr/> 36,731,862	<hr/> 40,752,151

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Loans and overdrafts	1,172,139	1,724,874
Trade creditors	213,803	424,994
Broker balances	19,509,195	17,215,125
Accrued interest and dividends payable	38,857	29,267
Accruals and deferred income	181,186	264,848
	<hr/> 21,115,180	<hr/> 19,659,108

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

14. DEFERRED TAXATION

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
FRS 26 transition liabilities	-	(8,813)
Available for sale investments	(933)	(964)
Tangible fixed assets	-	8,813
Unutilised capital tax losses	933	964
Total Deferred Tax Asset/ (Deferred tax Liability)	-	-

UNRECOGNISED DEFERRED TAX ASSET

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Tangible fixed assets	75,918	57,135
Other short term temporary differences	33,208	48,962
Unutilised tax losses	723,397	737,516
Unutilised capital tax losses	463	587
Total deferred tax not recognised	832,986	844,200

DEFERRED TAX MOVEMENT IN OTHER COMPREHENSIVE INCOME

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening balance	964	1,182
Tax credit during the year	(31)	(218)
Closing balance	933	964

Deferred tax has been disclosed at 18% in the accounts (2015 20%) reflecting the reduction in the UK Corporation tax rate to 18% which takes effect from 1 April 2020 and which was enacted by the balance sheet date. A further 1% reduction to 17% effective 1 April 2020 has been announced but not substantially enacted at the balance sheet date. The potential impact to this 1% reduction will be to reduce the unrecognized deferred tax balance by \$46,276,955.

From 1 April 2015 there is a 50% restriction on the amount of taxable profits that can be relieved by brought forward losses in existence at 31 March 2015. This restriction legislated by Finance (No 2) Bill 2015, was substantively enacted on 26 March 2015. A further restriction to 25% on the amount of taxable profits that can be relieved by brought forward losses has been announced but not substantially enacted at the balance sheet date.

The company has unutilised losses arising of \$4,018,870,246 (2015 \$3,687,580,135) that are available for offset against future taxable profits. A deferred tax asset of \$723,396,644 (2015 \$737,516,027) has not been recognised in respect of these losses due to uncertainty surrounding the Company's future profitability.

The company has unutilised capital losses arising of \$7,756,268 (2015 \$7,756,325) that are available for offset against future capital gains. A deferred tax assets of \$463,172 (2015 \$587,254) has not been recognised in respect of capital losses due to uncertainty surrounding the Company's future expectation of chargeable capital gains and a deferred tax asset of \$932,956 on capital losses has been recognised in the period and offset against a deferred tax liability of \$932,956 in respect of available for sale investments.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Loans and other liabilities	1,199,645	1,054,155
Subordinated debt	1,260,000	2,725,000
	<u>2,459,645</u>	<u>3,779,155</u>

Included within creditor balances above are \$2,459,645,000 (2015 \$3,528,161,000) 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	<u>Repayment date</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Nomura Europe Holdings plc	11 Mar 2020	-	725,000
Nomura Europe Holdings plc	12 Mar 2020	-	700,000
Nomura Europe Holdings plc	15 May 2020	-	200,000
Nomura Europe Holdings plc	13 Apr 2020	-	500,000
Nomura Europe Holdings plc	23 Apr 2020	-	600,000
Nomura Europe Holdings plc	23 Apr 2025	600,000	-
Nomura Europe Holdings plc	13 Apr 2025	460,000	-
Nomura Europe Holdings plc	17 May 2025	200,000	-
		<u>1,260,000</u>	<u>2,725,000</u>

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

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

The 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 2016 (CONTINUED)

16. SHARE CAPITAL

<u>2016</u>	<u>Number</u> <u>'000</u>	<u>Fully paid</u> <u>consideration</u> <u>\$'000</u>
US Dollar Ordinary shares of \$1 each	9,991,226	9,991,226
		<u>9,991,226</u>
 <u>2015</u>	 <u>Number</u> <u>'000</u>	 <u>Fully paid</u> <u>consideration</u> <u>\$'000</u>
US Dollar Ordinary shares of \$1 each	8,376,226	8,376,226
		<u>8,376,226</u>

The Company issued \$550,000,000 of ordinary shares in May 2015, \$300,000,000 of ordinary shares in September 2015 and \$765,000,000 of ordinary shares in December 2015 increasing the total authorised and issued share capital to \$9,991,226,000

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

17. RESERVES

	<u>Share Premium</u>	<u>Other Reserve</u>	<u>Capital Redemption Reserve</u>	<u>Available For Sale Reserve</u>	<u>Share- based payment Reserve</u>	<u>Retained Earnings</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2015	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 charge recognised in other comprehensive income	-	-	-	31	-	-
At 31 Mar 2016	27,479	(17,475)	184,499	4,246	1,004,216	(6,173,308)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

17 RESERVES (CONTINUED)

	<u>Share Premium</u>	<u>Other Reserve</u>	<u>Capital Redemption Reserve</u>	<u>Available For Sale Reserve</u>	<u>Share- based payment Reserve</u>	<u>Retained Earnings</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2014	27,479	-	184,499	4,727	688,150	(4,996,443)
Loss for the year	-	-	-	-	-	(458,525)
Foreign Currency Translation Reserve charged during the year	-	(12,563)	-	-	-	-
Share-based payment expense for the year	-	-	-	-	178,724	-
Gain on available- for-sale investments	-	-	-	(1,088)	-	-
Current tax charge recognised in other comprehensive income	-	-	-	218	-	-
At 31 Mar 2015	27,479	(12,563)	184,499	3,857	866,874	(5,454,968)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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>

The Role of Financial Instruments

The Company holds or issues financial instruments for two main purposes

- *Trading Activities* – to facilitate the needs of its client base and for trading purposes on its own account
- *Financing Activities* – to finance its operations and to manage the interest rate and currency risk arising from its financing activities

Trading Activities

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

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Role of Financial Instruments (continued)

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

Risk Management Structure

The Board of Directors of the Company is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. It is advised by the PRC of its immediate parent, NEHS. Risk reporting and control is undertaken by the following departments and committees within the Company

Capital Allocation

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 UK-regulated entities 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 Function

Treasury has responsibility for managing the firms' 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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)

Risk Management

The Risk Management Division comprises various departments in charge of risk management established independently from Nomura's business units. 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. Risks at the Company's level are mainly managed through sub-committees of the Board of NEHS, the Company's immediate parent.

