EMPOWERING MARKETS

NEX Group plc
Annual Report for the year ended 31 March 2018

NEX connects markets, enabling any institutional client to trade and optimise resources reliably, securely and conveniently across the transaction lifecycle in the manner they choose.

We provide electronic trade execution platforms for the OTC markets.

We deliver transaction lifecycle management and information services to help our clients optimise their capital, mitigate their risk and reduce their operational costs.

We partner with emerging technology companies to bring greater efficiency, transparency and scale to the world's capital markets.

Encouraging technological advancement to improve the markets, we invest in companies that challenge convention.

In an era of rapid regulatory and technological change, we help our clients prepare for what lies ahead.

Headquartered in London, NEX employs more than 1,900 people in 16 offices around the world.

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HIGHLIGHTS

Revenue
£591m

Operating profit
£147m

Trading operating profit
£147m

Profit before tax
£125m

Trading profit before tax
£127m

EPS (basic)
29.9p

Trading EPS (basic)
24.2p

Full-year dividend per share
11.15p

Operational highlights

– Revenue increased by 9% to £591 million (2016/17: £541 million).
– Operating profit decreased by 4% to £147 million (2016/17: £153 million). Trading operating profit decreased by 3% to £147 million (2016/17: £152 million).
– Profit before tax increased by 2% to £125 million (2016/17: £122 million). Trading profit before tax increased by 5% to £127 million (2016/17: £121 million).
– EPS (basic) is up 11% at 29.9p per share (2016/17: 27.0p). Trading EPS (basic) is down 4% at 24.2p per share (2016/17: 25.1p).
– Final dividend proposed at 7.65p per share (2016/17: 27.0p), making the full-year dividend 11.15p per share (2016/17: 38.5p).

For our key performance indicators
see pages 10-11

For our financial results
see pages 24-27

For dividend information
see page 29

Throughout the Annual Report 2018, we present alternative performance measures such as trading, one-off items, constant currency and trading free cash flow as we believe this provides stakeholders with additional helpful information on the performance of the business. For a reconciliation of alternative performance measures to statutory amounts
see pages 32-33

NEX Group plc is incorporated as a public limited company and is registered in England and Wales with the registered number 10013770. NEX Group plc's registered office is 2 Broadgate, London EC2M 7UR. The directors present the Annual Report for the year ended 31 March 2018. References to 'NEX', the 'Group', the 'Company', 'we', or 'our' are to NEX Group plc and its subsidiary companies where appropriate. Pages 1 to 93 inclusive of this Annual Report comprise the strategic report, governance and directors' report and the remuneration report that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Forward-looking statements
The Annual Report contains certain forward-looking statements with respect to the expectations, plans and aims of the Group relating to future performance, financial position and results. All forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control and/or that may cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report. However, we can give no assurance that expectations will not differ materially from actual outcomes and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

OUR BUSINESS MODEL

WHAT WE DO

NEX enables any institutional client to trade and optimise resources reliably, securely and conveniently in the manner they choose, partnering with emerging technology companies to bring greater efficiency, transparency and scale to the world's capital markets.

NEX Markets provides electronic trade execution platforms for the OTC markets.

Business areas
Central limit order books • Execution management system • Relationship-based platforms • Cash and FX liquidity platforms

NEX Optimisation delivers transaction lifecycle management and information services to help our clients optimise their capital, mitigate their risk and reduce their operational costs.

Business areas
Trade and portfolio management • Analytics • Regulatory reporting • Data insights • Financial resource optimisation

NEX Opportunities invests in financial technology companies that challenge convention, encouraging technological advancement to improve the markets.

Business area
Funding and investment for pioneering financial technology businesses

NEX operates across the whole transaction lifecycle

HOW WE DO IT

	Vision	Development	Sales
What	Constant dialogue with clients about their needs • Client, market and industry insight • Subject matter expertise • Deep industry knowledge • Strong relationships with policy makers and regulators • Track record of innovation and success	Development of platforms, services and products • Investment in infrastructure, security and technology • Relationships with complementary partners • Unique networks • Diverse mix of products and services	Commission on trade execution • On-boarding fees • Volume-based, fixed price and minimum spend subscriptions • One-off service fees
Who	Analytics • Market data insights • Government affairs and regulation	Product planning • Development • Mergers, acquisitions and investments	Sales • Client Relationship Management • Marketing • Communications
	Human Resources • Operations • Information Technology and Security • Finance Legal • Compliance • Corporate Affairs • Investor Relations • Company Secretariat		

OUR CLIENTS

Asset managers	Market infrastructure providers
Corporates	Professional trading firms
Global, regional and central banks	Regulated trading venues
Hedge funds	Sovereign wealth funds

WHERE WE OPERATE

London • Bristol • Frankfurt • Hamburg • Milan • Paris • Stockholm • Tel Aviv • Zurich
New York • Parsippany • Hong Kong • Shanghai • Singapore • Sydney • Tokyo

HOW WE CREATE VALUE

Clients
By continually innovating • By creating robust products • By delivering impeccable service • By anticipating client needs

Strategic priorities:
1 • 2 • 4 • 5 • 7 • 8

Shareholders
By maximising shareholder value • By continually striving to achieve a dominant market position

Strategic priorities:
3 • 8

HOW WE HIRE, REWARD AND RETAIN

Employees
By ensuring that employees are engaged and inspired • By sourcing talented people and developing them to realise their potential

Strategic priorities:
6 • 9

Community
By investing in the communities in which we operate • By adopting a responsible approach to everything we do

Strategic priorities:
6 • 9

For our strategic priorities
see pages 6-9

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Michael Spencer
Group Chief Executive Officer

"NEX is a story of entrepreneurship and innovation in a constantly evolving market."

NEX is a story of entrepreneurship and innovation in a constantly evolving market. Over the past year we have seen the continued growth of trading activity in emerging markets, increased demand for regulatory reporting solutions and data analytics, the growing importance of non-bank clients and more disruptive technologies.

Before I discuss how we are leading and responding to changes in market structure, let me say a few words about why the board of NEX is recommending that shareholders vote to accept the offer that has been made for NEX by CME. This marks the culmination of a process which began earlier in the year when Terry Duffy, the CEO of CME, approached me about a combination of the two businesses. Since then we have held many discussions about what such a combination would look like, and particularly the opportunities and prospects a combined business would offer for all those who work at NEX around the world.

I would only ever agree to recommend a deal which the board considered to be for the overall benefit of our staff, shareholders and clients. The combination of NEX and CME will be an industry-changing transaction. Bringing together cash and futures products and OTC services is unique, offering clients improved access to trading, greater financial efficiencies and highly valuable data sets. The technology and innovation opportunities will be diverse and extraordinary.

Since the start of the calendar year our markets have been more active as volatility has increased from historic lows. The normalisation of financial markets remains a protracted process, but early indications point to a positive trend rather than an anomaly. Together with my senior management team, we remain focused on what we can control to improve our financial performance and increase shareholder returns.

Every day thousands of professional traders across the globe use NEX Markets platforms to transact billions in spot FX and fixed income volumes. We are recognised as the reference rate within the interbank market for a number of core pairs, including the USD versus CNH, EUR, JPY and CHF as well as US Treasury actives. At NEX Markets we pioneered electronic trading in offshore emerging market currencies such as Chinese yuan, Korean won, Indian rupee and Russian ruble. Over the past year I am proud, for example, to highlight that average daily volume in Asian NDFs grew by 25% to $7 billion, a tremendous achievement.

