Mizuho Securities UK Holdings Ltd

Financial Statements 2011

Financial Statements 2011

Contents **Page**

General Information

Directors

Mr M. Hirakata	Chairman and Non-Executive Director
Mr P. Hearn	President and Chief Executive Officer
Mr M. Mochizuki	Deputy President
Mr G. Mitchell OBE	Non-Executive Director
Mr A. Narikawa	Non-Executive Director

Company Secretary

Mr B. Lanaghan

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Bracken House
One Friday Street
London EC4M 9JA
Tel: 020 7236 1090

Registered in England and Wales Number 7103718

Directors' Report

The Directors submit their Report and the financial statements for the period ended 31st March 2011.

Principal Activity

Mizuho Securities UK Holdings Ltd ('the Company') and its subsidiary entities ('the Group') are the London based securities underwriting, broking and trading group within the Mizuho Financial Group, headed by Mizuho Financial Group, Inc.. The Company's immediate parent company is Mizuho Securities Co., Ltd ('Mizuho Securities'). The Group's activities include both customer facilitation and trading businesses in debt and equity securities, alternative assets, repurchase activities, money market loans and deposits, and the provision of custody services. In order to meet customer demand and maintain access to market liquidity the Group arranges and manages issues of securities and carries portfolios of securities, together with derivative instruments for hedging and trading purposes. The Group's legacy proprietary activities involved taking positions as principal in interest rate, credit and equity products and in alternative assets. The techniques used by the Group to manage the risks inherent in its business are described in note 31 to these financial statements.

The Group has deposit taking and other permissions relating to its investment and custody businesses pursuant to the provisions of the Financial Services and Markets Act 2000 and the rules of the Financial Services Authority.

The Group has opened an agent office in Frankfurt, Germany and has closed its branch office in Zurich, Switzerland.

Results and dividends

The performance of the Group has been adversely affected by the ongoing impact of legacy positions during the current year. The Group suffered a loss of £150.0 million for the year ended 31st March 2011 (2010: profit £45.0 million), and this was primarily due to revaluation losses suffered by the Group's Legacy business. An analysis of trading profit / loss split between the principal business areas described below is given in note 5 to these financial statements. Detailed segmental analysis of income and assets has not been prepared as described in note 1 to these financial statements.

The result for the year has increased the Group's unutilised tax losses, however, no deferred tax asset has been recognised due to the uncertain timing and level of future profits.

The Directors do not recommend the payment of a dividend.

Client businesses

Trading profit of £84.5 million (2010: £124.1 million) was earned by the Group's Client businesses during the current year. Significant contributions to revenue were generated by each of the Group's major Client business streams, and in particular the Group maintained its strong position within the repurchase markets. The Group participated in the underwriting and distribution of the Mizuho Financial Group equity offering during the year, and income from primary debt activities was increased from the prior year.

Overall client revenue was however down from the previous year, as the market opportunities available within debt broking and to a lesser extent the repurchase markets, were not repeated in the current period.

Directors' Report (continued)

The Custody business continued to provide a stable income stream throughout the year. The Group maintained its investments in the Caliburn fund of funds product, and in the Apposite Healthcare private equity fund, which experienced revaluation gains during the current period.

Legacy business

Trading losses of £125.5 million were incurred by the Group's Legacy business during the current year (2010: trading profit £24.3 million). The Group has continued to reduce its exposures to positions held by former proprietary trading and other legacy business streams. These exposures have been further reduced through repayment as obligations have fallen due, via direct sale as market opportunities have arisen, through negotiation with counterparties to terminate contracts and through write offs.

The Group has incurred trading losses of £136.7 million in respect of its legacy life settlements business, principally as a result of revaluation adjustments that were recorded during the current year. The carrying value of this legacy portfolio has been reduced to £148.5 million (2010: £287.7 million), principally as a result of revaluation adjustments that have been made to reflect the adverse performance of these contracts.

Aggregate credit exposures to certain derivative counterparties to legacy UK structured credit transactions has fallen further during the current year, such that the Group's aggregate counterparty valuation adjustments total £0.5 million (2010: £56.4 million). Further details of these credit exposures are given in note 31 to these financial statements.

US Structured Credit business

The current year has witnessed further progress in the management and reduction of exposures acquired through this business, and these activities earned trading profit of £6.0 million for the Group during 2011 (2010: trading profit £5.8 million). The remaining exposures to US asset backed securities are given in note 31 to these financial statements.

UK Bank Levy

The UK Bank Levy is due to pass into law during the summer of 2011, and will be effective from 1st January 2011. The Levy will apply to the combined UK operations of overseas banking groups, and accordingly the wider Mizuho group will fall to be charged under this levy. The proportion of this charge to be borne by the Group has yet to be determined.

Going Concern

After making enquiries, the Directors have reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis in preparing the financial statements continues to be adopted.

The Group is expected to maintain a healthy capital and liquidity surplus, which together with the ongoing support and commitment provided by Mizuho Securities, has allowed management to conclude that the Group's financial position remains sound.

The Group's total equity after retained losses is £316.5 million as at 31st March 2011 (2010: £466.0 million). Further details are given in notes 25 and 26 to these financial statements.

Directors' Report (continued)

The Group performs regular capital projections, which incorporate future income expectations, the impact of future business plans on capital requirements and potential stress scenarios.

In addition, the Group performs regular projections of its liquidity position. The Group has consistently maintained strong liquidity and expects to do so for the foreseeable future. Short term funds are sourced from international money markets, through unsecured borrowing or repurchase arrangements, and longer term funding is sourced from MTN issuance and borrowing from the wider Mizuho group.

Other highlights of the year

Business development

The Group has taken a number of significant steps in the development of its Client business, in accordance with its three year business plan. The senior management team has been strengthened as a result of new hires, staffing has been increased across a number of areas within the Client business, and organisational structure has been refined to better match future business opportunities.

The Equity sales and trading business has been boosted through the development of its Asian sales, research and trading capabilities. The business has also commenced trading within the European convertibles markets.

Fixed income sales and trading has increased its capacity in both the credit and the sovereign markets, as the Group has deployed some additional capital within these areas. A primary dealership has been obtained with regards to German government debt, and the Group has commenced electronic trading of certain products.

Infrastructure development

The Group has upgraded its trading platforms to facilitate electronic trading activities, and has continued to invest in core support architecture across finance and regulatory reporting, liquidity management and market risk monitoring.

Performance Measurement and Management

The Group and its business streams are managed in accordance with a variety of measures, which are reported on a regular basis to the Executive Committee. The primary measures that are used to monitor and manage performance within the Group include: profit before taxation, capital utilisation, VaR consumption, stress test exposure and return on capital by business area.

Future Prospects

Our focus for 2012 will be to continue to develop our client facing businesses, and the Group is aiming to expand in all key areas of activity in accordance with our business plan. It is expected that this initiative will drive revenue growth in future years, although it is also recognised that financial markets remain highly competitive.

Any activities will be closely coordinated with other Mizuho Financial Group companies and we expect to build ever closer links where this is appropriate and permitted by regulation.

Directors' Report (continued)

Significant progress has been made during 2011 in the unwinding of inventory relating to legacy proprietary and other businesses, and the Group will continue to reduce these exposures as opportunities arise. As noted above management projections and stress tests indicate that the Group is sufficiently capitalised to bear further adverse developments in relation to these positions.

Principal risks and uncertainties

As a global financial services business, the Group is affected by the factors driving the markets in which it operates. The major risks to which the Group is exposed are market risk, credit risk, longevity risk, liquidity risk, operational risk and legal risk. As these different risk factors can impact the Group's business strategies, and can directly affect earnings, the Directors have established a comprehensive framework for managing these risks, with the Executive Committee and Risk Committee setting and regularly reviewing policies and limits.

Details of the management of these risks are included in note 31 to the financial statements. These risk factors, as well as other influences beyond the Directors' control, mean that income and operating result may, and are likely to, continue to vary from period to period.

The Group uses derivative contracts to manage its exposure to market and credit risks, including those arising with respect to its own debt issues. Hedge accounting is used when certain criterion are met as explained in note 2 to these financial statements.

Directors

The following served as Directors of the Company during the period ended 31st March 2011:

Executive Directors		
	Mr P. Hearn	
	Mr M. Mochizuki	
Non-Executive Directors		
	Mr I. Abrams	Resigned 31st March 2011
	Mr M. Hirakata	
	Mr G. Mitchell OBE	
	Mr S. Wako	Resigned 30th July 2010
	Mr Y. Endo	Appointed 12th May 2010 Resigned 31st March 2011
	Mr A. Narikawa	Appointed 15th September 2010

There are no Directors' interests requiring disclosure under the Companies Act 2006.

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Directors' Report (continued)

Corporate Governance

As the Company is not listed there is no requirement to comply with the Combined Code of Corporate Governance. However, the Directors consider that Corporate Governance is an important matter and have adopted a number of procedures set out in the Combined Code.

The principal procedures are detailed below:

- The Board meets four times each year and more frequently where business needs require.
- As at 31st March 2011 the Board consisted of two Executive Directors, and three Non-Executive Directors.
- In order to facilitate the effective conduct of business across the Group, the Board operates three committees within both the Company and Mizuho International. These are the Executive Committee, the Audit and Compliance Committee and the Remuneration Committee of the Company and Mizuho International, and their affairs are organised to encompass the conduct of business across the Group. The Board itself, however, ultimately remains responsible for all delegated matters. The responsibilities and constitution of these committees, referred to in the singular below, are as follows:

  - **The Executive Committee** is responsible for running the Group on a day to day basis. The executive committee of the Company meets at least once a month and the executive committee of Mizuho International plc meets at least once a week. The committee is chaired by the Chief Executive and members of the committee are appointed by the Board on the recommendation of the Chief Executive. The committee's main responsibilities are to:
    - Ensure the Group conducts its business according to the strategy agreed by the Board and the Company's shareholders;
    - Review annual business plans and budgets and present them to the Board for approval;
    - Review the financial results of the Group on a monthly basis;
    - Report to the Board changes to the annual budget and material budget variances;
    - Authorise general policies of the Group;
    - Review the Group's liquidity position on a regular basis; and
    - Ensure the Risk Committee; the New Product Committee; the IT Steering Committee; the Health and Safety Committee; and the Operational Risk Committee operate as prescribed.

  - **The Risk Committee** is the principal sub committee of the Executive Committee and is responsible for advising the Executive Committee on risk policies and limits for both market and credit risk, across the business, and monitors compliance with these limits. The Risk Committee meets on a weekly basis. It is chaired by the Chief Risk Officer. The Chief Financial Officer, the Head of Product Control, the Head of Credit Risk, the Head of Market Risk, the Head of Methodology and Model Validation and representatives of the front and back office also attend the Risk Committee meetings.

Directors' Report (continued)

- **The Audit and Compliance Committee** has the following responsibilities:
  - Monitoring the integrity of the financial statements and accounting policies of the Group and Company;
  - Monitoring and reviewing the performance of the internal audit function, the compliance function and the external auditors;
  - Reporting to the Board on issues raised by both internal and external audit;
  - To appraise, improve and reinforce the control environment of the Group; and
  - Reviewing compliance with the rules and observations of the Financial Services Authority and other relevant regulatory agencies.

  The committee meets on a quarterly basis and more frequently if required. It is comprised solely of Non-Executive Directors and is chaired by Mr G. Mitchell OBE who reports directly to the Board. The Chairman is entitled to invite the external auditors, Chief Executive, Chief Financial Officer, the Head of Internal Audit and the Head of Compliance and any other staff members to attend the committee's meetings. The committee is empowered to investigate any matters that cause it concern.

- **The Remuneration Committee's** purpose is to approve the Group's remuneration policy generally and specific remuneration at certain senior levels.

  The committee meets at least three times a year. It is comprised solely of Non-Executive Directors and is chaired by Mr G. Mitchell OBE who reports directly to the Board. The Chairman is entitled to invite the Chief Executive Officer and the Head of Human Resources and any other staff members to attend the committee's meetings.

The Group's organisational structure is designed to ensure that responsibilities are defined, authority only delegated where appropriate, and that the Board receives regular management accounts containing a sufficient level of analysis of the financial performance of the Group and Company. In respect of internal financial controls the Directors are responsible for ensuring that the Board meets regularly to review this information and takes appropriate decisions on all material matters.

Charitable and Political Donations

During the period ended 31st March 2011 the Group made donations to a variety of charities totalling £16,992 (2010: £82,600). The Group made no donations to political parties or their affiliated organisations.

Employment Policies

The Group is committed to equal opportunities for all, irrespective of race, colour, religion or belief, ethnic or national origins, gender, age, family status, sexual orientation, disability, or political opinion.

The Group is committed to taking positive action to promote such equality of opportunity and our recruitment, training, benefits and promotion procedures are based on an individual's qualifications, merit and ability against the requirements of the job.

Directors’ Report (continued)

All staff are made aware of the provisions of this policy and must attend a seminar outlining the Group’s policy. Staff have a positive responsibility to comply with this policy and ensure that the terms are put into effect. Full details of the Group’s Equality and Diversity Policy are available on the Group’s intranet site.

The Group places considerable value on the involvement of its employees and has a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through regular circulars distributed throughout the Group, through the intranet site and through the Directors’ Report and financial statements which are made available to all employees.

Payment to Creditors

It is the Group’s policy to settle all of its trading transactions on or before the agreed settlement date. Trade creditors are paid in accordance with the relevant agreed contractual terms.

At 31st March 2011 the amount owed to trade creditors by the Group, expressed as a proportion of the amounts invoiced by suppliers during the twelve months then ended, was 19 days (2010: 16 days).

Auditors

Ernst & Young LLP were reappointed as Auditors of the Company during this financial period. Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors of the Group and Company and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
B. Lanaghan
Company Secretary
26th May 2011

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors has ensured that so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and consider that they have each taken all of the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent Auditor's Report to the Members of Mizuho Securities UK Holdings Ltd

We have audited the financial statements of Mizuho Securities UK Holdings Limited for the year ended 31st March 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 33. 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).