Finance Department

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

Risk Management Committee

On behalf of the European Management Committee of NEHS, the Risk Management Committee ("RMC") considers and monitors the risk exposures of the Company, including market, counterparty credit, operational, model, liquidity and business risks.

Internal Audit

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and make recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The Global Head of Internal Audit has an independent reporting line to the Internal Controls Committee, the Chairman of the NHI Audit Committee and the Audit Mission Directors in Tokyo.

In EMEA, the 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

Internal Audit reports its findings and the agreed action plans, target dates and responsible owners to the relevant Audit Committee(s), 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.

Market Risk

Market risk is the risk of loss arising from fluctuation in the value 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 Market Risk Management ("MRM") framework for the management of market risk, with some specific criteria applied to the Company where relevant.

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 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 by 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 the independent Risk Management department, which reports to the Chief Risk Officer of the Company.

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 monthly.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 Nomura Group 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.

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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.

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 on the next page illustrates, by major risk category, the VaR during the financial years ended 31 March 2016 and 31 March 2015. It shows the highest, lowest and average VaR during the financial year.

	Average VaR 2016 \$'000	Min VaR 2016 \$'000	Max VaR 2016 \$'000	Average VaR 2015 \$'000	Min VaR 2015 \$'000	Max VaR 2015 \$'000
Equity VaR	3,596	1,247	11,435	5,715	2,083	14,197
Securitised Products VaR	320	-	667	571	-	1,278
Credit VaR	3,766	2,372	11,395	4,334	1,671	8,305
Interest Rates VaR	5,239	2,676	10,703	5,997	2,551	14,540
Inflation VaR	879	363	1,954	1,837	298	6,439
FX VaR	4,002	1,296	10,109	10,453	3,275	23,237
Commodity VaR	56	-	184	101	-	798
Diversification	(9,025)	-	-	(14,168)	-	-
Total	8,833	5,466	16,946	14,840	7,088	27,185

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 2016 was lower than the previous year as a result of the migration of market risks to other Nomura Group entities in previous years.

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. 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit Risk Management

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 counterparty. The Company uses the Nomura Group's Credit Risk Management ("CRM") framework for managing credit risk, with some specific criteria applied to the Company where relevant.

Credit Risk Management Process

CRM operates a credit risk control function within the Risk Management Division, reporting to the EMEA Chief Risk Officer ("CRO"). 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 including margin terms,
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

Credit Limits and Risk Measures

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.

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

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 paid for securities purchased under agreements to resell and collateral paid 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.

	<u>Maximum Exposure</u> <u>to Credit Risk</u> <u>2016</u> \$m	<u>Maximum Exposure</u> <u>to Credit Risk</u> <u>2015</u> \$m
Available-for-sale debt investments	5	5
Financial assets held for trading	261,155	342,076
Financial assets designated at fair value through profit and loss	12,680	15,417
Collateral paid for securities purchased under agreements to resell	67,042	55,680
Collateral paid for securities borrowed	17,566	17,537
Other debtors	18,751	23,502
Investments - Time deposits	938	382
Cash at bank and in hand	4,827	1,918
	<hr/> 382,964	<hr/> 456,517
Commitments to extend credit	5,528	2,062
Total exposure to credit risk	<hr/> 388,492	<hr/> 458,579

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 balance sheet 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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.

Credit Rating	<u>Maximum Exposure to Credit Risk</u>	<u>Maximum Exposure to Credit Risk</u>
	<u>2016</u> \$m	<u>2015</u> \$m
AAA	10,554	10,316
AA	47,124	54,269
A	118,658	131,154
BBB	174,693	221,254
Non-Investment grade	24,410	30,775
Unrated	7,525	8,750
Total exposure to credit risk by credit rating	382,964	456,518

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.

Included in the non-investment grade exposure is the fair value of various credit derivative contracts with monoline insurers. These positions were entered into by the structured credit trading business of Global Markets in Europe and are classified as financial assets held for trading. The Company is currently negotiating with the insurers to settle the outstanding amounts.

Concentrations of Credit Risk

Concentrations of credit risk may arise from the Company's normal operation in derivative instruments, trading, securities financing transactions and underwriting activities, 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 \$129 billion (2015: \$178 billion) and is rated using the Nomura Group's credit rating of BBB (2015: 'BBB').

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Amounts past due but not impaired

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

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

	<u>Less than 91 days</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Other debtors	416,860	818,404
Total	<u>416,860</u>	<u>818,404</u>

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 (2015 nil).

As at 31 March 2016 the cumulative impairment loss on available-for-sale investments was nil (2015 nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 UK regulated entity is fully compliant with the UK Prudential Regulation Authority ("PRA") prescribed liquidity requirements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (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.

	<u>On</u> <u>demand</u>	<u>Less</u> <u>than 30</u> <u>days</u>	<u>31 – 90</u> <u>days</u>	<u>91 days</u> <u>– 1 year</u>	<u>1 – 5</u> <u>years</u>	<u>Later</u> <u>than 5</u> <u>Years</u>	<u>Total</u>
	<u>2016</u> \$m	<u>2016</u> \$m	<u>2016</u> \$m	<u>2016</u> \$m	<u>2016</u> \$m	<u>2016</u> \$m	<u>2016</u> \$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
Financial liabilities designated at fair value through profit and loss	921	1,555	39	1,324	3,355	132	7,326
Collateral received for securities sold under agreements to repurchase	27,455	36,047	3,285	4,022	364	-	71,173
Collateral received for securities loaned	14,534	59	-	-	-	-	14,593
Other Creditors	35,826	222	-	-	-	-	36,048
Creditors' amounts falling due after more than one year	-	-	-	-	1,195	1,265	2,460
	<u>307,376</u>	<u>43,056</u>	<u>7,671</u>	<u>11,408</u>	<u>6,248</u>	<u>1,542</u>	<u>377,301</u>
Other commitments	-	902	327	1,381	1,348	1,570	5,528
Total exposure to liquidity risk	<u>307,376</u>	<u>43,958</u>	<u>7,998</u>	<u>12,789</u>	<u>7,596</u>	<u>3,112</u>	<u>382,829</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On demand</u>	<u>Less than 30 days</u>	<u>31 – 90 days</u>	<u>91 days – 1 year</u>	<u>1 – 5 years</u>	<u>Later than 5 years</u>	<u>Total</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Financial liabilities held for trading – derivatives	268,469	6,257	6,069	8,961	3,739	266	293,761
Financial liabilities held for trading – non derivatives	25,867	-	-	-	-	-	25,867
Financial liabilities designated at fair value through profit and loss	2,562	3,458	762	202	2,650	189	9,823
Collateral received for securities sold under agreements to repurchase	24,240	28,623	4,901	6,091	695	-	64,550
Collateral received for securities loaned	14,046	1	-	-	-	-	14,047
Other creditors	39,828	32	-	-	-	-	39,860
Creditors' amounts falling due after more than one year	-	-	-	-	1,428	2,351	3,779
	375,012	38,371	11,732	15,254	8,512	2,806	451,687
Other commitments	-	-	107	47	1,510	397	2,061
Total exposure to liquidity risk	375,012	38,371	11,839	15,301	10,022	3,203	453,748