In China, we partnered with CFETS, China's interbank market trading platform and infrastructure provider, to launch CFETS FX2017, a next-generation trading platform for the Chinese FX market. NEX has a strong track record of innovation in financial markets technology and I am pleased that we have been able to work with our longstanding partner CFETS to launch a public market for CNY spot FX and a next-generation disclosed trading platform for CNY spot, forwards and swaps. This is a significant milestone in the development of the domestic FX market in China, and we will continue to support our CFETS partner as they roll out further phases and we explore further partnership opportunities in the future.

> **"The combination of NEX and CME will be an industry-changing transaction. The technology and innovation opportunities will be diverse and extraordinary."**

As global margin regulations continue to reshape the derivatives markets, companies have come to understand more clearly the benefits of adopting solutions to solve their operational challenges, moving from manual to digital processes. triResolve Margin, which leverages the triResolve franchise, has experienced rapid growth in just over a year with more than 100 new clients globally. This growth is expected to continue as companies reassess their collateral management processes in the new regulatory environment. At the same time, NEX Regulatory Reporting has delivered new annualised revenue of more than £10 million as we help our clients meet their new MiFID II and other regulatory reporting obligations. Both these products, together with the analytics solutions, have supported our efforts to widen our client base to the buy side.

Through NEX Opportunities, NEX is building an investment portfolio of emerging financial and disruptive technology companies. It identifies and provides capital to companies delivering new platforms, business models and next-generation technologies with the objective to drive efficiencies, transparency and scale across the transaction lifecycle. Since its launch, NEX Opportunities has invested in 11 portfolio companies, two of which have subsequently been wholly acquired by NEX.

The directors recommend a final dividend of 7.65p per share (2016/17: 27.0p) which will result in a full-year dividend of 11.15p per share (2016/17: 38.5p). If approved, the final dividend will be paid on 27 July 2018 to shareholders on the register at the close of business on 6 July 2018. The shares will be quoted ex-dividend from 5 July 2018.

In conclusion, we have made great progress over this past year for which I would like to thank all our employees. We have built NEX as an agile organisation that adapts quickly to change. We have become more client-centric and willing to invest where we see growth opportunities. I have been supported by a collegiate and collaborative senior management team, who together have worked towards delivering increased returns for shareholders. Going forward, NEX as part of CME will create one of the leading global markets businesses in the world. The combination of the two businesses offers considerable new potential for revenue growth for NEX businesses. For the first time, clients will have access to a holistic offering across the entire chain of futures, cash and OTC products.

Michael Spencer
Group Chief Executive Officer
22 May 2018

OUR STRATEGIC PRIORITIES

1.

DELIVER A UNIQUE SUITE OF LEADING SERVICES TO SUPPORT OUR CLIENTS THROUGHOUT THE TRANSACTION LIFECYCLE FROM PRE TRADE AND EXECUTION TO POST TRADE.

What we have achieved

- triCalculate launched its XVA service, which calculates the risk value of counterparty default in client transactions, allowing clients to quantify and mitigate this risk. triCalculate's calculations are ten times more accurate than market competitors and, as a hosted service, it is easily updated to reflect future legislation.
- ENSO Core has grown to include replication and reconciliation of complex prime broker margin and financing methodologies, cash, collateral and margin management and additional web-based tools for commission and financing wallet aggregation, evolving into an all-encompassing Treasury application.
- We launched the PIVOT Payments and Investment Optimisation Tool, enabling the ENSO Core client base to instruct and move cash across counterparties including the ability to make third-party payments. Through the partnership between NEX Optimisation and NEX Markets, PIVOT connects the ENSO Core platform with NEX Treasury, a cash and FX liquidity management centre for the corporate and bank community, providing steps towards establishing heightened client workflow and leading to a point-click-and-execute model.
- Traiana launched electronic management of confirmations and payments for equity swaps (Swaps Centre) last year. The product was designed to furnish swap providers and their clients with an efficient, more cost-effective and lower risk solution for managing events during equity swap transactions.

KPI(s)

- Subscription revenue
- Non-bank revenue
- Clients generating >£1m revenue

2.

EXPAND THE GLOBAL CLIENT BASE TO EMBRACE HEDGE FUNDS, CORPORATES, ASSET MANAGERS, SOVEREIGN WEALTH FUNDS, GLOBAL, REGIONAL AND CENTRAL BANKS.

What we have achieved

- The average assets under management of corporates using the NEX Treasury platform has grown by 13% in 2017/18.
- EBS Institutional, our trading platform for asset managers, continues to generate interest within the markets and in the last 12 months has built a strong pipeline amongst large real-money asset managers.
- NEX Regulatory Reporting successfully launched its MiFID II reporting services (ARM, APA and ISCI). We increased our client base to 281, including a rapidly growing number of hedge funds, due to many of them being in scope to report transactions for the first time under MiFID II.
- Our Analytics business area provides services to both buy-side and sell-side institutions. ENSO Core has created a large buy-side client community and during 2017/18 we have seen growth opportunities across the broader asset management industry and managed account platforms.

KPI(s)

- Subscription revenue
- Non-bank revenue
- Clients generating >£1m revenue

3.

INCREASE REVENUE AND EXPAND MARGINS WITH A CAPITAL-LIGHT, OPERATIONALLY LEVERAGED MODEL.

What we have achieved

- The EBS e-Fix Matching Service delivered strong growth with a 25% increase in 2017/18 against the previous year. We continue to expand the number of benchmarks available through the service and three new benchmarks are in the pipeline.
- Our EBS Direct forwards and swaps offering has seen 100% growth in 2017/18 against the previous year.
- Substantial growth can be noted in Asian NDFs trading on EBS as it looks towards 25% growth for 2017/18 against the previous year.

KPI(s)

- Revenue
- Trading free cash flow conversion
- Trading operating profit margin

4.

INVEST IN EARLY STAGE COMPANIES AND DISRUPTIVE ORGANIC TECHNOLOGY WHICH SUPPORT CORE NEX COMPETENCIES AND INCREASE INTELLECTUAL PROPERTY.

What we have achieved

- Investments during the year include increases in the Group's investments in Duco Technology Ltd, Research Exchange Ltd and Cloud9 Technologies LLC, all through NEX Opportunities.
- The Group, again through NEX Opportunities, invested in the development of an enterprise grade digital asset trading platform.
- In September, we launched NEX Quant Analytics, the FX market's largest and most comprehensive community-based analytics tool for clients trading on the EBS platform. This gives clients greater insight into market and trade activity and allows them to benchmark their performance relative to peers. The service is available to EBS clients and combines advanced analytic capabilities and access to the entire suite of EBS benchmark trading data.

KPI(s)

- Number of equity investments

OUR STRATEGIC PRIORITIES (continued)

5.

PROVIDE A HIGHLY SECURE ENVIRONMENT FOR OUR CLIENTS.

