

**NOMURA OPTION INTERNATIONAL PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 1996**

**COMPANY REGISTERED NUMBER: 2444970**



# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 1996**

### **REPORT OF THE DIRECTORS**

The directors present their report and the financial statements for the year ended 31 March 1996.

### **PRINCIPAL ACTIVITY**

The company's principal activity is dealing and trading in options and other related products.

### **RESULTS**

The results of the year are set out on page 4. The retained profit for the year of Y3,009,731,000 (1995 - Y1,408,605,000 loss) has been transferred to reserves.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend (1995 - nil).

### **FIXED ASSETS**

Details of movements in fixed assets are set out in note 7 to the accounts.

### **DIRECTORS AND THEIR INTERESTS**

The directors during all or part of the year were:

S Matsuki	Chairman
S Kijima	
T Tsutsui	President
J Ujiie	
Y Tsuruta	
T Tsunakawa	
S Fujinuma	
R Mapstone	
J Schmuckler	

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

## **NOMURA OPTION INTERNATIONAL PLC**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 1996**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the accounts on pages 4 to 17, the company has used appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### **AUDITORS**

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

By the order of the Board

A handwritten signature in black ink, appearing to be 'T. Tsutsui', with a large 'X' mark above it.

T Tsutsui  
President

26 June 1996

*Price Waterhouse*



## **AUDITORS' REPORT TO THE SHAREHOLDERS OF NOMURA OPTION INTERNATIONAL PLC**

We have audited the accounts on pages 4 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, and the accounting policies set out on pages 9 and 10.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1996 and of the profit and cash flows of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
London

26 June 1996

# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996**

	Notes	Year ended 31 March 1996 Y'000	Year ended 31 March 1995 Y'000
<b>TURNOVER</b>	2	(3,352,063)	(3,727,572)
General and administrative expenses		<u>(470,494)</u>	<u>(277,145)</u>
<b>OPERATING PROFIT/(LOSS)</b>		(3,822,557)	(4,004,717)
Interest receivable and similar income	5	22,015,851	7,124,618
Interest payable and similar charges	5	<u>(14,411,367)</u>	<u>(4,513,038)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	3,781,927	(1,393,137)
Tax on profit on ordinary activities	6	<u>(772,196)</u>	<u>(15,468)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,009,731	(1,408,605)
<b>RETAINED (LOSS)/PROFIT BROUGHT FORWARD</b>		<u>(1,259,392)</u>	<u>149,213</u>
<b>RETAINED PROFIT/(LOSS) CARRIED FORWARD</b>		<u>1,750,339</u>	<u>(1,259,392)</u>

There are no recognised gains or losses other than the profit for the financial year of Y3,009,731,000 (1995 - Y1,408,605,000 loss).

A statement of movements in shareholder's funds is shown in note 18 to the financial statements.

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

The notes on pages 7 to 17 form part of these financial statements.

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### BALANCE SHEET AT 31 MARCH 1996

	Notes	31 March 1996		31 March 1995	
		Y'000	Y'000	Y'000	Y'000
<b>FIXED ASSETS</b>					
Tangible assets	7		36,434		3,939
<b>CURRENT ASSETS</b>					
Trading securities				179,858,679	
- long positions	8	263,746,612		86,243,151	
Debtors	9	137,185,852		5,157,179	
Cash at bank and in hand		<u>722,492</u>		<u>271,259,009</u>	
		401,654,956			
<b>CREDITORS</b>					
Amounts falling due within one year	10	(367,542,988)		(258,291,387)	
<b>NET CURRENT ASSETS</b>			<u>34,111,968</u>		<u>12,967,622</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			34,148,402		12,971,561
<b>CREDITORS</b>					
Amounts falling due after one year	11		<u>(22,402,436)</u>		<u>(4,236,421)</u>
			<u>11,745,966</u>		<u>8,735,140</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13	10,000,000		10,000,000	
Capital reserve	14	<u>(4,373)</u>		<u>(5,468)</u>	
			9,995,627		9,994,532
Profit and loss account			<u>1,750,339</u>		<u>(1,259,392)</u>
Shareholders' funds	18		<u>11,745,966</u>		<u>8,735,140</u>
Signed on behalf of the board of directors					

T Tsutsui

26 June 1996

The notes on pages 7 to 17 form an integral part of these accounts.