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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.

	<u>On</u> <u>demand</u> <u>2016</u> \$m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2016</u> \$m	<u>31 – 90</u> <u>days</u> <u>2016</u> \$m	<u>91 days</u> <u>– 1 year</u> <u>2016</u> \$m	<u>1 – 5</u> <u>years</u> <u>2016</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2016</u> \$m	<u>Total</u> <u>2016</u> \$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
Financial assets designated at fair value through profit and loss	2,019	729	747	5,637	3,297	251	12,680
Collateral paid for securities purchased under agreement to resell	29,978	28,506	5,902	2,214	442	-	67,042
Collateral paid for securities borrowed	16,575	878	112	-	-	-	17,565
Other debtors	17,728	388	-	-	-	-	18,116
Investments - time deposits	939	-	-	-	-	-	939
Total exposure to liquidity risk	316,000	35,986	11,217	13,689	5,043	394	382,329

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

Contractual Maturity Table

	<u>On</u> <u>demand</u> <u>2015</u> \$m	<u>Less</u> <u>than 30</u> <u>days</u> <u>2015</u> \$m	<u>31 – 90</u> <u>days</u> <u>2015</u> \$m	<u>91 days –</u> <u>1 year</u> <u>2015</u> \$m	<u>1 – 5</u> <u>years</u> <u>2015</u> \$m	<u>Later</u> <u>than 5</u> <u>years</u> <u>2015</u> \$m	<u>Total</u> <u>2015</u> \$m
Cash at bank and in hand	1,918	-	-	-	-	-	1,918
Available-for-sale Investments	5	-	-	-	-	-	5
Financial assets held for trading – derivatives	266,525	6,534	6,446	8,809	3,651	261	292,226
Financial assets held for trading – non derivatives	49,850	-	-	-	-	-	49,850
Financial assets designated at fair value through profit and loss	10,106	1,959	1,439	1,043	870	-	15,417
Collateral paid for securities purchased under agreement to resell	22,253	27,502	2,306	3,088	508	23	55,680
Collateral paid for securities borrowed	16,411	828	271	27	-	-	17,537
Other debtors	21,661	951	-	-	-	-	22,612
Investments - time deposits	382	-	-	-	-	-	382
Total exposure to liquidity risk	389,111	37,774	10,462	12,967	5,029	284	455,627

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss resulting 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

- 1st Line of Defence The business which owns and manages its risks
- 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
- 3rd Line of Defence Internal and External Audit, who provide independent assurance

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 in place, which define the process and validation procedures required in order to implement new or amend existing valuation and risk models. Before models are put into official use, the Model Validation Group ("MVG") is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. For changes with an impact above certain materiality thresholds, model approval is required.

Business Risk

Business risk is the risk of failure of revenues to cover costs due to deterioration in the earnings environment or deterioration in the efficiency or effectiveness of the Nomura Group's business operations. Managing business risk is the responsibility of Nomura Group's Executive Managing Directors and Senior Managing 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.

Financial instruments valued using unobservable market data

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

These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change. The potential impact of using reasonably possible alternative assumptions to value these financial instruments at the balance sheet date is of plus and/or minus of \$36,674,800 (2015: \$69,009,600) 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 balance sheet date is a loss of \$41,600,475 (2015: profit of \$144,203,073).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair values of financial assets and financial liabilities (continued)

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
As at 1 April	8,313	4,857
New transactions	31,969	7,454
Redemptions and terminations	(2,074)	(3,998)
As at 31 March	<u>38,208</u>	<u>8,313</u>

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

	<u>2016</u> \$m	<u>2015</u> \$m
Bond and equity derivatives	336	286
Convertible bonds	(6)	(523)
Equities	144	2,631
Warrants	(2)	40
Government bonds	(1,291)	(1,442)
Bank and corporate bonds	1,820	559
Interest rate derivatives	(882)	166
Currency derivatives	(325)	(213)
Credit derivatives	387	(172)
	<u>181</u>	<u>1,332</u>

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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. Such 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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at 31 March 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Counterparty and cash collateral netting</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets held for trading					
- Equities	6,519,919	1,024,193	39,141	-	7,583,253
- 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
Financial assets designated at fair value through profit and loss	-	12,885,685	128,153	(333,814)	12,680,024
	31,178,101	288,300,224	3,359,849	(48,997,821)	273,840,353