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 group's and the parent 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 Directors' Report to identify material inconsistencies with the audited financial statements. 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 Group's and of the parent company's affairs as at 31st March 2011 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the Members of Mizuho Securities UK Holdings Ltd (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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company 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
26th May 2011

Consolidated Profit and Loss Account
for the year ended 31st March 2011

	Note	2011 £ millions	2010 £ millions
Interest receivable		**3.0**	5.7
Fees and commissions receivable	4	69.8	69.8
Fees and commissions payable	4	(49.2)	(56.3)
Net fees and commissions		**20.6**	13.5
Net trading (loss) / profit	5	**(35.0)**	154.2
Other operating income	6	**0.1**	-
Operating (loss) / profit		**(11.3)**	173.4
Administrative expenses	7	**(137.8)**	(124.7)
Depreciation and amortisation	17	**(3.9)**	(5.1)
(Loss) / profit on ordinary activities before taxation		**(153.0)**	43.6
Tax on (loss) / profit on ordinary activities	8	**3.0**	1.4
(Loss) / profit for the year		**(150.0)**	45.0

Consolidated Balance Sheet
as at 31st March 2011

Registered number: 7103718

	Note	**2011** £ millions	2010 £ millions
Assets			
Reverse repurchase agreements	9	**24,795.3**	29,267.2
Trading financial assets	11	**1,441.1**	929.7
Trading derivative assets	12	**233.3**	421.0
Derivative assets held for risk management	13	**247.2**	190.0
Loans and advances to banks	14	**56.0**	187.5
Loans and advances to customers	15	**65.1**	117.3
Financial investments	16	**86.7**	82.7
Tangible fixed assets	17	**10.1**	8.5
Other assets	18	**2,788.2**	2,110.3
Prepayments and accrued income		**61.1**	35.4
Total Assets		**29,784.1**	33,349.6
Liabilities and Equity			
Deposits by banks	19	**863.4**	727.3
Customer accounts	20	**90.6**	108.9
Repurchase agreements	9	**22,658.3**	27,548.1
Trading financial liabilities	11	**1,317.2**	178.0
Trading derivative liabilities	12	**287.2**	741.6
Derivative liabilities held for risk management	13	**227.8**	181.6
Debt securities in issue	21	**1,350.3**	1,468.3
Other liabilities	22	**2,594.3**	1,833.1
Provisions for liabilities	23	**3.0**	3.4
Pension liabilities	24	**0.9**	3.8
Accruals and deferred income		**74.6**	89.5
Total Liabilities		**29,467.6**	32,883.6
Equity			
Share capital	25	**494.3**	494.3
Other reserve	26	**2,018.0**	2,018.0
Profit and loss account	26	**(2,195.8)**	(2,046.3)
Total Equity		**316.5**	466.0
Total Liabilities and Equity		**29,784.1**	33,349.6

Approved and authorised for issue by the Board of Directors on 26th May 2011 and signed on its behalf by

Paul Hearn
Chief Executive Officer

Company Balance Sheet
as at 31st March 2011

Registered number: 7103718

	Note	**2011**	2010
		£ millions	£ millions
Assets			
Loans and advances to banks	14	**13.1**	12.9
Financial investments	16	**481.4**	481.4
Total Assets		**494.5**	494.3
Liabilities and Equity			
Equity			
Share capital	25	**494.3**	494.3
Profit and loss account	26	**0.2**	-
Total Equity		**494.5**	494.3
Total Liabilities and Equity		**494.5**	494.3

Approved and authorised for issue by the Board of Directors on 26th May 2011 and signed on its behalf by

Paul Hearn
Chief Executive Officer

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31st March 2011

	Note	**2011** **£ millions**	2010 £ millions
Actuarial gain / (loss) on defined benefit scheme	24	**0.5**	(3.4)
Net gains / (losses) taken directly to equity		**0.5**	(3.4)
(Loss) / profit for the year		**(150.0)**	45.0
Total recognised (losses) / gains		**(149.5)**	41.6

Notes to the Consolidated and Company Financial Statements

1. BASIS OF PREPARATION

The Consolidated and Company financial statements have been prepared under UK Generally Accepted Accounting Principles, and in accordance with the provisions relating to Banking Companies and Schedule 4 of the Companies Act 2006.

The Consolidated and Company financial statements have been prepared in accordance with applicable Accounting Standards.

The Company is taking advantage of the exemption under section 408 of the Companies Act 2006 not to present its individual profit and loss account.

The Company's profit after taxation for the accounting period ended 31st March 2011 was £0.2 million (2010: £35,592).

Accounting policies

The accounting policies that are significant in the context of the Company's consolidated financial statements are described in note 2. The accounting policies adopted by the Group in the preparation of the financial statements are consistent with those in the previous year.

Basis of measurement

The Consolidated and Company financial statements have been prepared under the historical cost convention, as modified for derivative financial instruments, financial assets and liabilities at fair value through profit and loss and available for sale assets, all of which are measured at fair value.

Functional and presentation currency

The Consolidated and Company financial statements are presented in Sterling which is the Group's functional currency and the financial information is presented in £ millions and has been rounded to the nearest £100,000 unless otherwise indicated.

Basis of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31st March.

The financial statements of the subsidiaries that the Company controls are prepared for the same reporting financial period end as the Company using consistent accounting policies.

Intra-group entity balances, transactions, income and expenses and profits and losses arising from intra group entity transactions are eliminated in full.

Group restructuring under merger accounting

The restructuring to the Group entities was implemented during the previous financial year. In accordance with the requirements of the Companies Act 2006 and FRS 6 – Acquisitions and mergers, the Group restructuring was accounted for under merger accounting.

Under merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not adjusted to fair value on consolidation. Any required adjustments to achieve uniformity in accounting policies are made. The financial performance of all the combining entities are brought into the Group consolidated financial statements from the beginning of the financial year in which the combination occurred. The corresponding amounts are stated by including all the results for all the combining entities for the previous period.

The difference between the notional value of shares issued by the Company plus the fair value of any other consideration given and the notional value of the shares received in exchange is shown as a movement in other reserves in the consolidated financial statements.

Acquisition accounting for non group reconstruction consolidation

Acquisition accounting applies to the consolidation of subsidiary entities into the Group accounts that is not covered by merger accounting above.

Subsidiaries, including special purpose companies, are consolidated from the date that control is transferred to the Company until the date that control ceases.

The Company controls a subsidiary, including special purpose companies, when it has the ability to direct the financial and operating policies of the subsidiary with a view to gaining economic benefits from its activities and the power to exercise dominant influence over the subsidiary.

Subsidiaries, including special purpose companies, which fall under the control of the Company are consolidated under the acquisition method of accounting. Under acquisition accounting, the identifiable assets and liabilities of the entities acquired are included in the consolidated balance sheet at their fair value at the date of acquisition. The cost of acquisition is measured at the fair value of the consideration given at the date of acquisition.

The excess of the fair value of the subsidiary's net identifiable assets acquired over the fair value of the purchase consideration is recorded as goodwill. The excess of the fair value of the consideration given over the subsidiary's net identifiable assets acquired over the fair value of the purchase consideration is recognised immediately in the profit and loss account.

Related Party disclosures

In accordance with the scope exclusions contained in FRS 8, the Company has not disclosed details of transactions or balances with entities which form part of Mizuho Financial Group, Inc. since 100% of the voting rights are controlled by the Mizuho Financial Group which includes the Company in its own financial statements, and which are publicly available.

Cash flow statement

In accordance with the scope exclusions contained in FRS 1, the Company is not required to prepare a cash flow statement since more than 90% of the voting rights are controlled by its parent undertaking which includes the Company in its own financial statements, and which are publicly available.

Segmental analysis

Consolidated segmental analysis of income and net assets has not been prepared as, in the opinion of the Directors, the Group has only one class of business, being investment banking, and operates in a global market which is not defined by geographical bounds.

Changes in accounting policy and disclosures

No new accounting policies were adopted during the financial year.

2. ACCOUNTING POLICIES

A – Financial instruments

Regular way purchase or sale of financial assets

Trade date accounting is applied for the purposes of recognising and de-recognising financial assets.

Recognition

Financial instruments are recognised when the Group becomes party to the contractual provisions of the relevant financial asset or financial liability.

Financial instruments are initially recorded at fair value, being the amount at which an asset or liability would be exchanged or settled between knowledgeable, willing parties in an arm's length transaction, and in the case of financial assets or liabilities not subsequently measured at fair value through profit and loss plus any incremental directly attributable costs of acquisition or issue, assuming that transactions do not take place under a forced sale or liquidation scenario, and that the Group is a going concern.

De-recognition of financial assets

A financial asset is de-recognised when:

- The contractual rights to receive the cash flows from the asset expire; or
- Either the Group has transferred substantially all the risks and rewards of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset but has transferred control of the financial asset.

Where the Group has neither transferred nor retained substantially all of the risks and rewards of ownership, but control has not been transferred, the Group will account for its continuing involvement in the asset. Under this approach, the Group will continue to recognise the transferred asset to the extent of the continuing involvement in that asset and recognise an associated liability such that the net carrying value of the transferred asset and associated liability is equal to the fair value of the retained rights and obligations.

De-recognition of financial liabilities

Financial liabilities are de-recognised when they have been extinguished as a result of the cancellation, discharge or expiry of the obligations specified in the contract.

Offsetting

Financial assets and liabilities are set off and the net amount presented on the balance sheet when and only when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as the Group's trading activities.

B – Trading financial instruments

Non derivative financial instruments 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. Trading financial instruments include reverse repurchase and repurchase agreements, trading debt and equity securities and purchased life contracts.

Purchased life contracts provide the Group with receivables due from insurance contracts, which become payable upon the death of the insured party under the life contract. These individuals have no connection with the Group, and accordingly the purchased life contracts fall to be treated as financial instruments. Purchased life contracts are recorded at trade date, and are measured at fair value.

Subsequent to initial recognition, trading financial instruments are measured at fair value. Gains or losses realised on de-recognition of trading financial instruments and changes in fair value on trading financial instruments are recognised in the profit and loss account and reported under net trading profit / loss.

Reclassifications from trading non derivative financial instruments

The Group will reclassify non derivative financial assets, other than those designated as at fair value through profit and loss account upon initial recognition (see accounting policy E) out of the fair value through profit and loss account classification (trading financial assets) if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

- If the financial asset would have met the definition of loans and receivables, (if the financial asset had not been required to be classified as held for trading at initial recognition, i.e. it was a loan and receivable held with the intention to sell in the near term), then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity; or
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading classification in rare circumstances.

C – Derivative financial instruments

Trading derivative instruments

Subsequent to initial recognition, trading derivative instruments are measured at fair value and disclosed as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Realised and unrealised gains or losses arising from trading derivative instruments are recognised in the profit and loss account and reported within net trading profit / loss.

Derivative financial instrument held for risk management purposes

Derivative financial instruments held for risk management purposes comprise swaps and other derivative financial instruments held to manage the Group's financial risks (see accounting policy D – Hedge accounting).

These derivative financial instruments are subsequently measured at fair value and disclosed as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Realised and unrealised gains or losses arising from derivative financial instruments held for risk management purposes are recognised in the profit and loss account and reported within net trading profit / loss.

Embedded derivatives

Derivatives embedded within financial instruments that are not accounted for as fair value financial instruments are separated from their host contracts and accounted for as derivatives if the economic characteristics of the embedded derivative are not closely related to those of the host contract and if a separate instrument with the terms of the embedded derivative meets the definition of a derivative. Embedded derivatives are separated from their host contracts and are measured at fair value with changes in fair value recognised in the profit and loss account and reported within net trading profit / loss.

D – Hedge accounting

The Group uses derivative financial instruments to manage exposure to interest rate risk, credit risk, currency risk and price risk. The Group applies fair value hedge accounting when a transaction meets the criteria to obtain hedge accounting treatment.

Hedge accounting is applied where a designated fair value hedging relationship exists between a derivative hedging instrument (see accounting policy C – derivative financial instruments held for risk management purposes) and a hedged financial liability. A fair value hedge of a financial liability represents a hedge against changes to the fair value of a liability that is attributable to a particular risk that could impact the profit and loss account. A hedging relationship qualifies for hedge accounting if the following conditions are met:

- At inception, formal documentation is prepared to include:
  - Designation of the hedging relationship;
  - Identification of the hedging instrument and hedged item;
  - Nature of the risk being hedged; and
  - Description of how hedge effectiveness will be assessed.

- The hedge is expected to be highly effective (80 to 125%), and its effectiveness can be reliably measured; and
- The hedge is assessed for effectiveness on an ongoing basis.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in the profit and loss account. The gain or loss on the hedged financial liability attributable to the hedged risk adjusts the carrying value of the hedged item and is recognised in the profit and loss account.

The Group prospectively discontinues hedge accounting for a hedged relationship if:

- The hedging instrument expires or is sold, terminated or exercised;
- The hedge no longer meets the criteria for hedge accounting; or
- The Company revokes the designation.

If hedge accounting is discontinued, for hedged financial liabilities recorded at amortised cost the difference between the carrying value of the hedged financial liability on termination of the hedge and the face value is amortised over the remaining term of the original hedge. If the hedged financial liability is de-recognised, the unamortised fair value adjustment is recognised immediately in the profit and loss account.

E – Financial instruments designated as at fair value through profit and loss account

The Group has designated financial assets and financial liabilities at fair value through profit and loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Fair value gains or losses arising from financial instruments designated as at fair value through profit and loss account are recognised in the profit and loss account and reported within net trading profit / loss.

Note 30 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit and loss.

F – Financial investments

The Group designates financial investments in equity securities as at fair value through profit and loss account. These financial investments are measured as described in accounting policy E.

The Company's investment in subsidiary undertakings are measured at cost.

G – Loans and advances

Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method less impairment, with any resulting interest income taken to profit and loss account.

H – Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date (repurchase agreements) are not de-recognised from the balance sheet. The corresponding cash received, including accrued interest is recognised on the balance sheet as Repurchase Agreements reflecting its economic substance as a loan to the Group.

Securities purchased under agreements to resell at a specified future date (reverse repurchase agreements) are not recognised on the balance sheet. The corresponding cash paid including accrued interest is recognised on the balance sheet as Reverse Repurchase Agreements reflecting its economic substance as a loan receivable by the Group.

Repurchase and reverse repurchase agreements are classified as held for trading.