X 

# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 1996**

	<u>31 March 1996</u>		<u>31 March 1995</u>	
	Y'000	Y'000	Y'000	Y'000
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>				
(Note a)		(29,449,092)		(55,368,421)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received		22,015,851		7,124,618
Interest paid		(14,411,367)		(4,513,038)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE INVESTING AND FINANCING</b>		<u>(21,844,608)</u>		<u>(52,756,841)</u>
<b>INVESTING ACTIVITIES</b>				
Tangible fixed assets - Purchases		(38,922)		(3,741)
<b>NET CASH (OUTFLOW) BEFORE FINANCING</b>		<u>(21,883,530)</u>		<u>(52,760,582)</u>
Revaluation of Share Capital		1,095		(605)
Net decrease in subordinated loans		<u>(5,400,000)</u>		<u>-</u>
(Decrease) in cash and cash equivalents (Note b)		<u>(27,282,435)</u>		<u>(52,761,187)</u>

The notes on pages 7 to 17 form part of these financial statements.

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE CASH FLOW STATEMENT

#### a Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Year ended 31 March 1996 Y'000	Year ended 31 March 1995 Y'000
Operating loss	(3,822,557)	(4,004,717)
Depreciation charge	6,427	10,541
Loss on disposal of fixed assets	-	1,232
(Increase) in securities	(69,661,479)	(147,011,568)
(Increase)/Decrease in debtors	(50,942,701)	75,740,026
Increase in creditors	<u>94,971,218</u>	<u>19,896,065</u>
Net cash (outflow)/inflow from operating activities	<u>(29,449,092)</u>	<u>(55,368,421)</u>

#### b Analysis of changes in cash and cash equivalents during the year

	Y'000
Balance at 1 April 1995	(52,650,821)
Net cash outflow	<u>(27,282,435)</u>
Balance at 31 March 1996	<u>(79,933,256)</u>

#### c Analysis of cash and cash equivalents as shown in the balance sheet

	31 March 1996 Y'000	31 March 1995 Y'000	Change in year Y'000
Cash at bank and in hand	722,492	5,157,179	(4,434,687)
Bank loans and overdrafts	<u>(80,655,748)</u>	<u>(57,808,000)</u>	<u>(22,847,748)</u>
	<u>(79,933,256)</u>	<u>(52,650,821)</u>	<u>(27,282,435)</u>



# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **NOTES TO THE CASH FLOW STATEMENT**

#### **d Analysis of financing movements during the year**

	<u>Share capital</u>	<u>Subordinated loans</u>	<u>Total</u>
	Y'000	Y'000	Y'000
Balance at 1 April 1995	9,994,532	27,800,000	37,794,532
Repayments	-	(27,800,000)	(27,800,000)
Additions	-	22,400,00	22,400,000
Exchange difference	<u>1,095</u>	<u>-</u>	<u>1,095</u>
Balance at 31 March 1996	<u>9,995,627</u>	<u>22,400,000</u>	<u>32,395,627</u>

# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 ACCOUNTING POLICIES**

##### **(1) Accounting convention**

The financial statements have been prepared on a going concern basis and in accordance with applicable Accounting Standards under the historic cost convention, as modified by the inclusion of trading securities at market value as defined in Note 1(4) below. In so far as the valuation of these positions at market value represents a departure from current statutory requirements, the directors consider it necessary for the accounts to show a true and fair view. The effects of this departure, which is consistent with the industry standard, have not been disclosed since, along with other companies in a similar business, the company does not retain records on an historical basis which would provide reasonable quantification.

##### **(2) Turnover**

Turnover comprises dealing profit and loss net of commissions paid to brokers.

##### **(3) Foreign currencies**

The financial statements have been prepared in Japanese Yen. All monetary assets and liabilities in other currencies are expressed in Japanese Yen at rates of exchange ruling on the balance sheet date. Translation differences arising from the application of closing rates of exchange, together with exchange profits and losses which arise from normal trading activities, are included in the profit before taxation.

##### **(4) Trading securities**

In order to present a true and fair view of the state of affairs of the company and in accordance with market practice, long and short positions have been valued at market value.

##### **(5) Securities purchased under resale agreements**

Securities purchased under resale agreements are regarded as a financing transaction and are recorded as a debtor.

##### **(6) Depreciation**

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

Furniture and equipment

20% - 33⅓%

## **NOMURA OPTION INTERNATIONAL PLC**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

#### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(7) Pension costs**

With effect from 1 January 1996 the Nomura London Retirement Benefits Plan "the Plan" which was a final salary arrangement had a new Money Purchase section added. All new joiners from 1 January 1996 join the Money Purchase section of the Plan.