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Counterparty and cash collateral netting</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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)	(266,575,712)	(2,832,810)	48,661,598	(220,813,346)
Financial liabilities designated at fair value through profit and loss	(697,162)	(6,921,472)	(41,408)	333,814	(7,326,228)
	(16,491,387)	(282,637,236)	(2,894,198)	48,995,412	(253,027,409)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Counterparty and cash collateral netting</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets held for trading					
- Equities	8,255,223	1,049,463	24,028	-	9,328,714
- Debt securities and loans	24,637,338	15,223,031	666,067	-	40,526,436
- Derivatives	-	348,056,065	3,049,131	(58,878,957)	292,226,239
Financial assets designated at fair value through profit and loss	-	15,417,047	-	-	15,417,047
	<u>32,892,561</u>	<u>379,745,606</u>	<u>3,739,226</u>	<u>(58,878,957)</u>	<u>357,498,436</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Counterparty and cash collateral netting</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Liabilities held for trading					
- Equities	(3,697,356)	(261,784)	(7,756)	-	(3,966,896)
- Debt securities and loans	(13,194,151)	(8,706,238)	(25)	-	(21,900,414)
- Derivatives	-	(349,325,497)	(3,180,244)	58,744,812	(293,760,929)
Financial liabilities designated at fair value through profit and loss	(401,614)	(9,358,431)	(62,779)	-	(9,822,824)
	<u>(17,293,121)</u>	<u>(367,651,950)</u>	<u>(3,250,804)</u>	<u>58,744,812</u>	<u>(329,451,063)</u>

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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	<u>At 1 April</u> <u>2015</u>	<u>Total gains</u> <u>(losses) in</u> <u>P&L</u>	<u>Purchase</u>	<u>Sales</u>	<u>Settlements</u>	<u>Net</u> <u>transfers in/</u> <u>(out of)</u> <u>level 3</u>	<u>At 31 March</u> <u>2016</u>	<u>Unrealised</u> <u>Total gains</u> <u>(losses) in</u> <u>P&L</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Financial assets held for trading								
- Equities	24,028	(9,514)	37,371	(58,173)	-	45,429	39,141	(7,207)
- Debt securities and loans	666,067	(32,086)	317,376	(624,540)	-	790	327,607	(40,284)
- Derivatives	3,049,131	857,909	-	-	(715,225)	(326,867)	2,864,948	844,618
Financial assets designated fair value through profit and loss								
- Loans and receivables	-	(12,647)	126,454	-	-	14,346	128,153	15,365
	<u>3,739,226</u>	<u>803,662</u>	<u>481,201</u>	<u>(682,713)</u>	<u>(715,225)</u>	<u>(266,302)</u>	<u>3,359,849</u>	<u>812,492</u>
	<u>At 1 April</u> <u>2015</u>	<u>Total gains</u> <u>(losses) in</u> <u>P&L</u>	<u>Purchase</u>	<u>Sales</u>	<u>Settlements</u>	<u>Net</u> <u>transfers in/</u> <u>(out of)</u> <u>level 3</u>	<u>At 31 March</u> <u>2016</u>	<u>Unrealised</u> <u>Total gains</u> <u>(losses) in</u> <u>P&L</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities								
Financial liabilities held for trading								
- Equities	(7,756)	(2,452)	(6,783)	10,499	-	(650)	(7,142)	(4,517)
- Debt securities and loans	(25)	(167)	(1,680)	22	-	(10,988)	(12,838)	(165)
- Derivatives	(3,180,244)	(903,945)	-	-	1,051,799	199,580	(2,832,810)	(871,852)
Financial liabilities designated fair value through profit and loss								
- Loans and receivables	(62,779)	19,079	(32,231)	34,523	-	-	(41,408)	19,079
	<u>(3,250,804)</u>	<u>(887,485)</u>	<u>(40,694)</u>	<u>45,044</u>	<u>1,051,799</u>	<u>187,942</u>	<u>(2,894,198)</u>	<u>(857,455)</u>

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2016

	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Assets		
Financial assets held for trading		
- Equities	320,826	154,284
- Debt Securities	-	-
- Derivatives	-	178,228
	<u>320,826</u>	<u>332,512</u>

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

As at 31 March 2015

	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Assets		
Financial assets held for trading		
- Equities	316,917	903,062
- Debt Securities	72,698	3,108
- Derivatives	376,664	-
	<u>766,279</u>	<u>906,170</u>

	<u>Transfers from level 1 to level 2</u> \$'000	<u>Transfers from level 2 to level 1</u> \$'000
Financial Liabilities		
Financial liabilities held for trading		
- Equities	(162,357)	(323,250)
- Debt Securities	-	(22,515)
- Derivatives	(614,994)	-
	<u>(777,351)</u>	<u>(345,765)</u>

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 2016 and 2015

31 March 2016

<u>Class of financial instrument</u>	<u>Fair value</u> \$'000	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>	<u>Weighted average</u>
Financial Assets held for trading					
-Equity securities	39,141	DCF	Liquidity discount	30% - 45%	41 70%
-Debt securities and loans	327,607	DCF	Credit Spreads	0% - 85%	3 90%
			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				

31 March 2015

<u>Class of financial instrument</u>	<u>Fair value</u> \$'000	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>	<u>Weighted average</u>
Financial Assets held for trading					
-Equity securities	24,028	DCF	Liquidity discount	4 60% - 40 00%	21 60%
-Debt securities and loans	666,067	DCF	Credit Spreads	0 0% - 12 20%	3 80%
-Derivatives	3,049,131	DCF/Option Models	Interest Rates	0 80% - 3 20%	
			Credit Spread	0 0% - 7 00%	
			Recovery Rate	15% - 90%	
			Dividend Yield	0 0% - 4 60%	
			Volatilities	1 30% - 300%	
			Correlations	(0 65) - 1 00	
Financial assets designated at fair value through profit and loss	-	-	-	-	-
Total Level 3	3,739,226				

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 March 2016

<u>Class of financial instrument</u>	<u>Fair value</u> \$'000	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>	<u>Weighted average</u>
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)				

31 March 2015

<u>Class of financial instrument</u>	<u>Fair value</u> \$'000	<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Range</u>	<u>Weighted average</u>
Financial liabilities held for trading					
-Equity securities	(7,756)	DCF	Liquidity discount	4.60% - 40.00%	21.60%
-Debt securities and loans	(25)				
-Derivatives	(3,180,244)	DCF/Option Models	Interest Rates	0.80% - 3.20%	
			Credit Spread	0.0% - 7.00%	
			Recovery Rate	15% - 90%	
			Dividend Yield	0.0% - 4.60%	
			Volatilities	1.30% - 300%	
			Correlations	(0.65) - 1.00	
Financial liabilities designated fair value through profit and loss	(62,779)	DCF	Yields	6.1%-6.1%	6.1%
			Recovery Rates	85%-85%	85%
			Correlation	0.37-0.89	0.63
Total Level 3	(3,250,804)				