I – Deposits and debt securities in issue

Deposits and debt securities in issue are measured at amortised cost using the effective interest rate method except where the Group has designated financial liabilities as at fair value through profit and loss.

The Group has designated certain issued debt securities and deposits as at fair value. These financial liabilities are subsequently measured as described in accounting policy E.

J – Fair value measurement

Financial instruments measured at fair value comprise:

- Trading financial instruments;
- Trading derivatives and derivatives held for risk management purposes;
- Embedded derivatives; and
- Financial assets and financial liabilities designated as at fair value through profit and loss account.

Fair values are derived from quoted market prices or valuation techniques as described below.

Active market

Financial instruments that trade within an active market are valued using quoted market prices or rates available within that market. An active market exists where regular prices are provided by exchanges, dealers, brokers, industry groups or pricing services, and these prices represent actual market transactions.

Financial instruments may be priced from the most advantageous active market to which the Group has access, and this may result in the recognition of revenue on trade date (‘day one profit’), to the extent that a fair value instrument has been traded at a favourable price in comparison to prices available within an active market.

Long positions are marked to the bid side, and short positions to the offered side of an active market. Where the Group holds positions which create offsetting risk positions, then those offsetting positions are valued at mid-market rates, with any resulting net risk positions being marked to the bid or offered side as appropriate.

No active market

Financial instruments that do not trade within an active market are valued using a valuation technique, which may consist of:

- Analysis of current or recent third party transactions in the same instrument; or
- Reference to the value of other instruments, that are substantially the same as the instrument to be valued; or
- Use of a valuation model.

Valuation techniques, including valuation models, meet the following conditions:

- Consistency with accepted methodologies for pricing financial instruments;
- Inclusion of all relevant factors that market participants would consider in setting a price;
- Use of market observable date where possible; and
- Periodic calibration to actual market transactions where possible.

If, on trade date, a valuation technique results in a different estimate of fair value to the actual transaction price, then the valuation technique will be calibrated to the transaction price, so that no gain or loss is recognised except as described below.

Gains or losses will only be recognised subsequently, to the extent that they arise from changes in a factor (including time) that market participants would consider in setting a price.

Fair value estimates from valuation techniques may be used on trade date without calibration to the transaction price, resulting in the recognition of day one gains and losses, under the following conditions:

- Fair value is supported by current market transactions in the same instrument; or
- Fair value is based upon a valuation technique whose variables include only data from observable markets.

Day one gains or losses that do not meet these criteria are deferred and amortised over the life of the financial instrument to which they relate.

K – Foreign currencies

Foreign currency carrying values at initial recognition are translated into the functional currency at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency of the Group at the mid-market rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded using an average rate of exchange for the year. Foreign currency translation differences are included in operating income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated into functional currency at the original transaction rate. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

L – Securitisation

The Group securitised various financial assets by the sale of these assets to special purpose companies, which in turn issue securities to investors.

Financial assets transferred in a securitisation transaction may be de-recognised in whole or in part in accordance with accounting policy A – De-recognition of financial assets.

The Group may retain interests in securitised financial assets in the form of tranches of the securitisation vehicles. Such retained interests are classified as trading assets. Gains or losses on securitisation, to the extent recognised in accordance with accounting policy N, are disclosed as net trading profit / loss

M – Identification and measurement of impairment

At each balance sheet date, the Group assesses whether there is objective evidence that financial and other assets not carried at fair value through profit and loss are impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the financial asset, and that the loss event has an impact on the future cash flows on the financial asset that can be estimated reliably.

Impairment losses on available for sale debt securities are recognised by transferring the difference between the amortised acquisition cost and the current fair value out of equity to profit and loss. When a subsequent event causes the amount of impairment loss on an available for sale debt security to decrease, the impairment loss is reversed through profit and loss.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit and loss.

Other assets are recorded at no more than their recoverable amount. Impairment losses are measured as the difference between the carrying value and the recoverable amount and recognised through profit and loss.

N – Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

Interest income and expense are recognised in profit and loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset or financial liability, or a shorter period where appropriate, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability and is not subsequently revised. The calculation of the effective interest rate includes all the fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Fees and commissions

Other fee and commission income is recognised as the related service is performed. Other fee and commission expense relates to transaction and service fees which are expensed as the service is received.

Net trading profit / loss

Net trading profit / loss comprises gains less losses related to trading financial assets, trading financial liabilities, derivative instruments held for risk management purposes and financial instruments designated as at fair value through profit and loss account.

Net trading profit / loss includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

O – Tangible fixed assets and depreciation

Assets held for use in the business are stated at cost less accumulated depreciation and impairment allowances. Tangible fixed assets include the directly attributable costs of the development and bringing into use of significant computer software systems.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful economic lives on the following basis:

- Short leasehold properties and improvements thereto are written off on a straight line basis over the remaining life of the lease or twenty five years, whichever is shorter; and
- Fixtures, equipment, software and vehicles are depreciated on a straight line basis over periods between two and five years.

P – Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Group taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Q – Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

R – Pension costs

The Company operates defined contribution schemes and a defined benefit scheme.

Defined contribution schemes

Contributions to defined contribution schemes are recognised within profit and loss in the period in which they become payable.

Defined benefit scheme

The defined benefit pension scheme requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based upon actuarial advice.

Past service costs are recognised in profit and loss on a straight line basis over the vesting period or immediately if the benefits have vested. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The expected return on scheme assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid during the year. The difference between the expected return on scheme assets and the interest cost is recognised in the profit and loss account as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension 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), less any past service cost not yet recognised and less the fair value of scheme assets out of which the obligations are settled directly. Fair value of scheme assets is based on market price information.

S – Provisions

Provision is made where an obligation arises as a result of a past event and it is probable that the Group will make a transfer of economic benefits to satisfy such obligation. Such provision is made based on the Directors' best estimate of the economic benefits to be transferred, discounted where relevant at an appropriate discount rate.

3. ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The results of the Group are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the financial statements.

When preparing the financial statements, it is the Directors' responsibility under applicable UK Law to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies that are deemed critical to the Group financial performance and position, in terms of the materiality of the items to which the policy is applied, or which involve a high degree of judgement and estimation are summarised below:

Valuation of financial instruments

The Group accounting policy for valuation of financial instruments is set out in note 2J. The valuation techniques used in measuring fair value of financial instruments are discussed further in note 30C.

Where valuation techniques are used, the inputs to these models are taken from observable markets where possible. Where observable market data is not available, a degree of judgement is required in establishing fair value.

Further disclosure on valuation techniques using non observable market data including sensitivity analysis is provided in note 30C and E.

Pension liability

The principal assumptions and estimates in determining the pension liability for the financial year are set out in note 24.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in profit and loss account.

Consolidation

The accounting policy that determines when the Company consolidates a subsidiary, including a special purpose company is described in note 1 – basis of consolidation. Determination of control over a special purpose company may require a degree of judgement. Consolidation of special purpose companies is described further in note 31E.

4. FEES AND COMMISSIONS

	2011	2010
	£ millions	£ millions
- Trading activities	**50.2**	49.9
- Fiduciary services	**19.6**	19.9
Fees and commissions receivable	**69.8**	69.8
- Trading activities	**(40.9)**	(47.6)
- Fiduciary services	**(8.3)**	(8.7)
Fees and commissions payable	**(49.2)**	(56.3)

5. NET TRADING (LOSS) / PROFIT

	2011	2010
	£ millions	£ millions
Client business	**84.5**	124.1
Legacy business	**(125.5)**	24.3
US Structured Credit business	**6.0**	5.8
Net trading (loss) / profit	**(35.0)**	154.2

Net trading (loss) / profit is further analysed as follows:

	2011	2010
	£ millions	£ millions
Net (loss) / profit from financial instruments held for trading	**(39.0)**	147.8
Net profit from financial instruments designated at fair value	**4.0**	6.4
	(35.0)	154.2

6. OTHER OPERATING INCOME

	2011	2010
	£ millions	£ millions
Rents received from sub-lessees	**-**	0.2
Net return / (expense) on defined benefit scheme (note 24)	**0.1**	(0.2)
	0.1	-

7. ADMINISTRATIVE EXPENSES

Administrative expenses

	2011 £ millions	2010 £ millions
Staff costs		
Wages and salaries	80.2	76.4
Social security costs	9.7	8.7
Pension costs – defined contribution schemes	3.1	3.0
	93.0	88.1
Auditors' remuneration		
Audit fees	0.6	0.6
Other services	-	0.1
	0.6	0.7
Rental charges payable under operating leases	**4.5**	4.5
Other administrative expenses	**39.7**	31.4
	137.8	124.7

Average number of employees

	2011 Number	2010 Number
Executive and senior managerial	**36**	33
Other managerial, supervisory and clerical	**362**	357
	398	390

Directors' emoluments

The Directors of the Company are also Directors of Mizuho International plc. The Directors received the total remuneration for the year of £2.9 million which was paid by Mizuho International plc. The Directors do not believe that it is practicable to apportion this amount between their services as Directors of the Company and Mizuho International plc.

The aggregate emoluments of the highest paid Director are £1.8 million.

8. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

Charge for taxation

	2011 **£ millions**	2010 £ millions
Current taxation		
UK Corporation tax for the current year	**-**	-
Group relief	**3.0**	1.0
Adjustments for previous years – UK Corporation tax	**-**	0.5
Non UK Corporation tax	**-**	(0.1)
Current tax credit	**3.0**	1.4
Deferred taxation		
Deferred tax charge	**-**	-
Tax on (loss) / profit on ordinary activities	**3.0**	1.4

Current taxation reconciliation

The current tax credit for the Group for the year is lower than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences between the standard rate charge and the actual credit are explained below:

	2011 **£ millions**	2010 £ millions
(Loss) / profit on ordinary activities before taxation	**(153.0)**	43.6
Current taxation at 28%	**42.8**	(12.2)
Effects of:		
- (Unrecognised) / utilised tax losses	**(36.8)**	18.7
- Capital allowances in excess of depreciation	**0.1**	-
- Expenses not deductible for tax purposes	**(1.0)**	(7.7)
- Other short term timing differences	**(5.1)**	1.2
- Group relief	**3.0**	1.0
- Adjustments for previous years – UK Corporation tax	**-**	0.5
- Non UK Corporation tax	**-**	(0.1)
Current tax credit	**3.0**	1.4

Deferred taxation

There are no deferred tax balances as at the balance sheet date in respect of both the current and prior year.

Based on the likely timing and level of future profits, the Directors have concluded that no deferred tax asset should be recognised in respect of the current tax losses. The total potential deferred tax asset available but not recognised amounted to £589.4 million (2010: £608.7million).

9. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Assets

Group	**Reverse repurchase agreements 2011 £ millions**	Cash collateral on securities borrowed 2011 £ millions	Reverse repurchase agreements 2010 £ millions	Cash collateral on securities borrowed 2010 £ millions
Banks	**10,352.9**	8.9	22,392.6	65.7
Central counterparties	**1,610.7**	61.5	1,088.4	10.1
Other	**12,831.7**	34.8	5,786.2	11.6
	24,795.3	105.2	29,267.2	87.4

Liabilities

Group	**Repurchase agreements 2011 £ millions**	Cash collateral on securities lent 2011 £ millions	Repurchase agreements 2010 £ millions	Cash collateral on securities lent 2010 £ millions
Banks	**8,299.2**	255.4	13,469.1	172.9
Central counterparties	**4,943.0**	3.1	6,791.6	0.2
Other	**9,416.1**	258.7	7,287.4	85.6
	22,658.3	517.2	27,548.1	258.7

Cash collateral on securities borrowed is disclosed in aggregate with reverse repurchase agreements on the balance sheet. Cash collateral on securities lent is disclosed in aggregate with repurchase agreements on the balance sheet.

Further details of the classification and fair value measurement of repurchase and reverse repurchase agreements are disclosed in note 30.

10. PLEDGED ASSETS

Collateral given

The fair value of financial assets that have been pledged by the Group as collateral for liabilities at 31st March 2011 is £24,180.7 million (2010: £29,451.2 million). These transactions are conducted under normal terms, and the collateral given is analysed by asset category below:

Group	**2011** **£ millions**	2010 £ millions
Government debt securities	**16,438.6**	20,362.7
Corporate and bank debt securities	**7,742.1**	8,923.4
Equities	**-**	165.1
	24,180.7	29,451.2

Collateral received

The fair value of financial assets accepted as collateral that the Group is permitted to sell or re-pledge in the absence of default is £26,460.2 million (2010: £31,673.6 million). Of these, securities with a fair value of £1,317.2 million (2010: £178.0 million) have been transferred to satisfy commitments under short sale transactions.

11. TRADING FINANCIAL ASSETS AND LIABILITIES

Trading financial assets

Group	**2011** **£ millions**	2010 £ millions
Debt securities		
Government securities	399.3	39.3
Other public sector securities	101.0	11.5
Other securities	788.8	584.9
	1,289.1	635.7
Equity securities		
Listed other than on a recognised UK exchange	0.2	2.8
Unlisted	3.3	3.5
	3.5	6.3
Purchased life contracts	**148.5**	287.7
Trading financial assets	**1,441.1**	929.7

Trading financial liabilities

Group	**2011 £ millions**	2010 £ millions
Short positions in debt securities:		
- Government securities	1,160.2	72.4
- Other public sector securities	17.5	41.2
- Other securities	138.6	63.9
Short positions in equity securities	0.9	0.5
Trading financial liabilities	**1,317.2**	178.0

As at 31st March 2011, there were no unobservable day one profits for trading financial assets and liabilities (2010: £nil).

Further details of the classification and fair value measurement of trading financial assets and liabilities are disclosed in note 30.

12. TRADING DERIVATIVE ASSETS AND LIABILITIES

Group	**2011 £ millions**	2010 £ millions
Interest rate	**139.6**	177.0
Equity	**0.3**	0.1
Foreign currency	**70.9**	116.9
Credit	**22.5**	127.0
Trading derivative assets	**233.3**	421.0
Interest rate	**184.3**	247.5
Equity	**0.6**	0.1
Foreign currency	**75.4**	153.5
Credit	**26.9**	340.5
Trading derivative liabilities	**287.2**	741.6

As at 31st March 2011, there were no unobservable day one profits for trading derivative assets and liabilities (2010: £nil).