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

The pension cost relating to the Company contributions for the Money Purchase section of the Plan is the actual contributions paid. The contributions are based on a percentage of salary which is linked to the relevant age bands.

**(8) Deferred taxation**

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

**(9) Interest receivable and similar income/interest payable and similar charges**

Interest income and interest expense comprise amounts receivable and payable on deposits and borrowings respectively. In addition, interest income includes net interest earned on both securities positions and securities bought under resale agreements.

**2 SEGMENT INFORMATION**

The whole of the company's turnover and profit before taxation is derived from securities dealing.

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 1996 Y'000	Year ended 31 March 1995 Y'000
The profit before taxation is stated after charging/(crediting):		
Wages and salaries	101,246	83,338
Social security costs	90	2,636
Pension costs	1,047	3,326
Depreciation	6,427	10,541
Auditors' remuneration - audit	4,063	2,608
Foreign exchange gain	3,654,416	(7,800)

#### 4 PENSION SCHEME

Employees are members of the same pension scheme as those of the Nomura International plc Group. The pension scheme covers 90% of the employees and with effect from 1 January 1996 has two sections: funded final salary and money purchase. Staff do not make contributions for basic pensions.

Actuarial valuations of the pension scheme are carried out triennially, the latest being 1 April 1993. the market value of the scheme at that date was Y2,917,066,750 and the actuarial value of the assets was sufficient to cover 117% of the benefits that had accrued to the members after allowing for expected future increases in earnings. The principal actuarial assumption adopted at the last valuation date is that, over the long term, the annual projected income from the assets of the scheme would be 2% higher than the annual increase in future pensionable remuneration.

# **NOMURA OPTION INTERNATIONAL PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **5 INTEREST RECEIVABLE AND PAYABLE**

	Year ended <u>31 March 1996</u> Y'000	Year ended <u>31 March 1995</u> Y'000
Interest receivable and similar income		
Group undertakings	1,031,328	2,923,121
Bank deposits	2,637,958	14,129
Interest from financing transactions	21,362	265,621
Interest from trading securities	<u>18,325,203</u>	<u>3,921,747</u>
	<u>22,015,851</u>	<u>7,124,618</u>
Interest payable and similar charges		
Interest and dividends from trading securities	9,077,866	-
Interest on financing transactions	960,739	667,860
Group undertakings	1,849,509	3,388,488
Bank loans and overdrafts	<u>2,523,253</u>	<u>456,690</u>
	<u>14,411,367</u>	<u>4,513,038</u>

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 1996 Y'000	Year ended 31 March 1995 Y'000
UK Corporation tax charge at 33% (1995 - 33%) based upon the profits of the year	771,109	-
Adjustment in respect of prior year's corporation tax	-	15,468
	<u>771,109</u>	<u>15,468</u>
Deferred tax	<u>1,087</u>	-
	<u>772,196</u>	<u>15,468</u>

#### 7 TANGIBLE ASSETS

	Furniture and equipment Y'000	Total Y'000
<u>Cost</u>		
At 1 April 1995	62,583	62,583
Additions	38,922	38,922
Disposals	<u>(62,059)</u>	<u>(62,059)</u>
At 31 March 1996	<u>39,446</u>	<u>39,446</u>
<u>Depreciation</u>		
At 1 April 1995	58,644	58,644
Charged during the period	6,427	6,427
Disposals	<u>(62,059)</u>	<u>(62,059)</u>
At 31 March 1996	<u>3,012</u>	<u>3,012</u>
<u>Net book amount</u>		
At 31 March 1996	<u>36,434</u>	<u>36,434</u>
At 31 March 1995	<u>3,939</u>	<u>3,939</u>

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 8 TRADING SECURITIES

	<u>1996</u> Y'000	<u>1995</u> Y'000
Long positions	263,746,612	179,858,679
Short positions (Note 10)	<u>(123,919,001)</u>	<u>(109,692,547)</u>
	<u>139,827,611</u>	<u>70,166,132</u>

#### 9 DEBTORS

	<u>1996</u> Y'000	<u>1995</u> Y'000
Deposits with and amounts owed by ultimate parent undertaking	7,166,766	5,442,525
Deposits with and amounts owed by fellow group undertakings	127,113,574	79,576,686
Trade and other debtors	2,478,045	996,984
Prepayments and accrued revenues	<u>427,467</u>	<u>226,956</u>
	<u>137,185,852</u>	<u>86,243,151</u>