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet 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 balance sheet 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 2016 (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, 2016 and 2015

	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<u>Carrying</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Fair value by level</u>	<u>Level 3</u>
	<u>amount</u>			<u>Level 2</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets:					
Collateral paid for securities purchased under agreements to resell	67,041,693	67,041,693	-	67,041,693	-
Collateral paid 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	4,827,182	-	-
	<u>109,084,668</u>	<u>109,084,668</u>	<u>4,827,182</u>	<u>104,257,486</u>	<u>-</u>
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)	-
	<u>(124,956,292)</u>	<u>(124,956,292)</u>	<u>-</u>	<u>(124,956,292)</u>	<u>-</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
	<u>Carrying</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Fair value by level</u>	<u>Level 3</u>
	<u>amount</u>			<u>Level 2</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial Assets:					
Collateral paid for securities purchased under agreements to resell	55,679,956	55,679,956	-	55,679,956	-
Collateral paid for securities borrowed	17,536,526	17,536,526	-	17,536,526	-
Other Debtors	23,502,093	23,502,093	-	23,502,093	-
Investment time deposit	382,399	382,399	-	382,399	-
Cash at bank and in hand	1,917,811	1,917,811	1,917,811	-	-
	<u>99,018,785</u>	<u>99,018,785</u>	<u>1,917,811</u>	<u>97,100,974</u>	<u>-</u>
Financial Liabilities:					
Collateral received for securities sold under agreements to repurchase	(64,549,336)	(64,549,336)	-	(64,549,336)	-
Collateral received for securities loaned	(14,046,866)	(14,046,866)	-	(14,046,866)	-
Other creditors	(40,752,151)	(40,752,151)	-	(40,752,151)	-
Creditors Amounts falling due after more than one year	(3,779,155)	(3,779,155)	-	(3,779,155)	-
	<u>(123,127,508)</u>	<u>(123,127,508)</u>	<u>-</u>	<u>(123,127,508)</u>	<u>-</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

20. OFFSETTING DISCLOSURES

The following tables provide a summary of financial assets and liabilities that are balance sheet netted and which are subject to enforceable master netting arrangements and similar agreements

31 March 2016	<u>Collateral paid for securities purchased under agreements to resell</u>	<u>Collateral paid for securities borrowed</u>	<u>Derivatives</u>	<u>Designated at Fair Value through profit and loss</u>
<u>Assets</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>
Total gross balance(1)	160,428,271	17,565,535	267,115,335	13,013,838
Less Amounts offset in the balance sheet	(93,386,578)	-	(48,664,007)	(333,814)
Total net amounts of reported on the face of the balance sheet	67,041,693	17,565,535	218,451,328	12,680,024
Less Additional amounts not offset in the balance sheet(2)	(17,954,188)	(11,513,314)	(202,736,491)	(203,474)
Financial instruments and non-cash collateral	(47,686,907)	(4,392,768)	(10,227)	(7,872,058)
Cash collateral	-	-	(8,575,849)	-
Net amount	1,400,598	1,659,453	7,128,761	4,604,492

31 March 2015	<u>Collateral paid for securities purchased under agreements to resell</u>	<u>Collateral paid for securities borrowed</u>	<u>Derivatives</u>	<u>Designated at Fair Value through profit and loss</u>
<u>Assets</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>	<u>\$'000s</u>
Total gross balance(1)	149,079,201	17,536,526	351,105,196	15,417,047
Less Amounts offset in the balance sheet	(93,399,245)	-	(58,878,957)	-
Total net amounts of reported on the face of the balance sheet	55,679,956	17,536,526	292,226,239	15,417,047
Less Additional amounts not offset in the balance sheet(2)	(21,269,512)	(10,438,241)	(268,119,912)	(4,249,134)
Financial instruments and non-cash collateral	(34,357,384)	(5,565,475)	(107,204)	(7,762,896)
Cash collateral	-	-	(13,307,513)	-
Net amount	53,060	1,532,810	10,691,610	3,405,017

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

20. OFFSETTING DISCLOSURES (CONTINUED)

31 March 2016	<u>Collateral received for securities sold under agreements to repurchase \$'000s</u>	<u>Collateral received for securities loaned \$'000s</u>	<u>Derivatives \$'000s</u>	<u>Designated at Fair Value through profit and loss \$'000s</u>
Liabilities:				
Total gross balance(1)	(164,558,470)	(14,592,893)	(269,474,944)	(7,660,042)
Less Amounts offset in the balance sheet	93,386,578	-	48,661,598	333,814
Total net amounts of reported on the face of the balance sheet	(71,171,892)	(14,592,893)	(220,813,346)	(7,326,228)
Less Additional amounts not offset in the balance sheet(2)	17,954,188	11,513,314	202,738,900	203,474
Financial instruments and non-cash collateral	48,899,420	2,448,607	25,830	3,565,433
Cash collateral	-	-	10,691,513	-
Net amount	(4,318,284)	(630,972)	(7,357,103)	(3,557,321)

31 March 2015	<u>Collateral received for securities sold under agreements to repurchase \$'000s</u>	<u>Collateral received for securities loaned \$'000s</u>	<u>Derivatives \$'000s</u>	<u>Designated at Fair Value through profit and loss \$'000s</u>
Liabilities				
Total gross balance(1)	(157,948,581)	(14,046,866)	(352,505,741)	(9,822,824)
Less Amounts offset in the balance sheet	93,399,245	-	58,744,812	-
Total net amounts of reported on the face of the balance sheet	(64,549,336)	(14,046,866)	(293,760,929)	(9,822,824)
Less Additional amounts not offset in the balance sheet(2)	21,269,512	10,438,241	268,254,056	4,249,134
Financial instruments and non-cash collateral	41,964,528	2,032,263	16,291	3,867,806
Cash collateral	-	-	15,206,606	-
Net amount	(1,315,296)	(1,576,362)	(10,283,976)	(1,705,884)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 balance sheet 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 balance sheet. 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 balance sheet size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Company is subject 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.