Further details of the classification and fair value measurement of trading derivative assets and liabilities are disclosed in note 30.

13. DERIVATIVES HELD FOR RISK MANAGEMENT

Assets

Group	**2011** **£ millions**	2010 £ millions
Primary instruments		
Interest rate	**6.5**	6.6
Equity	**0.3**	0.4
Foreign currency	**6.6**	3.6
Credit	**2.4**	2.6
	15.8	13.2
Embedded derivatives		
Interest rate	**2.9**	4.0
Equity	**61.5**	54.0
Foreign currency	**164.9**	116.9
Credit	**2.1**	1.9
	231.4	176.8
Derivative assets held for risk management	**247.2**	190.0

Liabilities

Group	**2011** **£ millions**	2010 £ millions
Primary instruments		
Interest rate	**3.1**	4.3
Equity	**54.1**	45.9
Foreign currency	**161.0**	122.5
Credit	**2.1**	2.1
	220.3	174.8
Embedded derivatives		
Interest rate	**4.8**	3.6
Equity	**-**	0.1
Foreign currency	**-**	0.1
Credit	**2.7**	3.0
	7.5	6.8
Derivative liabilities held for risk management	**227.8**	181.6

The Group uses primary derivative instruments to manage exposure to interest rate risk, equity price risk, foreign currency risk and credit risk arising from its structured note issuance programmes (see note 21). These derivative instruments include interest rate swaps, foreign currency swaps, credit default swaps, and equity options.

Further details of the classification and fair value measurement of derivatives held for risk management are disclosed in note 30.

Derivatives held for risk management designated as fair value hedges of interest rate risk

The Group uses primary interest rate and other swap instruments to hedge its exposure to changes in fair value of fixed rate structured notes and structured note host contracts that are carried at amortised cost. The changes in fair values of the hedging derivative instruments and the hedged items attributable to the hedged risks are analysed below:

Group	**2011**	2010
	£ millions	£ millions
Gains on hedging derivative instruments	**13.0**	23.0
(Losses) on hedged items attributable to hedged risk:		
- Debt securities in issue (see note 21)	**(13.0)**	(23.0)
(Losses) on hedged items attributable to hedged risk:	**(13.0)**	(23.0)
Ineffective portion of fair value hedges	**-**	-

14. LOANS AND ADVANCES TO BANKS

Group	**2011**	2010
	£ millions	£ millions
Placements with banks	**56.0**	187.5
Amounts include:		
Due from related parties.	**9.8**	10.7

Company	**2011**	2010
	£ millions	£ millions
Placements with banks	**13.1**	12.9
Amounts include:		
Due from related parties	**13.1**	12.9

Further details of the classification and fair value measurement of loans and advances to banks are disclosed in note 30.

15. LOANS AND ADVANCES TO CUSTOMERS

Group	**2011** **£ millions**	2010 £ millions
Corporate lending	**65.1**	117.3
Amounts include:		
Due from related parties	**-**	0.3

Further details of the classification and fair value measurement of loans and advances to customers are disclosed in note 30.

16. FINANCIAL INVESTMENTS

Group	**2011** **£ millions**	2010 £ millions
Equity securities designated at fair value - Unlisted	**86.7**	82.7

Company	**2011** **£ millions**	2010 £ millions
Equity securities - Unlisted	**481.4**	481.4

Further details of the classification and fair value measurement of financial investments are disclosed in note 30.

17. TANGIBLE FIXED ASSETS

Group

	Short leasehold property	Fixtures, equipment, software and vehicles	Total
	£ millions	£ millions	£ millions
Cost			
At 1st April 2010	22.2	31.6	53.8
Additions	0.9	4.6	5.5
Disposals	(7.6)	(0.1)	(7.7)
At 31st March 2011	15.5	36.1	51.6
Accumulated depreciation and amortisation			
At 1st April 2010	16.7	28.6	45.3
Disposals	(7.6)	(0.1)	(7.7)
Charge for the year	1.2	2.7	3.9
At 31st March 2011	10.3	31.2	41.5
Net book value			
At 31st March 2011	**5.2**	**4.9**	**10.1**
At 31st March 2010	5.5	3.0	8.5

18. OTHER ASSETS

Group	2011	2010
	£ millions	£ millions
Trade receivables	**2,784.7**	2,104.0
Other assets	**3.5**	6.3
	2,788.2	2,110.3

19. DEPOSITS BY BANKS

Group	2011 £ millions	2010 £ millions
Deposits by banks	**863.4**	727.3
Amounts include:		
- Due to related parties	**825.7**	622.6

Further details of the classification and fair value measurement of deposits by banks are disclosed in note 30.

Deposits by banks adjusted for fair value hedge accounting

Group	2011 £ millions	2010 £ millions
Net gain recognised in profit and loss account	-	-
Contractual amount to maturity	**-**	7.1

The net gain amounting to £4,200 recognised in the 2010 profit and loss account arising on deposits that have been adjusted for fair value hedge accounting represents fair value movements relating to interest rate risk effectively hedged by the risk management derivatives designated as fair value hedges of interest rate risk (see note 13).

Deposits by banks designated at fair value through profit and loss

Group	2011 £ millions	2010 £ millions
Net gain recognised in profit and loss account	**-**	0.2
Contractual amount to maturity	**-**	7.1

Certain deposits were designated at fair value through profit and loss since these are managed on a fair value basis.

20. CUSTOMER ACCOUNTS

Group	**2011** **£ millions**	2010 £ millions
Customer accounts	**90.6**	108.9

Further details of the classification and fair value measurement of customer accounts are disclosed in note 30.

21. DEBT SECURITIES IN ISSUE

Group	**2011** **£ millions**	2010 £ millions
Debt securities – amortised cost	**531.7**	574.9
Debt securities – adjusted for fair value hedge accounting	**735.0**	789.6
Debt securities – designated at fair value through profit and loss	**83.6**	103.8
	1,350.3	1,468.3

Further details of the classification and fair value measurement of debt securities in issue are disclosed in note 30.

Debt securities adjusted for fair value hedge accounting

Group	**2011** **£ millions**	2010 £ millions
Net (loss) recognised in profit and loss account	**(13.0)**	(23.0)
Contractual amount to maturity	**699.0**	766.6

The net loss recognised in the profit and loss account arising on debt securities that have been adjusted for fair value hedge accounting represents fair value movements relating to interest rate risk effectively hedged by the risk management derivatives designated as fair value hedges of interest rate risk (see note 13).

Debt securities designated at fair value through profit and loss

Group	2011 £ millions	2010 £ millions
Net gain recognised in profit and loss account	**4.5**	33.6
Contractual amount to maturity	**121.7**	137.4

Certain debt securities in issue were designated at fair value since these are managed on a fair value basis. The net loss recognised in the profit and loss account arising on debt securities that is attributable to changes in the Group's credit risk amounted to £1.0 million (2010: net gain £1.9million).

22. OTHER LIABILITIES

Group	2011 £ millions	2010 £ millions
Trade payables	**2,573.0**	1,827.1
Other liabilities	**7.0**	4.6
Tax and social security payable	**14.3**	1.4
	2,594.3	1,833.1

23. PROVISIONS FOR LIABILITIES

Group	Provision for restructuring £ millions	Provision for shortfall of rental income £ millions	Total £ millions
At 1st April 2010	1.0	2.4	3.4
Provisions utilised	-	(0.4)	(0.4)
At 31st March 2011	**1.0**	**2.0**	**3.0**

Provision for restructuring

During 2008, the Group announced plans to rationalise business activities and to restructure operations to a size more appropriate to the ongoing activities of the organisation. A provision of £1 million was held at the beginning of the year to cover payments relating to redundancy, associated termination costs and other exit costs.

Provision for shortfall of rental income

At the beginning of the year, the Group held a provision of £2.4 million in respect of the future shortfall between the rental income due from tenants of the Group's properties and the amount payable by the Group on the head lease and this has been partially utilised during the current year.

24. PENSION LIABILITIES

Defined benefits scheme

The Group operates a defined benefits scheme, the Mizuho International plc Retirement Benefits Scheme ('Scheme'), which is a final salary scheme, established in 1978, and currently governed by the trust deed and rules dated 18th September 1998. The Scheme is a "registered pension scheme" for tax purposes. All members were contracted-out of the State Second Pension during active membership of the Scheme.

In accordance with the trust deed the Group, as Principal Employer, has the power to appoint and remove the Trustees of the Scheme. The three Trustees include a Group representative, an independent corporate Trustee and a member nominated Trustee.

There are no active members remaining in the Scheme, which is closed to new entrants and future benefit accrual. There were 234 deferred members and 19 pensioner members who have pensions paid directly from the Scheme as at 31st March 2011.

A full valuation was undertaken as at 31st March 2009 and updated to 31st March 2011 by a qualified independent Actuary.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2011 **% p.a.**	2010 % p.a.
Discount rate	**5.3**	5.4
Expected long-term rate of return on Scheme assets	**5.6**	5.7
Increase in salaries	**n/a**	n/a
Inflation assumption	**3.3**	3.5
RPI Pension increases (capped at 5% p.a.)	**3.3**	3.5
CPI linked increases	**n/a**	n/a

The underlying mortality assumption is based upon the standard table known as PA00 on a year of birth usage with medium cohort future improvement factors subject to a minimum annual rate of future improvement of 1% per annum (2010: same).

The amounts recognised in the balance sheet are as follows:

	2011	2010
	£ millions	£ millions
Present value of Scheme liabilities	**(30.4)**	(29.6)
Market value of Scheme assets	**29.5**	25.8
Deficit in the Scheme	**(0.9)**	(3.8)
Related deferred tax asset	**-**	-
Net pension liability	**(0.9)**	(3.8)

The amounts to be recognised in profit and loss for the year are as follows:

	2011	2010
	£ millions	£ millions
Expected return on Scheme assets	**1.5**	1.1
Interest on Scheme liabilities	**(1.6)**	(1.3)
Contribution paid by a related party	**0.2**	-
	0.1	(0.2)
Actual return on Scheme assets	**1.7**	5.4

Changes in the present value of the Scheme liabilities are as follows:

	2011	2010
	£ millions	£ millions
Present value of Scheme liabilities at 1st April	**29.6**	21.1
Interest cost	**1.6**	1.3
Actuarial (gains) / losses	**(0.3)**	7.7
Benefits paid	**(0.5)**	(0.5)
Present value of Scheme liabilities at 31st March	**30.4**	29.6

Changes in the fair value of the Scheme assets for the year are as follows:

	2011	2010
	£ millions	£ millions
Market value of Scheme assets at 1st April	**25.8**	18.6
Expected return	**1.5**	1.1
Actuarial gains / (losses)	**0.2**	4.3
Benefits paid	**(0.5)**	(0.5)
Contributions paid by the Group	**2.3**	2.3
Contributions paid by a related party	**0.2**	-
Market value of Scheme assets at 31st March	**29.5**	25.8

The agreed contributions to be paid by the Group for the forthcoming year ending 31st March 2012 are at least £2,327,000 payable by the Group and £128,000 by DLIBJ Asset Management International subject to review at future actuarial valuations (2011: £2,455,000).

The major categories of Scheme assets as a percentage of total Scheme assets for the year are as follows:

	2011	2010
	%	%
Equities	**49**	45
Bonds	**41**	47
Cash	**10**	8
	100	100

The expected long-term rate of return on the Scheme assets has been calculated based upon the major asset categories shown in the above table and an expected rate of return on equities of 7.4% (2010: 7.4%), an expected rate of return on bonds of 4.8% (2010: 4.9%) and an expected rate of return on cash of 0.5% (2010: 0.5%).

Analysis of amounts recognisable in the statement of total recognised gains and losses for the year are as follows:

	2011	2010
	£ millions	£ millions
Actual return less expected return on Scheme assets	**0.2**	4.3
Experience gains and losses arising on Scheme liabilities	**0.1**	0.6
Changes in assumptions underlying the present value of Scheme liabilities	**0.2**	(8.3)
Actuarial gain / (loss) recognised in STRGL	**0.5**	(3.4)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses for the year are as follows:

	2011	2010
	£ millions	£ millions
Cumulative actuarial loss at 1st April	**(11.8)**	(8.4)
Recognised during the year	**0.5**	(3.4)
Cumulative actuarial loss at 31st March	**(11.3)**	(11.8)

Movements in the deficit during the year are as follows:

	2011	2010
	£ millions	£ millions
Deficit in Scheme at 1st April	**(3.8)**	(2.5)
Expenses recognised in profit and loss	**(0.1)**	(0.2)
Contributions paid	**2.5**	2.3
Actuarial gain / (loss)	**0.5**	(3.4)
Deficit in Scheme at 31st March	**(0.9)**	(3.8)

Amounts for the current and previous four accounting periods are as follows:

	2011	2010	2009	2008	2007
	£ millions	£ millions	£ millions	£ millions	£ millions
Present value of Scheme liabilities	**(30.4)**	(29.6)	(21.1)	(21.9)	(23.1)
Market value of Scheme assets	**29.5**	25.8	18.6	21.5	22.2
Surplus / (deficit) in the Scheme	**(0.9)**	(3.8)	(2.5)	(0.4)	(0.9)
Actual return less expected return on Scheme assets	**0.2**	4.3	(4.4)	(2.7)	(0.4)
Experience gain / (loss) arising on Scheme liabilities	**0.1**	0.6	(0.4)	(0.1)	(0.2)
Change in assumptions underlying present value of Scheme liabilities	**0.2**	(8.3)	2.1	2.5	2.4

Employment benefit plans

The Group operates a Group Personal Pension ('GPP') arrangement. Subject to meeting certain qualifying conditions, all staff joining the Group are eligible to become members of the GPP.

The GPP provides employees with a tax-efficient way of saving for retirement. It is a low-cost, flexible and portable arrangement which the Group also contributes towards.

Contributions are currently subject to the maximum limits as laid down by H M Revenue & Customs for the tax year in question. Group contributions are made as a percentage of salary and/or bonus waiver through a salary sacrifice arrangement.

The assets of the GPP are held separately from those of the Group in independently administered funds. During the year ended 31st March 2011 the Group made contributions of £4.6 million (2010: £4.8 million) to the GPP.