What we have achieved

- Many of our services are ISO 27001:2013 certified for best practice in information security management from EY CertifyPoint. ISO 27001:2013 is the leading auditable international standard which defines the requirements for an information security management system to ensure that sufficient security controls are instituted within the certified organisation.
- NEX Regulatory Reporting's core technical stack resides in Amazon Web Services (AWS) and, as a result, has robust business continuity management plans. AWS maintains data centres in clusters in Dublin and Frankfurt and is exploring deployment further into Europe. Applications are developed with security as a key requirement and are tested against these requirements periodically. Developers are trained in secure coding techniques, and all employees are educated on the responsible handling of confidential and sensitive data.
- In response to MiFID II and GDPR, we developed a short code identifier service designed to protect anonymity and ensure optimal latency and compliance with GDPR. The solution, known as 'ISCI' (Industry Standard Common Identifier), supports Transaction Reporting under RTS 22 and Order Record Keeping under RTS 24.
- In August 2017, Traiana was awarded ISO 27001 certification from the Israeli Standards Institution. Achieving the ISO 27001 standard certifies that Traiana has the requisite information security controls in place to protect client data. The certification is awarded only to those companies that can meet the standard as judged by an independent, accredited team of auditors.

KPI(s)

- Number of significant IT breaches

6.

ESTABLISH A STRONG AND UNIFIED IDENTITY AND CULTURE FOR NEX.

What we have achieved

- We developed a new Group-wide policy toolkit appropriate for NEX, including a Group Employment and Conduct policy which encompasses our approach to employment practices, including Equal Opportunities and Diversity. The policy also aims to give guidance to all our people on the standards of conduct expected of them, and which they are entitled to expect of others.
- The NEX values toolkit was designed by engaging over 10% of our workforce via 18 workshops in London, New York, Parsippany, Singapore, Stockholm, Tel Aviv and Bristol, resulting in a set of core values which articulate the fundamental beliefs at the heart of our organisation. They will be used to guide the actions and behaviours of our employees. To support employees in their understanding of this, we have this year created a behavioural framework, which translates our values into specific actions which describe what it takes to be successful at NEX.

KPI(s)

- See note on page 11

7.

ENSURE NEX STAYS RELEVANT IN THE FUTURE AND HAS ESTABLISHED ITSELF AS A THOUGHT LEADER.

What we have achieved

- Our MiFID II white paper entitled *MiFID II: Three hard truths for buy-side firms* was published in April 2017 accompanied by a targeted campaign which generated over 600 new leads.
- We published a second MiFID II white paper entitled *Guide to MiFID II Success* in July 2017 which resulted in more than 1,700 new leads.
- March 2018 saw the launch of the NEX and Celent white paper entitled *Cloud in Capital Markets: Getting Ahead of Tomorrow*, which was launched with a round-table event with industry experts.
- We have partnered with CFETS to launch CFETS FX2017, a next-generation disclosed trading platform for CNY spot, forwards and swaps. This is a significant milestone in the development of the domestic FX market in China.

KPI(s)

- See note on page 11

8.

CREATE MAXIMUM VALUE FOR OUR CLIENTS AND SHAREHOLDERS.

What we've achieved

- The NEX transformation programme is on target to deliver more than £50 million in cost savings which will benefit operating margins in both divisions.
- Revenue increased by 9% to £591 million, trading profit before tax increased by 5% to £127 million, and trading EPS (basic) is down 4% at 24.2p per share.

KPI(s)

- Revenue
- Trading free cash flow conversion
- Trading operating profit

9.

HIRE, DEVELOP AND RETAIN INDUSTRY-LEADING TALENT.

What we have achieved

- We continue to review our recruitment processes and frameworks to ensure we are hiring a diverse mix of talent and developing our employer brand.
- We are adopting the use of social media platforms to reach and engage a broad section of talent and we have seen a rise in the number of direct hires entering NEX over the last year.
- In June 2017, we completed the roll-out of our Leadership@NEX programme. Over 220 of our people participated in this two-day development experience across our London, New York, Singapore and Tel Aviv offices, which focused on a range of key leadership themes.
- In February 2018, we launched the Intuition e-learning platform, which allows all our employees to access a library of almost 300 modules on the financial markets.

KPI(s)

- See note on page 11

KEY PERFORMANCE INDICATORS

Revenue
£591m

FY18	£591m
FY17 restated	£541m

Definition
Revenue from the consolidated income statement.

Performance
9% of revenue growth in the year, primarily due to the weaker pound, new businesses and the CFETS contract.

Strategic priorities: 3 • 8

Subscription revenue
41%

FY18	41%
FY17	41%

Definition
Percentage of revenue generated from subscription revenue streams.

Performance
Flat to prior year, with overall growth in revenue.

Strategic priorities: 1 • 2

Non-bank revenue
33%

FY2018	33%
FY2017 (restated)	32%

Definition
Percentage of revenue derived from non-bank client base.

Performance
Reasonably flat to prior year, with overall growth in revenue.

Strategic priorities: 1 • 2

Trading free cash flow conversion
22%

FY18	22%
FY17	115%

Definition
Trading free cash flow conversion is cash generated by operations, less interest, tax and capital expenditure, plus dividends received from associates, joint ventures and investments, measured as a percentage of trading profit for the year. See calculation on page 30.

Performance
Trading cash flow conversion was affected by adverse working capital movements, primarily driven by the CFETS contract and the timing of tax and interest payments. Excluding these items the conversion would be 67%. Over the medium term, the expected range is 80% to 90%.

Strategic priorities: 3 • 8

Trading operating profit margin
25%

FY18	25%
FY17	28%

Definition
Trading operating profit as a percentage of revenue.

Performance
The 3 ppt decrease in trading operating profit margin reflects the increase in revenue offset primarily by one-off transformation programme costs.

Strategic priorities: 3 • 8

Client generating revenue >£1m revenue
81

FY18	81
FY17	79

Definition
Number of clients who generate more than £1 million of revenue across all products.

Performance
Reasonably flat to prior year. This is expected to continue to grow in the future through increased integration and cross-selling across the Group.

Strategic priorities: 1 • 2

Number of equity investments

8

Definition
Number of early stage companies in which the Group has invested during the year, including new investments in AFS investments, associates, joint ventures, subsidiaries and convertible loan notes.

Performance
Equity investments during the year include increases in the Group's investments in Duco Technology Ltd, Research Exchange Ltd and Cloud9 Technologies LLC, all via NEX Opportunities.

Strategic priorities: 4

Number of significant IT breaches

0

Definition
Significant IT breaches to any NEX client-facing platforms are defined as breaches impacting multiple clients in multiple jurisdictions which had a material impact on revenue.

Performance
NEX continued to encounter no significant IT breaches during the year (2016/17: none).

Strategic priorities: 5

Note
NEX is committed to promoting equality and inclusion for all our people. This commitment is reinforced by our 'We are Together' corporate value, which incorporates the importance of respect, trust, diversity and authenticity. As a new Group, many key initiatives are currently in progress to support this objective, including:

– the introduction of the NEX values following the launch of NEX in January 2017;
– the creation of a NEX behavioural toolkit, articulating how our values come to life;
– the launch of NEX Communities, the umbrella for all our employee mutual interest networks, including a women's community, NEX Women, and an LGBTQ+ community, NEX Pride;
– the development of an early career talent strategy, proactively sourcing a skilled and diverse workforce in all its forms, in addition to ongoing efforts to support gender balance in all recruitment; and
– the launch of the Group-wide reward policy, with equality, fairness and simplicity as core principles.

As many of these initiatives are new we will continue to consider how we track our progress towards strategic priorities 6, 7 and 9 and develop KPIs upon which we can report in the future.

For a reconciliation of alternative performance measures, see pages 32 and 33.

RESOURCES, RELATIONSHIPS AND RESPONSIBILITIES

Our people

NEX comprises more than 1,900 people and we recognise that our success depends on their quality. We make a significant investment in training to develop the capabilities of our people and to ensure that each employee is clear about their responsibilities.