	<u>2016</u> \$'000	<u>2015</u> \$'000
Common Equity Tier 1	5,020,882	3,991,404
Adjustments to CET 1 due to prudential filters	(325,064)	(200,297)
Tier 1 Capital	<u>4,695,818</u>	<u>3,791,107</u>
Tier 2 Capital	<u>1,260,000</u>	<u>2,710,347</u>
Own Funds	<u>5,955,818</u>	<u>6,501,454</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 Company's 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 balance sheet 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 balance sheet 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 the 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 balance sheet and the amount of commitments.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

22 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

	<u>2016</u> <u>Carrying</u> <u>amount of</u> <u>variable</u> <u>interests</u> <u>Asset</u> <u>\$'000</u>	<u>2016</u> <u>Carrying</u> <u>amount of</u> <u>variable</u> <u>interests</u> <u>Liabilities</u> <u>\$'000</u>	<u>2016</u> <u>Maximum</u> <u>exposure to loss</u> <u>to unconsolidated</u> <u>Structured</u> <u>Entities</u> <u>\$'000</u>	<u>2016</u> <u>Total size of</u> <u>Structured</u> <u>Entities</u> <u>\$'000</u>
Financial assets held for trading	1,440,491	-	5,025,981	
Financial liabilities held for trading	-	(112,913)	1,451,629	
Collateral paid 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				644,562,414
	<u>1,687,124</u>	<u>(2,407,311)</u>	<u>6,724,243</u>	<u>644,562,414</u>
	<u>2015</u> <u>Carrying</u> <u>amount of</u> <u>variable</u> <u>interests</u> <u>Asset</u> <u>\$'000</u>	<u>2015</u> <u>Carrying</u> <u>amount of</u> <u>variable</u> <u>interests</u> <u>Liabilities</u> <u>\$'000</u>	<u>2015</u> <u>Maximum</u> <u>exposure to loss</u> <u>to</u> <u>unconsolidated</u> <u>Structured</u> <u>Entities</u> <u>\$'000</u>	<u>2015</u> <u>Total size of</u> <u>Structured</u> <u>Entities</u> <u>\$'000</u>
Financial assets held for trading	2,298,665	-	6,650,165	
Financial liabilities held for trading	-	(134,139)	1,130,127	
Collateral paid for securities purchased under agreements to resell	173,009	-	173,009	
Collateral received for securities sold under agreements to repurchase	-	(3,134,054)	-	
Gross assets of structured entities				284,834,635
	<u>2,471,674</u>	<u>(3,268,193)</u>	<u>7,953,301</u>	<u>284,834,635</u>

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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:

	<u>2016</u> <u>Buildings</u> \$'000	<u>2016</u> <u>Other</u> \$'000	<u>2015</u> <u>Buildings</u> \$'000	<u>2015</u> <u>Other</u> \$'000
Within one year	61,530	82	66,711	149
Within two to five years	242,444	68	260,563	116
After five years	470,372	-	545,509	-
	<u>774,346</u>	<u>150</u>	<u>872,783</u>	<u>265</u>

The future minimum sublease payments expected to be received under sublease agreements as at 31 March 2016 is \$8,304,659 (\$5,557,993 as at 31 March 2015).

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

	<u>2016</u> \$'000	<u>2015</u> \$'000
Minimum lease payments	68,622	72,061
Sublease payments	<u>5,642</u>	<u>3,792</u>
Total operating lease payments	<u>62,980</u>	<u>68,269</u>

24. EMPLOYEES

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

	<u>Year ended</u> <u>31 March 2016</u> Number	<u>Year ended</u> <u>31 March 2015</u> Number
United Kingdom	2,468	2,498
Other Europe	113	110
Middle East	<u>25</u>	<u>27</u>
	<u>2,606</u>	<u>2,635</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

25. DIRECTORS' REMUNERATION

	<u>Year ended</u> <u>31 March 2016</u> \$'000	<u>Year ended</u> <u>31 March 2015</u> \$'000
Salaries, allowances and taxable benefits	3,718	3,641
Company contributions to pension	78	75
Bonuses	<u>3,128</u>	<u>1,928</u>
	<u>6,924</u>	<u>5,644</u>

The number of Directors who exercised share options during the year was one (2015 5)

The number of Directors who were entitled to receive shares under long-term incentive plans during the year was 5 (2015 nil)

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 3 (2015 4)

The highest paid Director received emoluments of \$1,952,169 (2015 \$1,181,661) and Company contributions to pension of \$57,304 (2015 \$34,398) The highest paid Director didn't exercise share options during 2016, but was entitled to receive shares under long-term incentive plans

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

26 SHARE-BASED PAYMENTS

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

For both plans the share options have variable vesting periods during which the options may not be exercised

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

For both stock option plans, these 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 following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2016

<u>Date of grant of share options</u>	<u>Dividend yield</u>	<u>Historical volatility</u>	<u>Risk-free interest rate</u>	<u>Expected life of options</u>	<u>Share Price at Grant Date</u>
	%	%	%	Years	¥
05-Aug-08	3.78	32.73	1.43	7	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2015

<u>Date of grant of share options</u>	<u>Dividend yield</u>	<u>Historical volatility</u>	<u>Risk-free interest rate</u>	<u>Expected life of options</u>	<u>Share Price at Grant Date</u>
	%	%	%	Years	¥
01-Aug-07	3.04	33.85	1.65	7	2,210
05-Aug-08	3.78	32.73	1.43	7	1,493

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

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

The expense recognised for employee services received during the year was \$137,342,762 (2015 \$178,723,898)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

26. SHARE-BASED PAYMENTS (CONTINUED)

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 \$101,709,809 (2015 \$142,453,241)

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 \$27,486,925 (2015 \$42,101,694)

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

	Share Option Plan	Number of share options	Weighted average exercise price ¥
Outstanding at the beginning of the year	A	30	232
	B	540,606	1
	NSU	7,435,738	
	CSU	25,947,008	
	NIU	11,762,217	
		<u>45,685,599</u>	
Granted during the year	A	-	-
	B	161,730	1
	NSU	3,552,749	
	CSU	9,141,671	
	NIU	3,995,748	
		<u>16,851,898</u>	