Other pension arrangements

The Group has operated a separate trust based defined contribution scheme which is closed to new employees and any existing members as at 31st March 2006. This scheme is currently being wound up.

25. SHARE CAPITAL

	2011 Number	**2011 £ millions**	2010 Number	2010 £ millions
Authorised				
Ordinary shares of GBP 1 each	**645,000,000**	**645.0**	645,000,000	645.0

	2011 Number	**2011 £ millions**	2010 Number	2010 £ millions
Authorised, called up and fully paid				
Ordinary shares of GBP 1 each	**494,276,696**	**494.3**	494,276,696	494.3
		494.3		494.3

26. EQUITY

Group 2011	**Share capital**	**Share premium account**	**Other reserve**	Pension reserve	Profit and loss account	**Profit and loss account**	**Total**
	£ millions	**£ millions**	**£ millions**	£ millions	£ millions	**£ millions**	**£ millions**
At 1st April 2010	**494.3**	**-**	**2,018.0**	(7.9)	(2,038.4)	**(2,046.3)**	**466.0**
Loss for the year	**-**	**-**	**-**	-	(150.0)	**(150.0)**	**(150.0)**
Actuarial loss on defined benefit plan	**-**	**-**	**-**	0.5	-	**0.5**	**0.5**
At 31st March 2011	**494.3**	**-**	**2,018.0**	(7.4)	(2,188.4)	**(2,195.8)**	**316.5**

Group 2010	Share capital	Share premium account	Other reserve	Pension reserve	Profit and loss account	Profit and loss account	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
At 1st April 2009	2,426.4	15.6	-	(4.5)	(2,083.4)	(2,087.9)	354.1
Group restructuring:							
Mizuho International plc	(2,426.4)	(15.6)	-	-	-	-	(2,442.0)
Mizuho Securities UK Holdings Ltd	494.3	-	-	-	-	-	494.3
Other reserve	-	-	2,018.0	-	-	-	2,018.0
Equity after group restructuring	494.3	-	2,018.0	(4.5)	(2,083.4)	(2,087.9)	424.4
Profit for the year	-	-	-	-	45.0	45.0	45.0
Actuarial loss on defined benefit plan	-	-	-	(3.4)	-	(3.4)	(3.4)
At 31st March 2010	494.3	-	2,018.0	(7.9)	(2,038.4)	(2,046.3)	466.0

Explanatory notes on equity

1. Equity as restated
As described in note 1 – basis of preparation: corresponding amounts, the corresponding amounts for equity have been restated to reflect the impact of the group restructuring accounted for under merger accounting.

2. Other reserve
The other reserve is calculated as described in note 1 – basis of consolidation.

Company **2011**	**Share capital** **£ millions**	**Profit and loss account** **£ millions**	**Total** **£ millions**
At 1st April 2010	**494.3**	**-**	**494.3**
Profit for the year	**-**	**0.2**	**0.2**
At 31st March 2011	**494.3**	**0.2**	**494.5**

Company 2010	Share capital £ millions	Profit and loss account £ millions	Total £ millions
At 14th December 2009	-	-	-
Increase in paid up share capital	494.3	-	494.3
Profit for the period	-	-	-
At 31st March 2010	494.3	-	494.3

27. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are analysed below:

Group	**2011** **£ millions**	2010 £ millions
Expiring in five years or more	**11.5**	11.5

28. CONTINGENT LIABILITIES

In the normal course of business the Group is involved in various lawsuits and no material adverse impact on the financial position of the Group is expected to arise from any of these proceedings.

29. EVENTS AFTER BALANCE SHEET DATE

There have been no events after the balance sheet date that require disclosure.

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A Classification of financial assets and financial liabilities

Group 2011

	Classification				Fair value	
	Held for trading	**Designated as at fair value**	**Loans and receivables**	**Financial liabilities**	Fair value instruments	Non Fair value instruments
	£ millions	**£ millions**	**£ millions**	**£ millions**	£ millions	£ millions
Financial assets:						
Reverse repurchase agreements	**24,795.3**	**-**	**-**	**-**	**24,795.3**	-
Trading assets	**1,408.8**	**32.3**	**-**	**-**	**1,441.1**	-
Trading derivative assets	**233.3**	**-**	**-**	**-**	**233.3**	-
Derivative assets held for risk management	**247.2**	**-**	**-**	**-**	**247.2**	-
Loans and advances to banks	**-**	**-**	**56.0**	**-**	**-**	56.0
Loans and advances to customers	**-**	**-**	**65.1**	**-**	**-**	65.1
Financial investments	**0.4**	**86.3**	**-**	**-**	**86.7**	-
Trade receivables	**-**	**-**	**2,784.7**	**-**	**-**	2,784.7
					26,803.6	
Financial liabilities:						
Deposits by banks	**-**	**-**	**-**	**863.4**	**-**	863.4
Customer accounts	**-**	**-**	**-**	**90.6**	**-**	90.6
Repurchase agreements	**22,658.3**	**-**	**-**	**-**	**22,658.3**	-
Trading liabilities	**1,317.2**	**-**	**-**	**-**	**1,317.2**	-
Trading derivatives liabilities	**287.2**	**-**	**-**	**-**	**287.2**	-
Derivative liabilities held for risk management	**227.8**	**-**	**-**	**-**	**227.8**	-
Debt securities in issue	**-**	**83.6**	**-**	**1,266.7**	**83.6**	1,012.1
Trade payables	**-**	**-**	**-**	**2,573.0**	**-**	2,573.0
					24,574.1	

Company 2011

	Classification				Fair value	
	Investment in subsidiary at cost	**Designated as at fair value**	**Loans and receivables**	**Financial liabilities**	Fair value instruments	Non Fair value instruments
	£ millions	**£ millions**	**£ millions**	**£ millions**	£ millions	£ millions
Financial assets:						
Loans and advances to banks	**-**	**-**	**13.1**	**-**	**-**	**13.1**
Financial investments	**481.4**	**-**	**-**	**-**	**-**	**481.4**

Group 2010	Classification				Fair value	
	Held for trading	Designated as at fair value	Loans and receivables	Financial liabilities	Fair value instruments	Non Fair value instruments
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Financial assets:						
Reverse repurchase agreements	29,267.2	-	-	-	29,267.2	-
Trading assets	927.9	1.8	-	-	929.7	-
Trading derivative assets	421.0	-	-	-	421.0	-
Derivative assets held for risk management	190.0	-	-	-	190.0	-
Loans and advances to banks	-	-	187.5	-	-	187.5
Loans and advances to customers	-	-	117.3	-	-	117.3
Financial investments	0.7	82.0	-	-	82.7	-
Trade receivables	-	-	2,104.0	-	-	2,104.0
					30,890.6	
Financial liabilities:						
Deposits by banks	-	6.9	-	720.4	6.9	720.4
Customer accounts	-	-	-	108.9	-	108.9
Repurchase agreements	27,548.1	-	-	-	27,548.1	-
Trading liabilities	178.0	-	-	-	178.0	-
Trading derivatives liabilities	741.6	-	-	-	741.6	-
Derivative liabilities held for risk management	181.6	-	-	-	181.6	-
Debt securities in issue	-	103.8	-	1,364.5	103.8	1,158.3
Trade payables	-	-	-	1,827.1	-	1,827.1
					28,760.0	

Company 2010	Classification				Fair value	
	Investment in subsidiary at cost	Designated as at fair value	Loans and receivables	Financial liabilities	Fair value instruments	Non Fair value instruments
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Financial assets:						
Loans and advances to banks	-	-	12.9	-	-	12.9
Financial investments	481.4	-	-	-	-	481.4

Explanatory notes on disclosure of fair values for financial assets and financial liabilities

1. Fair value
The fair values of fair value financial instruments as shown in the table above are further analysed into the fair value measurement hierarchy in note 30B below. Non fair value financial instruments are not included in the fair value hierarchy disclosures.

2. Financial instruments for which fair value approximates carrying value
For financial assets and financial liabilities that are not subsequently measured at fair value and that are payable on demand or having a short term maturity, carrying amounts approximate fair values. This applies to loans and advances to banks and customers, deposits by banks, customer accounts and trade receivables and payables.

3. Financial liabilities

Debt securities in issue and certain deposits by banks classified as financial liabilities include debt securities and deposits adjusted for fair value hedge accounting (see note 21). The fair value of debt securities in issue that are classified as financial liabilities are calculated for disclosure purposes only using valuation techniques used by the direct parent for its disclosures including an assessment of the Mizuho Securities Group own credit risk.

B Fair value hierarchy

The Group has allocated its financial instruments into a three-level fair value hierarchy based on the priority of the inputs to the valuation methodology.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorisation is based on the lowest level input that is significant to the fair value measurement of the instrument.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3).

Financial assets and financial liabilities recorded on the Balance Sheet are categorised based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Group has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following tables show the analysis of the fair values for fair value instruments disclosed in the note 30A above categorised in the fair value hierarchy applied by the Group.

Group
2011

	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Fair value Total £ millions
Reverse repurchase agreements	**-**	**24,795.3**	**-**	**24,795.3**
Debt securities	1,117.6	103.3	68.2	1,289.1
Equity securities	0.2	3.3	-	3.5
Purchased life contracts	-	-	148.5	148.5
Trading assets	**1,117.8**	**106.6**	**216.7**	**1,441.1**
Interest rate	0.1	139.1	0.4	139.6
Equity	0.3	-	-	0.3
Foreign currency	1.7	53.7	15.5	70.9
Credit	-	12.9	9.6	22.5
Trading derivative assets	**2.1**	**205.7**	**25.5**	**233.3**
Interest rate	-	1.5	7.9	9.4
Equity	-	0.2	61.6	61.8
Foreign currency	-	2.0	169.5	171.5
Credit	-	1.6	2.9	4.5
Derivative assets held for risk management	**-**	**5.3**	**241.9**	**247.2**
Financial investments	**-**	**39.4**	**47.3**	**86.7**
Financial assets	**1,119.9**	**25,152.3**	**531.4**	**26,803.6**
Deposits by banks	**-**	**-**	**-**	**-**
Repurchase agreements	**-**	**22,658.3**	**-**	**22,658.3**
Trading liabilities	**1,315.4**	**1.8**	**-**	**1,317.2**
Interest rate	0.5	183.0	0.8	184.3
Equity	0.6	-	-	0.6
Foreign currency	5.0	54.8	15.6	75.4
Credit	-	15.0	11.9	26.9
Trading derivative liabilities	**6.1**	**252.8**	**28.3**	**287.2**
Interest rate	-	-	7.9	7.9
Equity	-	-	54.1	54.1
Foreign currency	-	0.2	160.8	161.0
Credit	-	3.1	1.7	4.8
Derivative liabilities held for risk management	**-**	**3.3**	**224.5**	**227.8**
Debt securities in issue	**-**	**7.8**	**75.8**	**83.6**
Financial liabilities	**1,321.5**	**22,924.0**	**328.6**	**24,574.1**

Group
2010

	Level 1	Level 2	Level 3	Fair value Total
	£ millions	£ millions	£ millions	£ millions
Reverse repurchase agreements	-	29,267.2	-	29,267.2
Debt securities	159.1	317.9	158.7	635.7
Equity securities	2.8	3.5	-	6.3
Purchased life contracts	-	-	287.7	287.7
Trading assets	161.9	321.4	446.4	929.7
Interest rate	-	174.9	2.1	177.0
Equity	0.1	-	-	0.1
Foreign currency	-	107.4	9.5	116.9
Credit	-	25.8	101.2	127.0
Trading derivative assets	0.1	308.1	112.8	421.0
Interest rate	-	2.5	8.1	10.6
Equity	-	0.3	54.1	54.4
Foreign currency	-	2.9	117.6	120.5
Credit	-	2.0	2.5	4.5
Derivative assets held for risk management	-	7.7	182.3	190.0
Financial investments	-	38.4	44.3	82.7
Financial assets	162.0	29,942.8	785.8	30.890.6
Deposits by banks	-	-	6.9	6.9
Repurchase agreements	-	27,548.1	-	27,548.1
Trading liabilities	173.5	4.5	-	178.0
Interest rate	-	245.1	2.4	247.5
Equity	0.1	-	-	0.1
Foreign currency	-	142.9	10.6	153.5
Credit	-	23.2	317.3	340.5
Trading derivative liabilities	0.1	411.2	330.3	741.6
Interest rate	-	0.1	7.8	7.9
Equity	-	-	46.0	46.0
Foreign currency	-	0.4	122.2	122.6
Credit	-	3.2	1.9	5.1
Derivative liabilities held for risk management	-	3.7	177.9	181.6
Debt securities in issue	-	26.9	76.9	103.8
Financial liabilities	173.6	27,994.4	592.0	28,760.0

C Methods and valuation techniques used to determine fair values

The methods and valuation techniques used to determine fair values used for financial instruments shown at fair value on the balance sheet are described in more detail below by class of financial instrument.

Reverse repurchase and repurchase agreements

The fair value of reverse repurchase and repurchase agreements is determined in accordance with relevant market derived interest rates, which principally vary by currency, maturity and the degree of market demand for collateral which underlies individual contracts.

Debt securities

Highly liquid government securities are priced from readily available quoted prices. Less liquid government and other securities are priced using market derived rates for those securities.

Illiquid securities are priced using relevant proxy market data as far as possible, and this data chiefly comprises market rates derived from more liquid securities of that issuer, rates implied from recent transactions in that or proxy securities and rates derived from credit derivative markets.

Equity securities

Listed equity securities traded in active markets are valued using exchange prices or dealer price quotations, and positions held in funds are priced based upon fund manager quotations.

Purchased life contracts

Purchased life contracts are measured at fair value using a proprietary model. The proprietary model utilises mortality rates based upon actuarial valuation basic tables (“VBT”), together with specific adjustments to those rates to take account of (amongst other more minor changes) expected changes in mortality since the tables were published, individual medical assessments, and a scaling adjustment applied to females. The distribution of mortality events projected from these adjusted base tables is compared on an ongoing basis to the actual mortality experience of the Company’s portfolio of contracts, and additional adjustments are made if cumulative mortality experience to date falls outside a defined confidence level.

Additional valuation adjustments are made to take account of other factors, including the premium for longevity risk implicit within these contracts, and the credit risk associated with insurers whose credit ratings fall beneath investment grade. This year end, the company has made an additional provision for the chance that future mortality rates do not increase in line with the projected mortality curves implicit in past valuations.