We recognise that a mix of backgrounds, skills and experience within teams improves adaptability and agility, and we aim to appeal to a diverse range of people.

Gender ratio

	Male		Female	
Board of directors	6	75%	2	25%
Senior management	31	79%	8	21%
All other employees	1,225	70%	532	30%
Total	**1,262**	**70%**	**542**	**30%**

Gender ratio data excludes 142 contingent workers.

Talent

We continue to focus on attracting, retaining and developing talent across the Group. We remain committed to ensuring we recruit talent in an efficient, streamlined and agile way. We have completed a global review of our recruitment suppliers to ensure we are partnering with the right agencies aligned to our business needs, and to ensure we are managing our third-party spend efficiently.

We continue to review our recruitment processes and frameworks to ensure we are hiring a diverse mix of talent and developing our employer brand. We are adopting the use of social media platforms to reach and engage a broad section of talent and we have seen a rise in the number of direct hires entering NEX over the last year.

Early career talent remains a priority for our business, and in October 2017 we welcomed 24 global graduates to London for a week-long development programme. Delegates participated in training covering a variety of financial markets topics as well as broader professional skills. They additionally had the opportunity to build their understanding of our business and to meet board members, leaders and colleagues from across the Group.

In June 2017, we completed the roll out of our Leadership@NEX programme. Over 220 of our people participated in this two-day development experience across our London, New York, Singapore and Tel Aviv offices, which focused on a range of key leadership themes.

In February 2018, we launched the Intuition e-learning platform, which allows all our employees to access a library of almost 300 modules on the financial markets.

We continue to take a strategic view of our talent. Our leaders widely engage in discussions around talent deployment and development, and this remains a crucial component of the work undertaken to redefine target operating models for our business.

Employee engagement

We value the views of our employees and will continue to increase engagement with them through our internal communications programme.

We regularly use the channels available to us to solicit the opinions of our employees on areas of special interest or significant focus as appropriate. During this year we have run a series of Group-wide and business town halls, and maintaining an open and regular dialogue with our people remains a priority. We have continued to develop our monthly NEX Express newsletter to deliver short, sharp summaries of news across NEX offices and we combine this with employee networking events.

We have also made use of employee surveys in order to solicit employee opinions when managing change, and we are planning a Group-wide engagement survey during the summer of 2018. We continue to operate a long-term incentive plan for our leadership cohort and have expanded our employee Sharesave scheme to our five largest geographic locations.

Creating an open and inclusive environment is sponsored and spearheaded by our senior executive team and championed at every level of the organisation. NEX embraces diversity and believes that employees should feel valued, respected and supported as unique individuals – only then can we truly unlock employee potential.

Our culture

Our ability to adapt to change in our markets and across our business is a direct result of our culture, underpinned by the principles of professional conduct. This year, we have developed a new Group-wide policy framework appropriate for NEX, including a Group Employment and Conduct policy which encompasses our approach to employment practices, including equal opportunities and diversity. The policy also aims to give guidance to all our people on the standards of conduct expected of them and which they are entitled to expect of others.

All our people, regardless of location, function and seniority, are expected to demonstrate sensitivity to and respect for the diversity of the people with whom they work and the environments and cultures in which they operate. They are strictly prohibited from engaging in any conduct which amounts to harassment or discrimination on the grounds of gender, marital status, race, disability, age, sexual orientation, or religion or similar belief. We are committed to making reasonable adjustments to accommodate those with disabilities, wherever this is possible.

The board and senior management team define our cultural agenda and we continue to work to ensure that we are a values-driven organisation. We have undertaken a thorough process, with significant employee input, to define our corporate values and the behaviours that support them.

Our values

We are Transformational
We are forward thinkers. We anticipate the needs of the markets and our clients. We respond with expertise and agility.

We Simplify
We make things simple and straightforward. We communicate clearly, providing transparency and confidence.

We are Dedicated
We hold ourselves accountable to each other and to our clients. We are invested in the long-term success of our clients and our Company.

We are Together
We value each other and collaborate with respect and trust. We are authentic, diverse and enjoy what we do.

The NEX values articulate the fundamental beliefs at the heart of our organisation. They will also be used to guide the actions and behaviours of our employees. To support employees in their understanding of this, we have this year developed a behavioural toolkit which translates our values into specific actions which describe what it takes to be successful at NEX.

The toolkit was designed by engaging over 10% of our workforce via 18 workshops in London, New York, Parsippany, Singapore, Stockholm, Tel Aviv and Bristol. The workshops were an opportunity for employees to provide both feedback on our draft values and insight into 'what good performance looks like' for our organisation. Additionally, we conducted structured interviews with high performers, and benchmarked our findings against external best practice. The behaviours were also tested out with a wider range of people from across the Company. The process was positively received by our employees, who fed back that they were pleased to have been able to provide inputs, share experiences and work collaboratively on incorporating our values into our workplace.

The toolkit is made up of eight behaviours that bring our values to life and drive our performance:

Drive
Commitment to delivering high standards, achieving results, overcoming obstacles and exceeding expectations.

Client focus
Building a deep understanding of our clients and stakeholders to develop partnerships and drive growth.

Communication
Communicating and influencing in a clear, concise, confident and timely way to get your message over and inspire action.

Execution
Ensuring effective delivery of goals, products and services by building structured, streamlined ways of working.

Collaboration
Working together to develop shared goals, build effective relationships and deliver results.

Leadership
Leading, motivating and inspiring others by setting goals, clarifying priorities, and engaging and developing the team.

Smart thinking
Analysing problems and opportunities in a logical, structured way to navigate complexity and generate effective solutions.

Agility
Being adaptable, open-minded and resilient in our changing context. Predicting, influencing and shaping the future.

RESOURCES, RELATIONSHIPS AND RESPONSIBILITIES (continued)

We anticipate that the toolkit will be introduced to our employees in summer 2018, and will be embedded into our recruitment and selection, performance management and learning and development practices.

NEX Communities

As we change and develop, we recognise the importance of our networks and relationships. We launched the 'NEX Communities' initiative with the specific goal to provide a platform for employees to create communities with their colleagues around areas of mutual interest. We have a wide range of networks founded and shaped by employees and designed to help them build better relationships across different functions.

The NEX Women's Community was launched in London in 2017 and has gone on to establish networks in New York, Tel Aviv and Stockholm. In March, NEX Women launched a global campaign around International Women's Day, celebrating the 'Press for Progress' initiative and endorsing the themes of equality and diversity, and challenging convention. The campaign showcased the thoughts and inspirations of many of our male and female colleagues around the world, highlighting the importance of diversity and parity.

Members of the Community also launched the initiative 'At the table with a NEX leader', designed to bring colleagues together around a table with a senior executive, focused on a theme of interest.

The NEX Pride Community was launched globally connected to a broader campaign about diversity and respect for individuality. The purpose is to provide a respectful and inclusive workplace, as well as a safe environment, allowing all employees to openly embrace their sexual orientation, gender identity and gender expression. We have established a strong network in London, Tel Aviv, New York and Stockholm. NEX is proud to be a Stonewall Diversity Champion and a member of the Interbank Lesbian, Gay, Bi-sexual and Transgender (LGBT) Forum.

Corporate and Social Responsibility

Corporate and Social Responsibility (CSR) is a key programme emphasising our commitment to being a socially responsible business, both internally and externally, by making a positive impact on the environment, people and communities in which we work and live.