#### 10 CREDITORS (amounts falling due within one year)

	<u>1996</u> Y'000	<u>1995</u> Y'000
Bank loans and overdrafts	80,655,748	57,808,000
Amounts due to ultimate parent undertaking	11,575,735	29,066,097
Amounts due to fellow group undertakings	134,168,329	34,535,261
Short positions on trading securities	123,919,001	109,692,547
Securities sold under agreement to repurchase	-	7,001,847
Trade and other creditors	14,256,834	17,021,463
Accruals and deferred income	<u>2,967,341</u>	<u>3,166,172</u>
	<u>367,542,988</u>	<u>258,291,387</u>

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11 CREDITORS (amounts falling due after year)

	<u>1996</u> Y'000	<u>1995</u> Y'000
Amounts due to fellow group undertakings	22,400,000	1,442,413
Other creditors	<u>2,436</u>	<u>2,794,008</u>
	<u>22,402,436</u>	<u>4,236,421</u>

#### 12 DEFERRED TAXATION

The company has a current unprovided deferred tax asset of Y1,349,000 (1995 Y2,896,000) and non-current liability of Y2,436,000 (1995: YNil) which can be analysed into its major components:-

	<u>1996</u> Y'000	<u>1995</u> Y'000
Current:		
Accelerated capital allowances	-	(52)
Short term timing differences	<u>1,349</u>	<u>2,948</u>
	<u>1,349</u>	<u>2,896</u>
Non-current:		
Accelerated capital allowances	<u>(2,436)</u>	<u>-</u>

#### 13 SHARE CAPITAL

	<u>Number</u>	<u>Value</u>
Authorised:		
'A' Ordinary shares of £4 each	12,500	12,500
'B' Ordinary shares of Y1,000 each	10,000,000	Y10,000,000,000
Allotted and fully paid:	<u>1996</u>	<u>1995</u>
'A' Ordinary share of £4 each	12,500	12,500
'B' Ordinary shares of Y1,000 each	<u>9,987,500</u>	<u>9,987,500</u>
	<u>10,000,000</u>	<u>10,000,000</u>



# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14 CAPITAL RESERVE

	<u>1996</u> Y'000	<u>1995</u> Y'000
Balance at beginning of year	(5,468)	(4,863)
Revaluation of Sterling share capital	<u>1,095</u>	<u>(605)</u>
Balance at end of year	<u>(4,373)</u>	<u>(5,468)</u>

#### 15 SUBORDINATED LOANS

##### a) Due within one year

	<u>Repayment date</u>	<u>1996</u>	<u>1995</u>
Nomura Securities Co Ltd	-	-	25,000,000
Nomura International plc	-	-	1,000,000
Nomura Asia Holding NV	-	-	900,000
Nomura Holding America Inc	-	-	<u>900,000</u>
		<u>-</u>	<u>27,800,000</u>

##### b) Due after more than one year

Nomura Asia Holding NV	11.3.98	900,000	-
Nomura Europe Finance NV	8.12.99	16,500,000	-
Nomura Europe Finance NV	26.9.2003	<u>5,000,000</u>	<u>-</u>
		<u>22,400,000</u>	<u>-</u>

Interest is fixed in advance for a period of three months at floating rates on all subordinated loans.

#### 16 EMPLOYEES

The average number of persons employed by the company during the year was 6 (1995-9), all of whom were employed in the United Kingdom.

# NOMURA OPTION INTERNATIONAL PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17 DIRECTORS' EMOLUMENTS

	Year ended 31 March 1996	Year ended 31 March 1995
Total emoluments received by directors in the year were:	-	Y4,884,599
The emoluments of the Chairman were nil (1995 - nil). The emoluments of the highest paid director were nil (1995 Y4,884,599).		

The emoluments of the remaining directors fell within the following range:

	Year ended 31 March 1996	Year ended 31 March 1995
NIL - 1,000,000	9	10

#### 18 STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1996 Y'000	1995 Y'000
Balance at 1 April 1995	8,735,140	10,144,350
Profit/(loss) for the financial year	3,009,731	(1,408,605)
Capital reserve	<u>1,095</u>	<u>(605)</u>
Balance at 31 March 1996	<u>11,745,966</u>	<u>8,735,140</u>

#### 19 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Nomura Securities Co Ltd a company incorporated in Japan. Nomura Securities Co Ltd is the only parent undertaking of the group consolidated these financial statements.

Copies of the group financial statements of Nomura Securities Co Ltd may be obtained from the Company Secretary, Nomura Securities Co Ltd, 1-9-1 Tokyo, 103, Japan.