Derivative assets and liabilities

Credit derivatives

Credit derivatives that reference liquid reference assets or issuers are valued using observable interest rates, credit spreads and recovery rates. To the extent that credit spreads are unobservable, these are determined with reference to recent transactions or proxy spreads from relevant debt securities.

Synthetic CDOs are valued using industry standard models that calculate fair value based on observable and unobservable parameters including credit spreads, recovery rates, correlations and interest rates. Credit derivatives that reference residential mortgage backed securities and related CDO securities are priced using valuation techniques which incorporate assumptions relating to the performance of the underlying collateral.

Other derivatives

Vanilla interest rate and currency derivatives are priced using industry standard models that incorporate observable market interest and currency rates. Interest rate, currency and equity derivatives that incorporate option related or other more complex features are priced using industry standard and proprietary valuation techniques. These utilise input parameters which include FX rates, interest rates, and equity prices, together with relevant volatility and correlation rates, and other model parameters. Certain derivative transactions executed with other Mizuho Financial Group counterparties have been priced using valuations provided by those counterparties, and those valuations have been based on the techniques described above.

Credit valuation adjustment

The credit valuation adjustment ("CVA") is the mark to market cost of protection required to hedge credit risk from counterparties in the Group's over the counter ("OTC") derivatives portfolio, and depends on expected future exposures, default probability and recovery rate. The calculation takes into account whether collateral or netting arrangements or break clauses are in place.

A CVA approach based on an expected exposure profile is used to adjust the fair value of positive replacement values to reflect counterparty credit risk if necessary. In order to arrive at fair value, credit valuation adjustments are necessary to reflect the credit risk of the counterparty inherent in OTC derivatives transactions.

In respect of counterparties, that are regarded as distressed, the adjustment is determined through a more judgemental consideration of the likelihood of recovery with regards to the circumstances of those individual counterparties. Key items taken into consideration include the size of the Group's and third party claims upon the counterparty in comparison to the counterparty's available assets.

Financial investments

Financial investments principally comprise investments in a private equity fund and several hedge funds of funds. These are valued based upon regular valuation reports provided by the fund managers.

Debt securities in issue

Debt securities in issue are priced using a model that incorporates the valuation of the relevant market rates which drive the calculation of coupon and principal payments, together with a reassessment of the Group's own credit spread.

D Movements in Level 3 financial instruments

Movements in the opening and closing balance of level 3 financial instruments as disclosed in note 30B above are analysed by class of financial instrument in the tables below.

Group
2011

	Opening balance	Net realised and unrealised gains and losses	Transfers	Cash in	Cash out	Closing balance	Unrealised gains and losses
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Debt securities	158.7	23.6	1.2	(138.3)	23.0	68.2	8.7
Purchased life contracts	287.7	(120.5)	-	(25.4)	6.7	148.5	(129.7)
Trading assets	**446.4**	(96.9)	1.2	(163.7)	29.7	216.7	(121.0)
Interest rate	2.1	(1.7)	-	-	-	0.4	(0.8)
Foreign currency	9.5	7.3	-	(1.3)	-	15.5	6.1
Credit	101.2	(92.0)	(0.4)	(0.9)	1.7	9.6	(91.0)
Trading derivative assets	**112.8**	(86.4)	(0.4)	(2.2)	1.7	25.5	(85.7)
Interest rate	8.1	2.7	-	(2.9)	-	7.9	0.6
Equity	54.1	7.5	0.1	(0.1)	-	61.6	16.9
Foreign currency	117.6	52.4	0.3	(1.1)	0.3	169.5	51.9
Credit	2.5	1.2	-	(0.8)	-	2.9	0.2
Derivative assets held for risk management	**182.3**	63.8	0.4	(4.9)	0.3	241.9	69.6
Financial investments	**44.3**	4.3	-	(1.3)	-	47.3	3.0
Financial assets	**785.8**	(115.2)	1.2	(172.1)	31.7	531.4	(134.1)
Deposits by banks	**6.9**	0.6	-	-	(7.5)	-	-
Interest rate	2.4	(1.5)	0.2	-	(0.3)	0.8	(0.8)
Foreign currency	10.6	4.7	-	0.3	-	15.6	6.1
Credit	317.3	(102.4)	(0.4)	0.4	(203.0)	11.9	(173.5)
Trading derivative liabilities	**330.3**	(99.2)	(0.2)	0.7	(203.3)	28.3	(168.2)
Interest rate	7.8	-	-	0.2	(0.1)	7.9	0.6
Equity	46.0	6.8	-	1.9	(0.6)	54.1	17.1
Foreign currency	122.2	35.8	1.5	2.7	(1.4)	160.8	37.9
Credit	1.9	(1.8)	1.1	0.5	-	1.7	(1.3)
Derivative liabilities held for risk management	**177.9**	40.8	2.6	5.3	(2.1)	224.5	54.3
Debt securities in issue	**76.9**	1.9	7.6	-	(10.6)	75.8	1.7
Financial liabilities	**592.0**	(55.9)	10.0	6.0	(223.5)	328.6	(112.2)

Group
2010

	Opening Balance	Net realised and unrealised gains and losses	Transfers	Cash in	Cash out	Closing balance	Unrealised gains and losses
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Debt securities	512.5	5.7	(123.8)	(248.8)	13.1	158.7	(15.2)
Purchased life contracts	331.0	(49.5)	-	(10.8)	17.0	287.7	(53.3)
Trading assets	843.5	(43.8)	(123.8)	(259.6)	30.1	446.4	(68.5)
Interest rate	32.9	(26.7)	-	(7.0)	2.9	2.1	(6.7)
Foreign currency	-	11.9	-	(2.4)	-	9.5	9.5
Credit	372.4	(278.2)	-	(5.2)	12.2	101.2	(20.9)
Trading derivative assets	405.3	(293.0)	-	(14.6)	15.1	112.8	(18.1)
Interest rate	11.1	(0.8)	-	(2.3)	0.1	8.1	(1.3)
Equity	112.0	(57.5)	(0.4)	(0.1)	0.1	54.1	(46.6)
Foreign currency	132.1	(14.2)	-	(0.7)	0.4	117.6	(14.5)
Credit	25.8	(22.6)	-	(0.9)	0.2	2.5	(18.8)
Derivative assets held for risk management	281.0	(95.1)	(0.4)	(4.0)	0.8	182.3	(81.2)
Financial investments	34.6	4.2	-	(4.8)	10.3	44.3	3.4
Financial assets	1,564.4	(427.7)	(124.2)	(283.0)	56.3	785.8	(164.4)
Deposits by banks	-	3.0	3.9	-	-	6.9	3.0
Interest rate	33.7	(52.5)	-	24.4	(3.2)	2.4	(10.4)
Foreign currency	-	9.7	-	0.9	-	10.6	10.6
Credit	1,084.1	(283.8)	-	6.3	(489.3)	317.3	60.4
Trading derivative liabilities	1,117.8	(326.6)	-	31.6	(492.5)	330.3	60.6
Interest rate	13.2	(5.6)	-	0.4	(0.2)	7.8	(5.0)
Equity	103.2	(56.3)	-	1.7	(2.6)	46.0	(46.7)
Foreign currency	106.0	11.8	-	5.6	(1.2)	122.2	16.2
Credit	25.9	(24.8)		0.8	-	1.9	(10.1)
Derivative liabilities held for risk management	248.3	(74.9)	-	8.5	(4.0)	177.9	(45.6)
Debt securities in issue	107.3	(10.0)	-	-	(20.4)	76.9	(9.9)
Financial liabilities	1,473.4	(408.5)	3.9	40.1	(516.9)	592.0	8.1

Explanatory notes on movements in level 3 financial instruments

1. *Net realised gains and losses*

Gains and losses for Level 3 assets and liabilities within the reconciliation table may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

2. *Transfers*

Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in and out of the Level 3 category as of the beginning of the reporting period in which the reclassifications occur. There were transfers into Level 3 from Level 2 on Trading Account Securities, Other Corporate Bonds and Non Trading Derivative

Liabilities due to lack of observable quotes in the market. There was one move from Level 3 to Level 2 on a Japanese Corporate Bond following increased trading during the financial year resulting in a more active market.

3. Unrealised gains and losses
Unrealised gains and losses represent unrealised profit and loss movements for the financial period for level 3 financial instruments held at the balance sheet date.

E Level 3 financial instruments – sensitivity analysis

Group

	2011 Level 3 £ millions	**2011 Sensitivity £ millions**	2010 Level 3 £ millions	2010 Sensitivity £ millions
Debt securities	68.2	1.4	158.7	5.4
Purchased life contracts	148.5	44.0	287.7	15.8
Trading assets	**216.7**	45.4	446.4	21.2
Trading derivative assets	25.5	-	112.8	7.5
Derivative assets held for risk management	241.9	-	182.3	-
Financial investments	47.3	4.7	44.3	6.5
Financial assets	**531.4**	50.1	785.8	35.2
Deposits by banks	-	-	6.9	-
Trading derivative liabilities	28.3	-	330.3	0.7
Derivative liabilities held for risk management	224.5	-	177.9	-
Debt securities in issue	75.8	0.7	76.9	0.5
Financial liabilities	**328.6**	0.7	592.0	1.2

Explanatory notes on level 3 financial instruments sensitivity analysis

1. Trading assets - Debt securities
The impact of applying additional valuation buffers to the proxy market rates used in the pricing of debt securities totals £1.4m, and in particular this has included outright valuation shifts of 2.5% to proxy prices or price components and credit spread shifts of 100 basis points to proxy yields.

2. Trading assets – Purchased life contracts
The effect of making specific cohort adjustments in the mortality pricing in respect of the Group's portfolio of purchased life contracts totals £44.0m. For this sensitivity calculation, the portfolio was benchmarked to a larger dataset used within the life settlement industry.

3. Trading derivative assets – Credit derivatives
The principal valuation sensitivity is nil as the derivative assets and liabilities are offsetting (refer note 7).

4. Financial investments
The major valuation sensitivity relating to the Group's financial investments concerns the size of any required adjustments to reflect potential liquidity premiums required by investors. The sensitivity valuation impact includes the provision of additional liquidity premiums of 10% of investment carrying value.

5. Trading derivative liabilities – Credit derivatives

The principal valuation sensitivity is nil as the derivative assets and liabilities are offsetting (refer note 7).

6. Debt securities in issue

The impact of reducing the credit spread used to value the Group's debt securities in issue, which are carried at fair value, by 10 basis points is £0.7m.

7. Offsetting items

Where derivative assets and liabilities that have been included as level 3 financial instruments bear mutually offsetting market risks, or hedge or offset the market risk arising from the Group's debt securities in issue, the sensitivity of these instruments to valuation assumptions has not been disclosed, as changing these assumptions will not impact the Group's profit and loss.

F Significant transfers from level 2 to level 1 financial instruments

Group

	2011	2010
	Transfers	Transfers
	£ millions	£ millions
Trading assets - debt securities	**1.4**	**53.5**
Trading liabilities	**-**	**41.4**

Explanatory notes on significant transfers from level 2 to level 1 financial instruments

The above financial instruments were transferred from level 2 to level 1 since there was more active trading during the financial year and fair values were obtained using observable market data. There were no transfers between level 1 and level 2 during the financial year (2010: £nil). The amounts disclosed above are the carrying values at balance sheet date.

31. RISK MANAGEMENT

This note presents information on the Group's exposure to financial and other risks and how it manages those risks.

The Group has exposure to various risks from its use of financial instruments, including market risk, credit risk, liquidity risk and longevity risk (arising from trading in purchased life contracts). Market risk includes foreign exchange, interest rate, credit spread, equity price and equity volatility risk.

Furthermore, the Group also has exposure to risks arising from transactions with special purpose companies.

This note also presents information on how the Group manages operational risk, legal risk and its regulatory capital requirements.

A Risk management framework

The Group has established a comprehensive framework for managing financial and other operational risks which is evolving with its business activities in response to developments in markets and products.

The Group has a Risk Committee which advises the Executive Committee on risk methodologies and limits, for market, credit and liquidity risk and monitors compliance with these limits.

The Risk Committee is chaired by the Chief Risk Officer and also attended by the Chief Financial Officer, the Head of Product Control, the Head of Credit Risk, the Head of Market Risk, the Head of Methodology and Model Validation and representatives of the front and back office.

B Market Risk

Control environment

Market risk is the risk that changes in interest rates, foreign exchange rates, credit spreads, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity, will have an adverse impact on the Group's financial condition or results. Market risk arises from both the Company's trading and non trading activities.

Principal market risks

The principal market risks to which the Group is exposed are interest rate risk, credit spread risk and equity price and equity volatility risks.

The Group's fixed income sales and trading business is the primary source of interest rate and credit risk in the Group's trading portfolios. These include trading in debt securities and related vanilla credit derivatives.

The Group's equity price and equity volatility risks arise from its equity sales and trading business through trading in equities and convertible bonds.

Risk Management is responsible for monitoring compliance with all market risk limits established by the Risk Committee and agreed with the Executive Committee. Management of all market risks is the responsibility of the individual business units.

Longevity risk is specific to the Group's life settlement business. Longevity risk is the risk that the actual mortality experienced on a portfolio of life policies does not match the expected experience implied by the Group's valuation models. The Group monitors the longevity risk in its trading portfolios through position and sensitivity limits, as well as a stress-testing value calculation based upon a stress to the underlying life expectancy tables used for valuation purposes. Longevity risk is not included in the Value at Risk ('VaR') as it is a risk type where stress testing is more appropriate. Therefore, the longevity risk is monitored and limited via stress tests, details of which are given below.

Sensitivity analysis – trading financial instruments

The Group measures and manages the market risk in its trading portfolios through position and sensitivity limits, as well as profit and loss and VaR limits, and stress testing triggers. These limits are approved by the Risk Committee and reviewed by the Executive Committee. In addition, the Group has total VaR and Market Risk and Credit Risk Capital limits set by Mizuho Securities Co., Ltd.

Stress Testing

Stress testing is an essential component of the tools used for managing risk within the organisation. It is used together with existing VaR calculations. This assists senior management in understanding the potential impact of extreme events on its business strategy and its available capital resources.