CSR is delivered through the NEX For Good programme and is built on four elements:

Volunteering
Helping employees give back to their communities.

Social mobility
Providing a platform for young people from challenging backgrounds to start a professional career.

Environmental
Operating in an eco-conscious manner.

Corporate giving
Supporting charitable causes and disaster relief efforts.

Volunteering

In 2017/18, we successfully launched an Employee Volunteering Programme in the UK, enabling employees to support local charities to build stronger communities. During 2018/19 will be implementing it across our other locations.

Social mobility

We are committed to equal opportunities and firmly believe that everyone should be given the chance to fulfil their potential. Through our apprenticeship scheme, we support young people from underprivileged and challenging backgrounds and provide a platform to start a rewarding career. In the UK, we have teamed up with a leading charity, Leadership Through Sports & Business, which has successfully provided 52 apprentices over the past five years, 18 of whom have been given permanent roles within NEX. We now plan to replicate the success in our other offices and across other business functions.

Environmental

NEX is dedicated to ensuring a better world for future generations and will conduct its business operations in an environmental, ethical, sustainable and responsible manner.

We report our environmental impact annually through our greenhouse gas (GHG) inventory and take steps internally to reduce GHGs through efficient use of our estate, reduce waste by recycling and reduce employee travel through use of technology. We mitigate our residual carbon footprint through investing in carbon reduction projects. This year, we have supported certified woodland creation totalling over 70,000 trees and a peatland restoration project in the Scottish Borders, the first ever to complete the certification process under the new Peatland Code.

For the reporting year 2017/18 we have restated our prior year emissions to exclude the impact of ICAP properties and include only NEX-occupied locations.

Emissions associated with electricity consumption and purchased heat decreased by 3% from 5,395 tonnes of CO_2e during 2016/17 to 5,230 tonnes of CO_2e in 2017/18. Our Scope 3 related emissions decreased from 4,222 tonnes of CO_2e in 2016/17 to 3,762 tonnes of CO_2e in 2017/18, a favourable drop of 11%.

Total emissions per full-time employee reduced by 13% from 5.4 tonnes of CO_2e in 2016/17 to 4.7 tonnes of CO_2e in 2017/18.

These estimates were provided by Carbon Smart, an environmental consultancy. Carbon Smart assessment was carried out in accordance with the Greenhouse Gas Protocol and in accordance with Defra's Environmental Reporting Guidelines. Responsibility for emissions sources was determined using the operational control approach.

Corporate giving

We support charitable projects and deserving causes through targeted funding, and respond to humanitarian disasters by contributing to relief efforts. In 2017/18, our donations have helped communities affected by the Manchester Arena bombing and the Grenfell Tower fire in the UK and Hurricanes Harvey and Irma in the US and the Caribbean. We also support our employees' own fundraising efforts with matched donations and encourage them to become involved with the governance and management of charities through trusteeships.

NEX Giving Day

NEX Giving Day will be our annual corporate giving focus in 2018 where we donate a day's revenue to support charities with life-changing projects. NEX Giving Day is taking place on Thursday 7 June 2018, and we will donate our entire revenue from that day to a range of charitable causes worldwide.

	Tonnes of CO_2e		
Year-on-year comparison 1 April to 31 March	**Year ended 31 March 2018**	Year ended 31 March 2017 (restated)	Change (%)
Emission from:			
Scope 1*	**84**	105	(20)
Scope 2**	**5,230**	5,395	(3)
Scope 3***	**3,762**	4,222	(11)
Total[1]	**9,076**	9,722	(7)
Intensity metric: Tonnes CO_2e/Full Time Employee	**4.7**	5.4	(13)

* Scope 1 includes direct GHGs from sources owned/controlled by NEX (i.e. gas, company cars).
** Scope 2 accounts for GHGs from purchased electricity, heat and steam generated off-site.
*** Scope 3 includes all other indirect GHGs such as business travel, water and waste paper.

1 This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2017 but the resulting work has been prepared by NEX and does not necessarily reflect the views of the International Energy Agency.

RISK MANAGEMENT

A strong and robust risk management programme is fundamental to NEX's ability to meet its strategic objectives.

NEX seeks to generate attractive returns through informed risk-taking and proper consideration of both the upside and potential downside of the risks it takes and faces. We also strive to ensure that our risk management programme operates within a framework of transparency and continuous self-improvement, and that it effectively responds to changes in the internal and external environment and what is learned through experience.

The key elements of our approach are below.

Board oversight and governance

The Risk Committee of the board has responsibility and oversight of our risk management and internal control systems. It provides this oversight through approval of the risk appetite and key policies, collection and review of extensive management information about key and emerging risks, risk developments and risk events, and regular meetings with the Chief Risk Officer and other key executives to discuss, analyse and challenge risk developments. The report from the Chair of the Risk Committee is on page 54.

Risk function

NEX maintains a strong and independent Group Risk function, responsible for providing independent expertise, challenge, advice and escalation with regard to noteworthy risk issues and developments. The Chief Risk Officer reports for governance purposes to the Risk Committee and, to ensure continuing independence, the Chair of the Risk Committee makes recommendations to the Remuneration Committee regarding compensation of the Chief Risk Officer.

Risk culture

NEX maintains a strong risk culture whereby all staff are expected to embrace their responsibility to manage risk properly, and where the 'first line of defence' business management is primarily and ultimately responsible for the identification, analysis and management of the risks in its business. Essential to the risk management programme is widespread acceptance of a 'no surprises' culture, where transparency and prompt identification and escalation of mistakes or problems are fundamental and non-negotiable, and are the foundation for constant introspection and continuous self-improvement.

PRINCIPAL RISKS

The principal risks to our business model and strategic objectives are regularly identified and reviewed. These are not the only risks NEX faces, but they are those considered to be the more significant ones flowing from the business model.

Below is a description of what we view to be the principal risks to NEX along with a discussion of the nature of the risk, the NEX businesses affected by the risk, the relevant risk appetite, and whether the risk level is increasing or decreasing. We also describe some of the controls in place to mitigate the identified risk. While no control can guarantee that a risk event will never occur, these are controls that we believe contribute to a well-designed framework around risk management and mitigation. We have identified cyber risk as a specific principal risk for the first time this year.

Liquidity risk

The risk that NEX will have insufficient funds to meet its obligations under ordinary and reasonably stressed conditions.

Nature of risk and appetite	This risk occurs within the BrokerTec US matched principal business, where it serves as a fully matched counterparty to offsetting positions entered into by clients of its electronic trading platform to facilitate anonymity and access to clearing and settlement. In the course of using a central clearing house as well as a third-party clearing bank for the settlement of transactions, BrokerTec is required to post twice-daily short-term margin based on the size of executed but unsettled transactions and any adverse market moves. Without sufficient funds to meet its obligations, BrokerTec could be exposed to breach of contract claims, a reluctance of clients to continue using the platform, and an inability to continue as a member of the central clearing house. The board's risk appetite provides for NEX to maintain access to sufficient funding to meet its obligations during ordinary and stressed market conditions.
Trend	This risk remains largely unchanged. Certain developments have increased the risk somewhat, particularly that the clearing house (FICC) increased its margin requirement industry wide in response to more aggressive stress scenarios, and announced a change in methodology that will further increase requirements later this year. In addition, the beginning of the calendar year saw periods of significantly higher volatility compared with recent years. If those trends continue, increased business volumes and volatility have the potential to generate higher margin calls. Other developments have helped reduce this risk. During this past year BrokerTec began operating under k(2)i exemption, which eliminates the obligation to lock up funds in connection with certain fails. The firm is also seeing its peak margin requirements starting to trend lower in response to some of its mitigation efforts, including encouraging more clients to net at FICC and the reduction of certain client limits.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – periodic reviews, including going concern assessments; – membership in the clearing house netting group by additional BrokerTec clients; – £350 million revolving credit facility, of which a $200 million swingline is available for same-day utilisation; – contingency funding arrangements and procedures in place; – daily monitoring and escalation to executive management and Group risk of funding requirements; and – pro-active reduction of client trading limits where advisable due to near-term market conditions (e.g. during US Treasury auction extended duration when-issued settlement periods).
Strategic priorities	**3**

Counterparty credit risk

The risk of loss from the failure of a matched principal counterparty to settle its trades.