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

26 SHARE-BASED PAYMENTS (CONTINUED)

	Share Option Plan	Number of share options	Weighted average exercise price ¥
Forfeited during the year	A	-	
	B	(7,279)	1
	NSU	(185,415)	
	CSU	(421,545)	
	NIU	(318,843)	
		<u>(933,082)</u>	
Exercised during the year	A	-	-
	B	(197,018)	1
	NSU	(5,791,159)	
	CSU	(15,930,556)	
	NIU	(7,092,717)	
		<u>(29,011,450)</u>	
Expired during the year	A	(30)	-
	B	(13)	1
	NSU	-	
	CSU	-	
	NIU	-	
		<u>(43)</u>	
Outstanding at the end of the year	A	-	-
	B	498,026	1
	NSU	5,011,913	
	CSU	18,736,578	
	NIU	8,346,405	
		<u>32,592,922</u>	
Exercisable at the end of the year	A	-	
	B	-	1

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

27. CAPITAL COMMITMENTS

As at 31 March 2016 there were capital commitments of \$8,972 relating to assets in the course of construction (2015 \$358,710)

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 2016 and 31 March 2015, aggregate amounts due from such related parties of \$422,624 and \$416,947, 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 UK – 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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. 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 for approximately US\$21.5 million plus interest. The Company, along with many other similarly situated defendants, filed a motion seeking to have the proceedings heard in the US District Court rather than the US Bankruptcy Court, which the US District Court granted. 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.

Collateral dispute

On 1 March 2011, formal proceedings were commenced in the Commercial Court of the Canton of Zurich (the "Commercial Court") against Tarquin Limited ("Tarquin"), a special purpose company established at the request of the Company, in which PT Bank Mutiara Tbk ("Bank Mutiara") challenged Tarquin's rights over US\$155 million previously on deposit in a bank account held with Dresdner Bank (Schweiz) ("Dresdner") over which Tarquin had a security interest pursuant to a loan facility. These funds were deposited with the Cantonal Bank of Zurich by order of the Commercial Court, following a request by Dresdner for the Commercial Court to decide who should receive the funds. On 2 October 2014, the Company was notified that the Commercial Court had found that Tarquin alone is entitled to the funds. Bank Mutiara appealed this decision and on 9 July 2015, the Swiss Federal Supreme Court upheld the original decision of the Commercial Court. There is no further right of appeal so the judgment is final and the funds have been released to the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

29. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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. 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. 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. The Public Prosecutor is seeking to indict 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 new notice also seeks 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 will consider whether or not to grant the indictment started on October 12, 2015 and is ongoing.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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 Defence 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.

Commitments

The Company had commitments as at 31 March 2016 amounting to \$5,528,000,000 (2015 \$2,061,415,000) in respect of undrawn loan facilities.

30. EVENTS SINCE THE BALANCE SHEET DATE

The Company established a new branch in Cape Town, South Africa, which commenced operations in April 2016.

The Company recognised \$86 million of restructuring costs in April 2016, in the period subsequent to the financial year ending March 31, 2016, which primarily relate to employee termination costs reported within General and administrative expenses.

This restructuring initiative is expected to be completed during the year ending March 31, 2017 and the Company currently estimates that the amount of additional restructuring costs to be recognised in profit and loss through to completion will not be significant.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

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.

32. IMPACT OF FRS 101 ADOPTION

The Directors have prepared financial information for the year ended 31 March 2016 in accordance with FRS 101. For periods up to and including the year ended 31 March 2015, the Company previously prepared its financial statements in accordance with UK GAAP. Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 March 2016, together with the comparative period data as at and for the year ended 31 March 2015, as described in the accounting policies. This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet at 1 April 2014 and its previously published UK GAAP financial statements as at and for the year ended 31 March 2015.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply FRS 101. The Company has taken the following exemptions:

- Upon transition to FRS 101, the cost of the investments in subsidiaries will be its deemed cost. The deemed cost has been elected to be its previous carrying amount as reported under UK GAAP. Consequently, there is no adjustment required as compared to UK GAAP.
- Cumulative currency translation differences in equity were deemed to be zero as at 1 April 2014. A reconciliation of equity is presented below to explain the effect of transition to IFRS.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

32 IMPACT OF FRS 101 ADOPTION (CONTINUED)

Reconciliation of equity and the balance sheet as at 1 April 2014 (date of transition to FRS 101)

	Note	Before adoption of FRS 101 \$'000	Restatements \$'000	Reclassifications \$'000	Post adoption of FRS 101 \$'000
FIXED ASSETS					
Intangible assets	C	-	-	17,263	17,263
Tangible assets	B,C	230,049	-	(168,564)	61,485
Fixed asset investment		13,057	-	-	13,057
Available-for-sale investments		8,157	-	(1,953)	6,204
		<u>251,263</u>			<u>98,009</u>
CURRENT ASSETS					
Financial assets held for trading	D	283,440,081	(18,447,184)	1,953	264,994,850
Financial assets designated at fair value through profit and loss		16,961,654	(867,480)	-	16,094,174
Collateral paid for securities purchased under agreements to resell	D	125,181,339	(62,556,565)	-	62,624,774
Collateral paid for securities borrowed		18,771,120	-	-	18,771,120
Other debtors	B,D	14,139,887	538,728	141,383	14,819,998
Current tax receivable		-	-	9,918	9,918
Investment time deposit		995,868	-	(571,500)	424,368
Cash at bank and in hand	E	3,707,960	(1,003,135)	571,500	3,276,325
		<u>463,197,909</u>			<u>381,015,527</u>
CREDITORS					
Financial liabilities held for trading	D	(258,468,036)	18,006,879	-	(240,461,157)
Financial liabilities designated at fair value through profit and loss		(7,719,447)	-	-	(7,719,447)
Collateral received for securities sold under agreements to repurchase	D	(136,573,057)	63,325,622	-	(73,247,435)
Collateral received for securities loans		(14,350,606)	-	-	(14,350,606)
Other creditors	E	(35,900,301)	1,003,135	435	(34,896,731)
Current tax payable		-	-	(435)	(435)
		<u>(453,011,447)</u>			<u>(370,675,811)</u>
NET CURRENT ASSETS		10,186,462			10,339,716
CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN YEAR		<u>(6,153,087)</u>			<u>(6,153,087)</u>
NET ASSETS		<u>4,284,638</u>			<u>4,284,638</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