The stress tests have been designed to contain detailed scenarios which assess all of the material risks of the Group, including significant risks not assessed in the current VaR framework.

The Group's stress testing framework has evolved from examining simple, short-term market related losses, to encompass more complex scenarios that assess combinations of market and credit losses and examine impacts over extended holding periods to include the impacts of limited market liquidity on more complex products.

Management triggers on the Group's stress testing results are set by the Executive Committee, and additional triggers are set at a departmental level by the Risk Committee. The stress testing results are presented to the Risk Committee and Executive Committee on a weekly basis.

Stress Testing – Life exposures

Two stress tests (Persistency risk and VBT stress) are calculated on a daily basis to evaluate sensitivity to mortality risk:

Persistency Risk – The valuation is reperformed at a policy level but with the probability of death in the first 30 days set to zero. The impact of this stress as at 31st March 2011 was to reduce the fair value by £1.6 million (2010: £1.7 million).

VBT Stress – The valuation is reperformed at a policy level but assuming a 1% relative adverse shift in the VBT table. The fair value of the life contracts as at 31st March 2011 is reduced by £2.0 million (2010: £2.1 million) under this scenario.

The impact of adversely shifting mortality rates by 20% would result in a gross valuation adjustment of £48.2 million to the fair value of the life contracts.

Value at Risk

VaR is a statistical measure that produces an estimate of the potential decrease in the market value of a portfolio over a specified time horizon at a given confidence level under normal market conditions.

The Company's VaR assumes a time horizon of one day and a confidence level of 99 per cent.

The Company uses several VaR models across different segments of its business:

- For most risk factors, a full non-linear VaR model which employs Monte-Carlo simulations derived from a Variance-Covariance ('VcV') matrix is used for interest rate, spread, non JPY equity index and volatility risks;
- There is a Global Equity VaR process that produces the daily VaR for the yen-risk positions calculated by Mizuho Securities. The Global Equity VaR process makes use of Barra's JPE3 model, Barra's primary Japanese equity model; and
- For its Foreign Exchange ('FX') VaR and Futures Basis VaR, the Company uses a linear variance/covariance model, and for equity specific risk it uses a single factor model for each specific stock.

VaR Monte-Carlo simulation assumes that changes in the risk parameters have either a normal or log-normal distribution and the parameters of this distribution (i.e. standard deviations and correlations) are obtained from Mizuho Financial Group. The method is limited by the relevance of the historical data used.

The Group's VaR should be interpreted in light of the limitations of the VaR, these include:

- Risk factors which are not fully addressed by the VaR methodology. These are addressed either by sensitivity or position limits or by stress testing scenarios;
- Changes in risk factors may not follow the assumed distribution. In particular, the normal distribution assumption may underestimate the probability of large market moves;
- Historical data may not be a good estimate of the potential changes to risk factors observed in the future and any modifications to that data may not be adequate; and
- VaR based on 99 per cent confidence level does not reflect potential losses beyond that percentile.

VaR should not be viewed as a guarantee of the maximum daily loss that can be experienced by the Company on its portfolio. Nor can the Group be certain that losses will not exceed the VaR more frequently than once in one hundred trading days.

The Group's VaR is measured on a daily basis. Mizuho Financial Group provides regular updates of the VcV matrix which contains the distribution parameters to be used in calculating VaR. The year end VaR was calculated using a VcV matrix provided by Mizuho Financial Group on 22nd February 2011.

Current back-testing is done between the Group's total daily VaR and adjusted daily profit and loss. It is reported to the Executive Committee and Risk Committee on a weekly basis.

A summary of the daily VaR and risk statistics for the trading portfolios, based on a 99 per cent confidence level and a one day time horizon, segregated by type of market risk, is presented below.

Group **VaR Risk Factor**	**2011** **£ thousands**	Average 2011 £ thousands	Maximum 2011 £ thousands	Minimum 2011 £ thousands
General interest rate	515	666	1,351	357
Currency basis	2	10	159	2
Interest Rate	**515**	**665**	**1,350**	**360**
Futures Basis	**455**	**88**	**455**	**-**
Credit Spread	**968**	**454**	**1,629**	**97**
Equity Index	43	59	254	16
Equity Specific	61	68	443	18
Equity Volatility	8	30	131	-
Equity	**76**	**108**	**544**	**26**
FX Risk	**44**	**62**	**315**	**9**
Total VaR	**1,469**	**996**	**2,335**	**489**

Group VaR Risk Factor	2010 £ thousands	Average 2010 £ thousands	Maximum 2010 £ thousands	Minimum 2010 £ thousands
General interest rate	818	974	1,356	677
Currency basis	28	71	733	19
Interest Rate	816	983	1,354	687
Futures Basis	1	20	207	-
Credit Spread	287	648	1,152	267
Equity Index	122	167	513	33
Equity Specific	67	50	163	-
Equity Volatility	5	6	43	-
Equity	154	202	536	57
FX Risk	187	118	469	7
Total VaR	1,112	1,304	2,123	829

Sensitivity analysis – non trading financial instruments

Currency risk sensitivity

The Group's foreign currency loans and advances to banks and customers and investments are funded in matched currencies, and in addition funding raised from debt security issuance is also used to support trading activities on a matched currency basis. Consequently no significant currency exposure arises on non trading book activities.

Interest rate risk sensitivity

The Group's non trading books comprise assets and liabilities which are not held or issued for trading activities. These include the raising and provision of funding to support the Group's trading activities, acceptance of customer deposits and investment activities. Funding and deposit taking activity, including related derivative hedging, is conducted in such a manner as to minimise, where possible, interest rate risk.

The tables below summarise the interest rate sensitivity gaps within the Group's non trading book. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing or the maturity date.

Group 2011	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**Over 5 years**	**Non interest bearing**	**Total**
	£ millions	**£ millions**	**£ millions**	**£ millions**	**£ millions**	**£ millions**	**£ millions**
Loans and advances to banks	56.0	-	-	-	-	-	56.0
Loans and advances to customers	65.1	-	-	-	-	-	65.1
Equity shares	-	-	-	-	-	86.7	86.7
Other assets	-	-	-	-	-	2,788.2	2,788.2
Prepayments and accrued income	-	-	-	-	-	61.1	61.1
Funding	2,232.6	-	-	-	-	-	2,232.6
Assets	2,353.7	-	-	-	-	2,936.0	5,289.7
Deposits by banks	863.4	-	-	-	-	-	863.4
Customer accounts	90.6	-	-	-	-	-	90.6
Debt securities in issue	700.7	375.0	187.2	45.8	41.6	-	1,350.3
Other liabilities	-	-	-	-	-	2,594.3	2,594.3
Accruals and deferred income	-	-	-	-	-	74.6	74.6
Shareholders' funds	-	-	-	-	-	316.5	316.5
Liabilities and equity	1,654.7	375.0	187.2	45.8	41.6	2,985.4	5,289.7
Off balance sheet items	(598.3)	344.7	187.2	32.6	33.8	-	-
Interest rate sensitivity gap	100.7	(30.3)	-	(13.2)	(7.8)	(49.4)	-
Cumulative gap	100.7	70.4	70.4	57.2	49.4	-	-

Company 2011	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**Over 5 years**	**Non interest bearing**	**Total**
	£ millions	**£ millions**	**£ millions**	**£ millions**	**£ millions**	**£ millions**	**£ millions**
Loans and advances to banks	13.1	-	-	-	-	-	13.1
Equity shares	-	-	-	-	-	481.4	481.4
Assets	13.1	-	-	-	-	481.4	494.5
Shareholders' funds	-	-	-	-	-	494.5	494.5
Liabilities and equity	-	-	-	-	-	494.5	494.5
Off balance sheet items	-	-	-	-	-	-	-
Interest rate sensitivity gap	13.1	-	-	-	-	(13.1)	-
Cumulative gap	13.1	13.1	13.1	13.1	13.1	-	-

Group 2010	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Loans and advances to banks	187.5	-	-	-	-	-	187.5
Loans and advances to customers	117.3	-	-	-	-	-	117.3
Equity shares	-	-	-	-	-	82.7	82.7
Other assets	-	-	-	-	-	2,110.3	2,110.3
Prepayments and accrued income	-	-	-	-	-	35.4	35.4
Funding	2,159.9	-	-	-	-	-	2,159.9
Assets	2,464.7	-	-	-	-	2,228.4	4,693.1
Deposits by banks	727.3	-	-	-	-	-	727.3
Customer accounts	108.9	-	-	-	-	-	108.9
Debt securities in issue	733.2	401.0	171.3	114.5	48.3	-	1,468.3
Other liabilities	-	-	-	-	-	1,833.1	1,833.1
Accruals and deferred income	-	-	-	-	-	89.5	89.5
Shareholders' funds	-	-	-	-	-	466.0	466.0
Liabilities and equity	1,569.4	401.0	171.3	114.5	48.3	2,388.6	4,693.1
Off balance sheet items	(553.8)	376.1	171.3	111.2	(104.8)	-	-
Interest rate sensitivity gap	341.5	(24.9)	-	(3.3)	(153.1)	(160.2)	-
Cumulative gap	341.5	316.6	316.6	313.3	160.2	-	-

Company 2010	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Loans and advances to banks	12.9	-	-	-	-	-	12.9
Equity shares	-	-	-	-	-	481.4	481.4
Assets	12.9	-	-	-	-	481.4	494.3
Shareholders' funds	-	-	-	-	-	494.3	494.3
Liabilities and equity	-	-	-	-	-	494.3	494.3
Off balance sheet items	-	-	-	-	-	-	-
Interest rate sensitivity gap	12.9	-	-	-	-	(12.9)	-
Cumulative gap	12.9	12.9	12.9	12.9	12.9	-	-

C Credit Risk

Control environment

Credit risk is the risk of financial loss to the Group if an issuer of a financial instrument or a customer fails to meet its contractual obligations.

Risk Management has specific responsibility for the implementation of the Group's credit policies for all activities, for performing credit analysis and due diligence on individual counterparties and issuers, and for monitoring compliance with individual counterparty, issuer, geographic and product limits. Policy and limits are established by the Risk Committee. Day to day management of credit risks is the responsibility of the individual business units.

Risk Management analyses counterparty credit exposures to assess both current and potential credit risk. Current credit exposure represents the replacement cost of those instruments which have a positive carrying value. Potential credit exposures are based on estimates of future replacement costs over the remaining life of the instrument.

Within Risk Management, prescribed levels of authority have been established for approval of standard transactions. Authority levels are governed by the counterparty's credit quality as well as the nature and potential risk of the transactions. Proposed transactions that exceed these prescribed levels must be approved by the Risk Committee.

Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets, including derivatives, recognised on the balance sheet is typically the carrying amount and is represented on the table below which analyses maximum exposure to credit risk by asset class, representing credit risk arising from counterparty default.

The maximum exposure is shown gross of the use of master netting and collateral agreements unless such credit enhancements meet the offsetting requirements as set out in note 2A.

Group	Note	**2011 £ millions**	2010 £ millions
Reverse repurchase agreements	9	**24,795.3**	29,267.2
Trading debt securities	11	**1,289.1**	635.7
Purchased life contracts	11	**148.5**	287.7
Trading derivative assets	12	233.3	421.0
Derivative assets held for risk management	13	247.2	190.0
Derivative assets		**480.5**	611.0
Loans and advances to banks	14	56.0	187.5
Loans and advances to customers	15	65.1	117.3
Loans and advances		**121.1**	304.8
Trade receivables	18	**2,784.7**	2,104.0
Exposure to credit risk		**29,619.2**	33,210.4

Company	Note	**2011 £ millions**	2010 £ millions
Loans and advances to banks	14	**13.1**	12.9
Exposure to credit risk		**13.1**	**12.9**

Concentrations of exposure to credit risk

Concentrations of exposure to credit risk exist when a number of counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly impacted by changes in economic, political or other conditions. Significant concentrations of exposure to credit risk for securitisation and other business asset classes with credit risk are discussed below.

Securitisation transactions

The Group has concentrations of exposure to credit risk to US asset backed securities, arising from its former US Structured Credit business, and these have continued to fall during the current year:

Group

	2011 £ millions Notional	**2011 £ millions Exposure**	2010 £ millions Notional	**2010 £ millions Exposure**
Debt securities	77.1	0.7	441.3	3.5
Derivatives	1.7	-	221.4	1.9
Total exposure	78.8	0.7	662.7	5.4

Exposures arising from non derivative financial instruments are presented at their balance sheet carrying value. Derivative exposures to US asset backed securities arise in respect of credit derivatives that reference such securities, and are presented as the maximum potential exposure to the default of the reference entity (being the notional size of such derivative contracts less their balance sheet carrying value).

Further details regarding the valuation of these exposures are given in note 30C to the financial statements.

Reverse repurchase agreements

The Group's repo trading activities give rise to counterparty risk exposures. However, these risks are mitigated through the execution of netting agreements and the agreement of margin requirements; such that net counterparty exposures are maintained at a low level. The largest counterparty exposure as at 31st March 2011, excluding central counterparties, totalled £45 million (2010: £47 million), and no remaining exposures exceeded £12 million (2010: £5 million).

Debt securities

The Group's debt trading activities give rise to issuer risk exposures in respect of debt securities held for trading, which excluding the US asset backed securitisation positions described below, total £1,288 million (2010: £632 million). The Group's holdings of debt securities are diversified by issuer, geographic region and industry sector and in some instances benefit from offsetting purchased credit protection. Of these positions, debt securities issued by government and other public entities comprised 39% of the total held (2010: 8%).

The largest concentration of debt securities issued by government and public entities comprised instruments issued by the Federal Republic of Germany, which represented 16% of the total held (2010: the French Republic, 3%). Debt securities issued by corporate and other entities comprised 61% of total debt securities and were spread across issuer and industry sector (2010: 92%). The largest concentration of debt securities by geographic region comprised securities issued by German corporate entities 8% (2010: US corporate entities, 18%).

Purchased life contracts

The Group's life settlements business gives rise to credit risk exposures in respect of life insurance policies written by US life insurance companies ('carriers'), which in aggregate totalled £149 million (2010: £288 million). These risks are mitigated through carrier diversification and rating requirements implemented by the Group, and no single carrier exposure exceeded £33 million (2010: £38 million).