Nature of risk and appetite	This risk occurs within the BrokerTec US matched principal business, where it serves as a fully matched counterparty to offsetting positions entered into by clients of its electronic trading platform to facilitate anonymity and access to clearing and settlement. Transactions with clearing house members are typically confirmed and novated shortly after execution, at which point the clearing house assumes the risk of settlement. For transactions with counterparties that are not members of the clearing house, however, settlement typically occurs on the day following execution and, prior to settlement, BrokerTec is exposed to the risk of loss in the event a counterparty fails to meet its obligations. If that were to occur, BrokerTec would have the right to cover or liquidate the open position, but could incur a loss as a result of market movements. The board's risk appetite provides for the establishment and administration of counterparty credit limits and other risk management tools reasonably designed to avoid any significant credit loss.
Trend	This risk has remained relatively constant over the past year. In lieu of collateral, NEX now receives letters of credit from certain of its counterparties from which it would benefit in the event of a credit event involving that counterparty. The instruments that are the subject of settlement risk remain exclusively high-quality sovereign instruments, with a short-dated settlement cycle.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – membership in the clearing house netting group; – establishment and administration of a board-approved credit limit matrix; – enhancements to the credit risk system which improve underlying analytics and provide for real-time monitoring of client exposure levels; – regular review of client financial position and trading activity, including ongoing discussion with client risk personnel and on-site visits; – collection of client credit enhancement (e.g. letters of credit); and – system-administered blocks on the entry of orders that would result in transactions in excess of notional limits.
Strategic priorities	**2 • 8**

Legal and regulatory risk

The risk of breaching regulatory requirements, general laws and/or contractual commitments.

Nature of risk and appetite	This risk generally applies to all NEX businesses, though in different ways. BrokerTec, TriOptima and NEX Exchange operate regulated introducing or trading platforms, and NEX Regulatory Reporting's reporting service is an approved reporting and publication entity. These businesses are subject to various types of regulations, including adherence to specific rules and standards, regulatory exams and inquiries, monitoring and surveillance, and creation and maintenance of required records. All NEX businesses utilise, to a significant degree, client contracts that set forth mutual obligations to be adhered to in the course of the provision of products and services. A breach of those obligations by NEX could result in damages, as well as harm to its reputation and loss of clients. In addition to the risks associated with existing NEX businesses, it may also be exposed to legacy risks from the voice broking business sold to TP ICAP pursuant to indemnities and warranties agreed to as part of the sale. The board's risk appetite provides for NEX to materially operate at all times in accordance with its legal, regulatory and contractual obligations.
Trend	This risk remains largely unchanged. Over the past year, subsequent to the sale of the voice broking business (which the Group believes reduced its overall regulatory risk), the number of regulated entities, their volume of regulated activities and the staff members engaging in regulated activities have all remained relatively stable. The risk of breaching contractual commitments remains elevated, not because of a greater likelihood of breaches, but because of the consequences of a breach, as the business continues to assist its clients with satisfaction of their regulatory obligations.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – an internal legal and compliance department which acts as an independent advisory and investigation function to enable and defend the Group's strategic aims; – utilisation of standard contracts for baseline services that have been reviewed by both the legal department and commercial management to properly allocate risks; – regular advice from appropriately qualified external advisors and professionals; – documented policies and procedures communicated to all relevant staff; and – regular and ongoing staff training.
Strategic priorities	**8**

PRINCIPAL RISKS (continued)

Information security risk

The risk of confidential client information being improperly shared or accessed.

Nature of risk and appetite	This risk generally applies to all NEX businesses. The NEX Markets business will routinely have access to information about the trading activity of its clients on its platforms, and the NEX Optimisation business provides a variety of services that necessitate access to its clients' trading, settlement, margining and risk activity. The failure to protect this information effectively could result in damages for breach of contract, breach of data protection requirements in certain jurisdictions and a loss of client trust. The board's risk appetite provides for the Group to maintain robust policies, procedures and systems reasonably designed to protect the confidentiality of client information.
Trend	This risk has increased as the incidence of cyber security threats and attacks continues to increase in the financial sector and in the markets generally. The risk is also likely to increase in light of two regulatory developments. One is the implementation of GDPR which increases both the obligations associated with protecting confidential information and the penalties associated with failing to do so. The other is the implementation of MiFID II, which took effect on 1 January 2018, and which requires specified new monitoring of the Group's EU-based EBS and BrokerTec trading platforms that will necessitate collection and proper handling of individual trader information.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – timely escalation and mitigation of risk events; – information security breach monitoring; – security incident response procedures, including regulatory notification, as appropriate; – cyber security programme, including penetration testing; – contractual liability limitations; – restrictions on physical access to Company facilities; and – staff training, awareness and accountability.
Strategic priorities	**1 • 5**

Business resiliency risk

The risk that key operating and control systems are unavailable.

Nature of risk and appetite	This risk applies to all NEX businesses. Clients of NEX use the Group to provide essential execution and optimisation services and, as such, rely on the services being available and operating as intended. A failure to maintain this availability could result in disruption and loss for clients, as well as increase their interest in using competitor service providers. This is a particularly significant risk for NEX Markets' trading platforms which have established well-regarded levels of liquidity that encourage continued use, but could face difficulty replicating those same levels of liquidity if clients were to make a significant and sustained switch to alternative venues. Certain NEX Optimisation businesses also rely on the network effects of multiple participants using a service at the same time, so a service disruption that prompted client defections could also have a pronounced negative affect on certain of these businesses. In certain instances, vendors provide critical services to NEX. Upstream difficulties encountered by these vendors could have a deleterious impact on business resiliency risk, with potential for the negative outcomes described above. The board's risk appetite provides for the Group to maintain robust policies, procedures and systems reasonably designed to ensure the availability of key systems.
Trend	This risk has increased over the past year, as the incidence and complexity of cyber threats continues to increase, and to target not only the theft of information but also the disruption of the operations of market participants.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – dedicated 24/7 monitoring of system performance levels; – enhanced product release and change management processes; – security event monitoring and triggering of alarms; – key vendor reviews; – cyber security programme, including penetration testing; – timely escalation and mitigation of risk events; – provision of training and guidance; – continuous technology investment; – contractual liability limitations; and – a documented and tested business recovery programme.
Strategic priorities	**1**

PRINCIPAL RISKS (continued)

Cyber security risk

The risk that an external or internal party gains or exploits access to NEX electronic assets, with the intent of compromising and/or disseminating confidential data, impacting system operations or otherwise disrupting conduct of normal NEX business activities.