32. IMPACT OF FRS 101 ADOPTION (CONTINUED)

	Note	Before adoption of FRS 101 \$'000	Restatements \$'000	Reclassifications \$'000	Post adoption of FRS 101 \$'000
CAPITAL AND RESERVES					
Called up share capital		8,376,226	-	-	8,376,226
Share premium		27,479	-	-	27,479
Redenomination Reserve	A	25,921	(25,921)	-	-
Other reserve	A	(107,348)	107,348	-	-
Capital redemption reserve		184,499	-	-	184,499
Available for sale reserve		12,033	(7,306)	-	4,727
Share based payment reserve		688,150	-	-	688,150
Retained earning	A	(4,922,322)	(74,121)	-	(4,996,443)
TOTAL EQUITY		4,284,638			4,284,638

Reconciliation of equity and the balance sheet as at 31 March 2015

	Note	Before adoption of FRS 101 \$'000	Restatements \$'000	Reclassifications \$'000	Post adoption of FRS 101 \$'000
FIXED ASSETS					
Intangible assets	C	-	-	9,939	9,939
Tangible assets	B,C	185,552	-	(154,591)	30,961
Fixed asset investment		12,895	-	-	12,895
Available-for-sale investments		5,464	-	(348)	5,116
		<u>203,911</u>			<u>58,911</u>
CURRENT ASSETS					
Financial assets held for trading	D	395,872,466	(53,796,541)	348	342,076,273
Financial assets designated at fair value through profit and loss		16,380,173	(963,126)	-	15,417,047
Collateral paid for securities purchased under agreements to resell	D	129,332,155	(73,652,199)	-	55,679,956
Collateral paid for securities borrowed		17,536,526	-	-	17,536,526
Other debtors	B,D	23,223,583	134,145	144,365	23,502,093
Current tax receivable		-	-	287	287
Investment time deposit		450,399	-	(68,000)	382,399
Cash at bank and in hand	E	<u>3,012,205</u>	<u>(1,162,394)</u>	<u>68,000</u>	<u>1,917,811</u>
		585,807,507			456,512,392

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

32 IMPACT OF FRS 101 ADOPTION (CONTINUED)

	Note	<u>Before adoption of FRS 101</u> \$'000	<u>Restatements</u> \$'000	<u>Reclassifications</u> \$'000	<u>Post adoption of FRS 101</u> \$'000
CREDITORS					
Financial liabilities held for trading	D	(374,210,006)	54,581,767	-	(319,628,239)
Financial liabilities designated at fair value through profit and loss		(9,822,824)	-	-	(9,822,824)
Collateral received for securities sold under agreements to repurchase	D	(138,245,289)	73,695,953	-	(64,549,336)
Collateral received for securities loans		(14,046,866)	-	-	(14,046,866)
Other creditors	E	(41,915,873)	1,162,394	1,328	(40,752,151)
Current tax payable		-	-	(1,328)	(1,328)
		<u>(578,240,858)</u>			<u>(448,800,744)</u>
NET CURRENT ASSETS		7,566,648			7,711,648
CREDITORS' AMOUNTS FALLING DUE AFTER MORE THAN YEAR		<u>(3,779,155)</u>			<u>(3,779,155)</u>
NET ASSETS		<u>3,991,404</u>			<u>3,991,404</u>
CAPITAL AND RESERVES					
Called up share capital		8,376,226	-	-	8,376,226
Share premium		27,479	-	-	27,479
Redenomination reserve	A	25,921	(25,921)	-	-
Other reserve	A	(119,911)	107,348	-	(12,563)
Capital redemption reserve		184,499	-	-	184,499
Available for sale reserve		12,950	(9,093)	-	3,857
Share based payment reserve		866,874	-	-	866,874
Retained earnings	A	(5,382,634)	(72,334)	-	(5,454,968)
TOTAL EQUITY		<u>3,991,404</u>			<u>3,991,404</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

32. IMPACT OF FRS 101 ADOPTION (CONTINUED)

Note to restatements and reclassifications as at 1 April 2014 and 31 March 2015

A Reset of foreign currency translation differences recognised in reserves

Other reserves include the foreign currency translation differences that arise from the translation of the assets and liabilities of the Company's foreign branches. Redenomination reserve includes the difference arising as a result of translating share capital at the rate on the date of redenomination which was 22 March 2010 instead of the rate at the reporting date upon the change in functional currency. The Company has elected to use the IFRS 1 exemption which permits it to deem the translation differences it recognised under prior UK GAAP to be nil with the balance transferred to retained earnings.

B. Reclassification of internally generated software to prepayments

Under UK GAAP internally generated software was capitalised as tangible assets. Under FRS 101 it is accounted for as prepayments under the cost-sharing agreement with the ultimate parent company within other debtors.

C. Reclassification of purchased software to intangible assets

Under UK GAAP purchased software was capitalised as tangible assets. Under FRS 101 it is capitalised as intangible assets.

D. IAS 32 balance sheet offsetting

As part of the transition to FRS 101 the application of the balance sheet offsetting provisions to derivative and collateralised financing transactions was reviewed. Following adoption of the provision of IAS 32R which provided additional guidance on offsetting, as well as review of the offsetting legal requirements, the company has expanded the scope of balance sheet offsetting for derivative and collateralised financing transactions on transition to FRS 101.

Additionally, under UK GAAP some of the derivatives and their related cash margin balances were offset. Under FRS 101, the offsetting of these balances has been expanded on application of IAS 32.

E. Client money balances

Under UK GAAP, client money was recognised as a financial asset together with an associated financial liability owing to client. As part of the transition to FRS 101 the accounting policy in relation to recognition of client money has been reviewed. As a result, the Company was deemed to be acting as an agent in relation to certain client money and did not recognise it in its Balance Sheet.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016 (CONTINUED)

32 IMPACT OF FRS 101 ADOPTION (CONTINUED)

F Reconciliation of total comprehensive income for the year ended 31 March 2015

There are no material differences to the statement of comprehensive income presented between FRS 101 and that previously reported under UK GAAP

G. Statement of cash flows

Previously under UK GAAP, the Company took advantage of the exemption under FRS 1 (revised) and has not produced a cash flow statement, since it is a wholly owned subsidiary whose ultimate parent undertaking is Nomura Holdings, Inc whose financial statements are publicly available and includes a consolidated cash flow statement

On adoption of FRS 101, the Company has decided to present a cash flow statement