Trading derivatives

The Group's derivative trading activities give rise to counterparty risk exposures which can be greater than those incurred through repo trading business due to the longer term nature and higher volatility associated with these transactions. Some counterparty exposure risks arising from derivative trading are mitigated through the execution of netting agreements, the agreement of margin requirements and other contractual credit mitigation features such as credit rating triggers.

With respect to credit derivative transactions not covered by netting agreements as at 31st March 2011, the Group had aggregate counterparty exposures, net of counterparty reserves, of £9 million in respect of structured credit derivative transactions, with notional values of £1,399 million (2010: £101 million exposure, £1,452 million notional values). The aggregate net exposure has reduced significantly during the current year as a result of both a reduction in the value of the underlying contracts, together with a strengthening of reserves in respect of transactions with specialist credit protection providers, where the probability of repayment is now regarded as low.

Credit quality

The following table represents an analysis by credit quality rating designation of debt and similar securities and loans and advances based on internal credit ratings or their equivalent. The internal credit ratings are derived from S&P, Moody's and Fitch. For Japanese securities, the ratings are derived from Japanese rating agencies. For securities where external ratings are not available, the rating is internally calculated by the Group.

Group	**2011**		2010	
	Debt securities £ millions	**Loans and advances £ millions**	Debt securities £ millions	Loans and advances £ millions
AAA	**584.0**	**-**	168.3	-
AA- to AA+	**196.4**	**45.8**	21.1	179.7
A- to A+	**277.7**	**12.1**	147.8	17.6
BBB+ to C	**230.2**	**-**	283.3	-
D	**-**	**-**	0.1	-
Unrated	**0.8**	**63.2**	15.1	107.5
	1,289.1	**121.1**	635.7	304.8

Company	**2011**		2010	
	Debt securities £ millions	**Loans and advances £ millions**	Debt securities £ millions	Loans and advances £ millions
AA- to AA+	**-**	**13.1**	-	12.9
	-	**13.1**	-	12.9

Collateral and other credit enhancements obtained

In respect of reverse repurchase and derivative transactions conducted under master netting agreements, in most cases the Group has legally enforceable rights to offset receivable and payable balances in the event of counterparty default. There are a small number of cases where there is no legal opinion on enforceability within a jurisdiction. The impact of adjusting reported balance sheet captions for the effect of these offset arrangements is shown below.

In addition, the Group has obtained cash funding as shown below, in respect of certain debt securities, under terms which provide credit mitigation in the event of default by issuers of those securities.

Group 2011	**Carrying amount £ millions**	**Offset £ millions**	**Net exposure to credit risk £ millions**
Reverse repurchase agreements	24,795.3	(7,800.7)	16,994.6
Debt securities	1,289.1	(32.3)	1,256.8
Purchased life contracts	148.5	-	148.5
Derivative assets	480.5	(191.8)	288.7
Loans and advances to banks and customers	121.1	-	121.1
Trade receivables	2,784.7	-	2,784.7
	29,619.2	(8,024.8)	21,594.4

Company 2011	**Carrying amount £ millions**	**Offset £ millions**	**Net exposure to credit risk £ millions**
Loans and advances to banks and customers	13.1	-	13.1

Group 2010	Carrying amount £ millions	Offset £ millions	Net exposure to credit risk £ millions
Reverse repurchase agreements	29,267.2	(14,309.5)	14,957.7
Debt securities	635.7	(49.6)	586.1
Purchased life contracts	287.7	-	287.7
Derivative assets	611.0	(325.5)	285.5
Loans and advances to banks and customers	304.8	-	304.8
Trade receivables	2,104.0	-	2,104.0
	33,210.4	(14,684.6)	18,525.8

Company 2010	Carrying amount £ millions	Offset £ millions	Net exposure to credit risk £ millions
Loans and advances to banks and customers	12.9	-	12.9

Explanatory notes collateral and other enhancements obtained

1. Collateral received

Collateral received in the form of securities in respect of reverse repurchase transactions acts as credit risk mitigation against the cash lent under these transactions to reduce counterparty credit exposure. This collateral is not shown within the above table, as it is not eligible for recognition within the Group's balance sheet. Maximum exposure to counterparty risk arising from repurchase transactions is disclosed in note 31C – other concentrations to credit risk above.

D Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Control environment

The Group manages liquidity risk in accordance to the requirements laid out by the FSA in BIPRU 12. The Group maintains liquidity resources sufficient for it to maintain self sufficiency under the severe funding scenarios laid out in BIPRU 12. This is reflected in the Group's Statement of Liquidity Tolerance. The management of liquidity is defined within the Group's Liquidity Policy, Stress Testing Policy and Contingency Funding Plan. The Group formally reviews its processes and tolerance towards liquidity risk as part of its internal Liquidity Adequacy Assessment (ILAA) submission to the FSA.

Mismatches are monitored and reported on a daily basis, and are formally reviewed at the weekly meeting of the Risk Committee.

Liquidity is actively managed through dealings in the major wholesale money markets and repo markets, thereby enabling ready access to funding.

The Group also undertakes stress testing of its liquidity risk profile, the results of which are periodically reviewed by the Risk Committee, Executive Committee and Board. Results indicate even under adverse scenarios, the Group would have sufficient resources to meet its funding requirements.

Residual contractual maturity of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities.

Group 2011	Carrying Amount	Contractual Amount	Repayable on demand	Less than three months	3-6 months	6-12 months	1-5 years	Over 5 years
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Non derivatives:								
Deposits by banks	863.4	863.4	1.3	862.1	-	-	-	-
Customer accounts	90.6	90.6	15.1	-	-	-	75.5	-
Repurchase agreements	22,658.3	22,659.1	1,082.2	21,005.5	383.0	188.4	-	-
Trading liabilities	1,317.2	1,275.4	0.1	280.8	0.6	38.0	497.3	458.6
Debt securities in issue	1,350.3	1,351.4	-	48.1	32.0	62.7	584.1	624.5
Trade payables	2,573.0	2,573.0	-	2,573.0	-	-	-	-
		28,812.9	1,098.7	24,769.5	415.6	289.1	1,156.9	1,083.1

Group 2010	Carrying Amount	Contractual Amount	Repayable on demand	Less than three months	3-6 months	6-12 months	1-5 years	Over 5 years
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Non derivatives:								
Deposits by banks	727.3	727.3	3.1	703.2	21.0	-	-	-
Customer accounts	108.9	108.9	2.9	21.1	-	-	84.9	-
Repurchase agreements	27,548.1	27,548.1	471.9	26,753.9	322.3	-	-	-
Trading liabilities	178.0	173.2	-	2.1	0.1	9.8	117.1	44.1
Debt securities in issue	1,468.3	1,478.9	-	66.7	32.4	31.2	660.8	687.8
Trade payables	1,827.1	1,827.1	-	1,827.1	-	-	-	-
		31,863.5	477.9	29,374.1	375.8	41.0	862.8	731.9

E Special Purpose Companies

Control environment

The Group enters into transactions with customers in the ordinary course of business which involve the establishment of special purpose companies. Certain special purpose companies have been consolidated on the Group's balance sheet (see note 32).

Where the transactions involve the use of special purpose companies arranged by the Group, these special purpose companies are authorised upon establishment to ensure appropriate purpose and governance. The activities of the special purpose companies sponsored or administered by the Group are closely monitored by senior management.

The Group's involvement with the most significant types of special purpose companies and related transactions is described below.

Securitisation

The Group has used special purpose companies to securitise primary and derivative financial instruments. On securitisation, the Group may enter into derivative transactions with these special purpose companies, and may retain notes or derivative instruments issued by these special purpose companies on securitisation. Certain of these special purpose companies were consolidated after securitisation following developments in these vehicles resulting in the Group having the majority of the risk and rewards of ownership.

Structured credit intermediation transactions

The Group has used special purpose companies to intermediate structured credit transactions. The Group enters into credit derivative transactions with these special purpose companies. Such special purpose companies were arranged by the Group or by third parties.

The Group has used special purpose companies to provide structured credit transactions to third parties who wish to obtain exposure to reference debt securities. The third parties obtain the risks and rewards of the reference assets through the notes issued by these special purpose companies. The Group may enter into interest rate derivatives with these special purpose companies.

Consolidation

The Group would consolidate a special purpose company when the substance of the relationship indicates that the Group controls the entity. As described in note 1 the Group controls a special purpose company if it has the ability to direct the financial and operating policies of the entity with a view to gaining economic benefits from the its activities.

The Group performs qualitative and quantitative analyses of its rights, obligations and economic exposures to special purpose companies. The Group assesses the consolidation accounting tests at inception of the involvement with a special purpose company and reassesses the consolidation tests when there is a change in the substance of the Group's involvement or there is change in the governing rules, contractual arrangements or capital structure of the entity.
Special purpose companies are accounted for off balance sheet where the Group does not have the majority of the risks and rewards of ownership of the entity.

The Group would consolidate a special purpose company if it obtains the majority of the risk and reward of ownership or an analysis of the qualitative features of the Group's involvement indicate that in substance the activities of the entity are conducted on behalf of the Group.

F Operational Risk

Operational risk is the risk of potential operational losses which arise as a result of the Group's business, and include losses attributable to human error, systems failure, fraud and legal exposure. The Group mitigates such risks through the maintenance of a comprehensive system of internal controls, which incorporates a strict segregation of duties between front and back office functions. The Executive Committee monitors the continued effectiveness of the control environment by comparison to agreed key risk indicators. Control procedures are reviewed on a regular basis by an independent internal audit function. In addition, the Group maintains and tests contingency facilities to support operations in the event of disasters and has purchased insurance where required by law or regulation and to address selected business risks.

G Legal Risk

Legal risk is the risk that the business activities of the Group have unintended or unexpected legal consequences and includes risk arising from inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty as to the validity or enforceability of a contract. The Group identifies and manages legal risk through effective use of its legal services department, which is independent of the front office, and external legal advisors.

H Regulatory capital management

The primary objectives of the Group's capital management process is to ensure that the regulated Group entities comply with all externally imposed capital requirements and maintain a strong capital position in order to support the Group's business.

The Group maintains an effectively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, amongst other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Financial Services Authority in supervising the Group's regulated entities. The Group also performs regular capital projections that include scenario analysis, which are reviewed by the senior management of the Group and are consistent with requirements under Basel Pillar II.

Basel II contains the relevant regulatory capital requirements which were implemented primarily through the Group monitoring compliance with the Financial Services Authority's General Prudential sourcebook ('GENPRU') and the Prudential sourcebook for Banks, Building Societies and Investment Firms ('BIPRU'). The methodology used for calculating capital is based upon the standardised approach defined within these sourcebooks for market risk and counterparty risk and the Basic Indicator Approach for Operational Risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

During the prior year the Group received two core Tier 1 capital injections from its parent totalling £70.3 million. No changes were made in the objectives, policies or processes from the previous year except for those required for compliance with the relevant aspects of Basel II.

The Group's regulated entities regulatory capital is analysed below:

	2011 **£ millions**	2010 £ millions
Tier 1 Capital	315.8	464.2
Tier 2 Capital	-	-
Deductions	-	(1.3)
Total capital resources	315.8	462.9
Total regulatory capital requirements (including interim Individual Capital Guidance)	137.2	202.0
Capital surplus	178.6	260.9

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings and current year profit and losses. Certain adjustments are made to UK GAAP based results and reserves as prescribed by the Financial Services Authority.

32. SUBSIDIARY ENTITIES

A Entities controlled by the Company

Entities that are controlled by the Company where the Company has dominant influence through voting control or other considerations are summarised below:

	Nature	Country of incorporation	**Equity 2011 %**	Equity 2010 %
Voting control companies				
Mizuho International plc	Trading	UK	**100%**	100%
Structured Credit America Ltd	Trading	UK	**100%**	100%
Mizuho International (Nominees) Limited	Dormant	UK	**100%**	100%
Special purpose companies				
Delphinus CDO 2007-1 Limited	Securitisation	Cayman	**N/A**	N/A

Mizuho International plc

Mizuho International plc is a voting control entity incorporated in the United Kingdom and registered in England and Wales. The Company has control over this entity through holding all of its issued voting share capital from 25th January 2010.

Structured Credit America Ltd

Structured Credit America Ltd is a voting control entity incorporated in the United Kingdom and registered in England and Wales on 5th February 2009. The Company has control over this entity through holding all of its issued voting share capital from 25th January 2010.

Delphinus CDO 2007-1 Limited

Delphinus CDO 2007-1 Limited is a special purpose company arranged by the Group during 2007 to securitise primary and derivative financial instruments. The Group retained synthetic and funded notes issued by this entity. An event of default on 4th January 2008 triggered contractual arrangements that resulted in the Group being assessed to have dominant influence over this entity from this date.

B Entities de-consolidated during the financial period

Capell Farm Finance Limited

Capell Farm Finance Limited is a special purpose company incorporated in the United Kingdom and registered in England and Wales during 2006. Capell Farm Finance Limited has been deconsolidated, as the funding facility agreement with Capell Farm Finance Limited was terminated during the financial year.

33. PARENT UNDERTAKINGS

Mizuho Securities UK Holdings Ltd is directly owned by Mizuho Securities Co., Ltd., a company which is incorporated in Japan.

The ultimate parent undertaking is Mizuho Financial Group, Inc., which is incorporated in Japan. The smallest and largest groups into which the financial statements of the Company are consolidated are Mizuho Securities Co., Ltd. and Mizuho Financial Group, Inc. respectively.

Copies of the group financial statements of Mizuho Securities Co., Ltd. can be obtained from:

Corporate Communications Department
Mizuho Securities Co., Ltd.
Otemachi First Square 1-5-1,
Otemachi, Chiyoda-ku, Tokyo
100-0004, JAPAN
http://www.mizuho-sc.com/english/ir/financial_results/ar/index.html

Copies of the group financial statements for Mizuho Financial Group, Inc. can be obtained from:

Corporate Communications
Public Relations Office
Mizuho Financial Group, Inc.
Marunouchi 2-chome Building, 2-5-1
Marunouchi, Chiyoda-ku, Tokyo
100-8333, JAPAN
http://www.mizuho-fg.co.jp/english/investors/financial/annual/index.html