Nature of risk and appetite	This risk applies to all NEX businesses, although its potential impact may be more pronounced for NEX Markets, given the necessity for and client expectation of continuous, real-time, 24/5 system availability. There are numerous means by which parties – internal as well as external – can attempt to infiltrate a technology environment and, if successful, the impact can manifest in a variety of manners and with varying degrees of disruption and severity. These risks can also manifest themselves through clients, vendors and any other parties with potential on-line or physical access into our technology, as any weakness of theirs can potentially be used as a gateway into our environment. Cyber risk has previously been identified as a major potential source of risk to both Information Security and Business Resiliency, and that remains the case. However, it can also be a potential source of substantial risk for other areas of importance to the firm's operations, including liquidity needs and regulatory compliance, and is an area of considerable focus by senior management and board members. For these reasons, cyber security risk has this year been identified as a stand-alone principal risk. The board's risk appetite provides for a highly effective cyber security risk prevention programme in order to minimise the likelihood and impact of any successful cyber interruption.
Trend	This risk has increased over the past year, as cyber security events are occurring more frequently and attacks are designed with greater complexity and sophistication, focused not only on the theft of information but also on disrupting the operations of market participants. In addition, certain of our businesses use or are considering using cloud-based services, which could alter the nature and source of our cyber security risk. We also saw highlighted this past year the potential impact of security enhancements on operational performance. This was manifested in connection with security flaws associated with standardised industry chips, where certain remedial measures had the potential to negatively impact software performance, speed and latency, all of which are materially important to the operation of the firm's trading platforms. There is also a growing trend to introduce security flaws through the supplier chain by contaminating trusted software patches and updates. NEX has a team of staff in place across the firm focused on prevention and mitigation activities. The firm's current federated governance model means controls can be applied differently and we are working to create greater consistency across the firm. This is an area of high focus for senior management across the enterprise with progress closely monitored by the Risk Committee.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – a clearly delineated set of policies, standards and procedures; – a centralised, corporate group responsible for independent oversight and coordination of security protection efforts and responses to breaches; – periodic reviews by independent consultants, including penetration testing and application testing; – participation in industry-wide groups seeking to enhance the quality and rigour of collective cyber security efforts; – aggressive and timely patching; – monitoring of all incoming and outgoing data connections; – multi-factor authentication; and – staff training and awareness.
Strategic priorities	**5 • 8**

External change risk

The risk that NEX does not effectively respond to significant political and regulatory changes pertinent to its business.

Nature of risk and appetite	This risk applies to all NEX businesses. NEX businesses are either themselves regulated, or serving financial institutions that are. As such, developments in the regulatory environment have the potential to significantly affect NEX business. Over the past five years or so, the firm has needed to address substantial changes to the regulatory environment, most notably the implementation of the Dodd-Frank Act and MiFID II. The board's risk appetite provides for sufficient resources and expertise to be allocated to the identification, analysis, monitoring and response to such changes.
Trend	This risk has decreased somewhat, as the potential regulatory changes on the horizon appear less impactful than those that needed to be addressed in recent years. For example, MiFID II required major changes to certain of our businesses and the need for associated change management efforts, but the requirements are now in effect and we are operating on a business-as-usual basis. Similarly, while the UK's vote to leave the European Union continues to create a number of uncertainties for the financial services sector, we have in the past year identified Amsterdam as a future operating location for our affected businesses. This new location will permit us to continue to conduct our business in a properly licensed manner following Brexit, and as such we do not currently anticipate a material impact from this change. There are, however, upcoming changes which we are working to make sure we properly address. One is the implementation of GDPR, set to take effect in May 2018, which has required us to do a comprehensive review of our data privacy policies and processes and to put in place certain requirements specifically mandated by GDPR. While much of that work has been completed, additional work remains to ensure complete readiness and ongoing compliance. Another pending change is the implementation of the Senior Managers and Certification Regime for certain of our UK businesses. While not expected to take effect until 2019, we anticipate reviewing and preparing our businesses and executives for these new requirements. Lastly, in the US, while the bulk of regulatory change following the 2008 financial crisis has now occurred through the implementation of the Dodd-Frank Act, policymakers continue to consider potential reforms that could impact the firm. Certain government officials, for example, have called for further study of the evolving structure of the US Treasury market and whether its current regulation and infrastructure are appropriately designed. As a provider of one of the leading trading platforms for US Treasuries, any such changes could have an impact on the firm.
Mitigating controls	The Group seeks to mitigate and control this risk through the following: – maintenance of internal and external regulatory affairs advisors to provide updates on regulatory developments and convey the Group's perspective on legislative and regulatory issues to policymakers; – internal committees tasked with monitoring, analysing and implementing change necessitated by regulatory developments; and – regular reporting and discussion of key and emerging risks at the board Risk Committee.
Strategic priorities	**7**

RESULTS FOR 2017/18

A reconciliation between statutory amounts and alternative performance measures is provided on pages 32 and 33.

Financial performance

For the year ended 31 March 2018, the Group reported revenue of £591 million, an increase of 9% on the prior year both on a reported and on a constant currency basis. On a constant currency basis, revenue from NEX Markets was up 6% and from NEX Optimisation up 7%.

During the year, the Group's trading performance benefited from episodic increases in FX volatility, including Asian currency pairs and an increase in trading activity in EU repo. The revenue performance also benefited from progression with the CFETS contract, as well as an increase in demand for post trade services such as risk reduction and regulatory reporting solutions. This was partly offset by a decrease in revenue in some government bonds and a subdued performance in the basis risk mitigation services, Reset, which continues to be affected by low short-dated interest rate volatility in Europe.

The Group reported an operating profit of £147 million, a decrease of 4% on the prior year, and a trading operating profit of £147 million, a decrease of 3% on the prior year. Excluding one-off transformation programme costs in the current year and the one-off items in the prior year, trading operating profit was up £13 million (9%).

The Group's continuing operations reported a profit before tax (PBT) of £125 million (2016/17: £122 million), 2% up on the prior year, and a trading PBT of £127 million (2016/17: £121 million), 5% up on the prior year. Continuing trading EPS (basic) of 24.2p per share (2016/17: 25.1p) was down from the prior year as a 5 ppt increase in the trading ETR offset the 5% improvement on the trading PBT.

NEX transformation programme

The transformation programme has identified an additional £10 million of annualised cost savings since the first half of the financial year, taking the total to £50 million of annual run rate cost savings as NEX continues to reshape for tomorrow's financial markets and reduce costs. These are being derived from the redesign of operating models in sales, product management, operations, technology and finance as well as the rationalisation of infrastructure across the Group. The total cost to achieve these savings will be approximately £19 million, which will not be treated as an exceptional item. We realised £15 million of these cost savings during the year ended 31 March 2018, with a cost to achieve of £13 million.

NEX Exchange

NEX is in discussions with a number of financial institutions in relation to a transaction for them to invest new funds into NEX Exchange. The new funds would be used to develop the business, and NEX would retain a significant shareholding in NEX Exchange. NEX Exchange is the listing venue for small and medium sized enterprises, originally purchased by the then ICAP plc in June 2012. The discussions are ongoing and there is no certainty that any transaction will proceed.

Outlook

In the year ahead NEX expects to make progress on its strategy to deliver against its growth objectives and drive operational leverage.

Review of operations

NEX MARKETS

NEX Markets is a leading electronic trading platforms and solutions business in FX and fixed income products. The BrokerTec and EBS platforms offer efficient and effective trading solutions to clients in more than 50 countries across a range of instruments including spot FX, FX forwards, US treasuries, European government bonds and EU and US repo. These electronic platforms are built on bespoke networks connecting participants in financial markets.

Revenue	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m	Change %
BrokerTec	**155**	155	n/m
EBS	**151**	145	4
CFETS contract	**20**	13	54
Total – reported	**326**	313	4
– constant currency		309	6
Trading operating profit	**121**	116	4
Trading operating profit margin	**37%**	37%	–

For the year ended 31 March 2018, revenue increased by 4% on a reported basis to £326 million (2016/17: £313 million) and by 6% on a constant currency basis. Revenue growth was principally driven by increased trading activity on EBS and progression with the CFETS contract. The trading operating profit increased to £121 million (2016/17: £116 million) and the trading operating profit margin was flat for the year. However, the trading operating profit margin in the second half of the year increased to 40% from 34% in the first half. This was as a result of the positive impact from increased volumes, change in the product mix and cost saves from the transformation programme.

BrokerTec

BrokerTec is a global electronic platform for the trading of US Treasuries, European government bonds and EU and US repo. It facilitates trading for banks and non-bank professional trading firms.

For the year ended 31 March 2018, revenue was flat on a reported basis at £155 million (2016/17: £155 million) and increased by 1% on a constant currency basis. This performance reflects a 2% increase in US Treasury average daily volume to $168 billion, a 10% increase in US repo to $241 billion and a 28% increase in EU repo to €238 billion.

During the final quarter, a combination of an increase in the US federal funds rate, a shift in the US Treasuries yield curve and the expected impact of new tax legislation together resulted in a marked improvement in volatility and trading activity. BrokerTec has augmented its market share in US Treasuries at a time when higher yields are enticing new and former clients onto the platform. Despite competitive pressure from other venues, none of these appear to have gained any significant market share. BrokerTec remains the standard and primary source for trading and reference pricing.

EU repo trading continues to grow with a particularly strong second half of the year. Most international and regional bank clients have seen an increase in available balance sheet, and during the past year, the client base has steadily increased as more non-core, periphery institutions join the central counterparty and seek access to the sizeable liquidity pool available on BrokerTec. Trading activity in US repo continues to grow with new record days repeatedly recorded.

EBS

EBS, a global electronic platform for the FX markets, is a reliable and trusted source of executable and genuine liquidity across major and emerging market currencies. Both the anonymous and disclosed trading venues give clients multiple execution and distribution options and the benefit of an established and far-reaching distribution network of liquidity providers and consumers.

For the year ended 31 March 2018, revenue increased by 4% on a reported basis to £151 million (2016/17: £145 million) and by 6% on a constant currency basis and average daily volume increased by 4% to $86 billion. Revenue growth was underpinned by emerging markets currency pairs, whilst revenue trends in G10 currency pairs were strengthened in the final quarter by the return of overall market volatility.

EBS Market, the exchange-like central limit order book, remains the benchmark for the professional FX trading community. It has maintained its position as a primary interbank venue for the trading of the world's most actively traded currency pairs, including euro/dollar and dollar/yen.

During the year, EBS Market continued to develop and create liquidity in NDFs with average daily volume growing by more than 25% compared with last year. This was in part driven by the addition of non-bank participants to the NDF product offering. Volumes grew across most NDF pairs, in particular dollar/won and dollar/rupee.

NEX Markets continued to innovate throughout the year. NEX Quant Analytics, the FX market's most comprehensive community-based analytics tool for clients trading on the EBS platform, was launched in September. Using benchmark data taken from the entire EBS ecosystem, the analytics service delivers real and measurable insight for clients into their own trading activities and the ability to look at their performance versus that of their peers. New Aggregation Logic (NAL) was initially introduced across Europe and is now set for a full global roll-out over the coming months. NAL aims to increase the experience of executing on EBS Direct for both liquidity providers and consumers by improving both pricing and certainty of execution for larger order sizes.

EBS Direct is a platform that allows liquidity providers to stream tailored prices directly to liquidity consumers. Interest in the platform continues to grow and the platform has more than 50 liquidity providers and 400 liquidity consumers using the service. FX forwards also continue to grow, with a 100% increase in average daily volume over the prior period and more than $10 billion traded daily.

EBS eFix, the matching service that enables clients to execute Fix interest electronically on the EBS Market platform, has continued to deliver significant growth. Average daily volume increased by more than 25% over the year to more than $2 billion matched per day.

CFETS contract

In February 2018, CFETS launched CFETS FX2017, a next-generation trading platform for the renminbi FX market powered by NEX. It was a significant launch as it supported the evolution of the domestic renminbi FX market in China. NEX Markets has been able to leverage its trading technology expertise to develop FX2017 jointly with CFETS. As a result, the Chinese FX market now has access to multiple execution options in a robust and low-latency environment.

RESULTS FOR 2017/18 (continued)

The launch of this new central limit order book platform in mainland China will play a fundamental role in providing a public reference point for spot CNY pricing in the domestic FX market. The original CFETS contract has been amended to allow for a change in scope of the delivery and an extension of maintenance payments until 2022.

NEX OPTIMISATION

NEX Optimisation offers a portfolio of services across the transaction lifecycle. Ranging from pre-execution credit checking to multilateral portfolio compression, NEX Optimisation's purpose is to simplify its clients' workflows and help them optimise their resources by mitigating risk, increasing efficiency, reducing costs and streamlining increasingly complex processes.

NEX Optimisation has reshaped its organisational structure during the year. The primary focus was to organise the business in a way that clients want to consume its services, matching the way they think about their financial, regulatory and operational challenges. This has been achieved by restructuring NEX Optimisation's legal entities and products to five business areas which resonate with clients: trade and portfolio management, financial resource optimisation, data insights, analytics, and regulatory reporting.

Revenue	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m (restated)*	Change %
Trade and portfolio management	**102**	97	5
Financial resource optimisation	**91**	84	8
Data insights	**48**	48	–
Analytics	**10**	9	11
Regulatory reporting	**9**	2	n/m
Total – reported	**260**	240	8
– constant currency		243	7
Trading operating profit	**64**	72	(11)%
Trading operating profit margin	**25%**	30%	(5)ppt

* Restated due to the change in presentation of NEX Optimisation results to business areas.

For the year ended 31 March 2018, revenue increased by 8% on a reported basis to £260 million (2016/17: £240 million) and by 7% on a constant currency basis, driven by increased demand for compression, reconciliation and regulatory reporting solutions. The trading operating profit fell to £64 million (2016/17: £72 million) and the trading operating profit margin reduced by 5 ppt to 25% for the year. Following the deterioration in the trading operating profit margin in the first half of the year, swift action was taken to ensure a significant improvement in the division's ongoing profitability and the trading operating profit margin recovered from 21% in the first half of the year to 28% in the second half. As a result, NEX Optimisation expects to reach its operating profit margin aspiration of more than 40% by the end of the year ending 31 March 2021, a year later than planned.

Trade and portfolio management

Trade and portfolio management comprises portfolio and margin reconciliation via triResolve and triResolve Margin, and monitoring pre trade risk and automating post trade processing of financial transactions via Traiana.

For the year ended 31 March 2018, revenue increased by 5% on a reported basis to £102 million (2016/17: £97 million) and by 3% on a constant currency basis. Revenue growth was driven by triResolve and triResolve Margin, which automates the reconciliation of swap portfolios and calculates the variation margin allowing clients to meet the new regulatory requirements which took effect in March 2017. There are now 2,130 institutions using triResolve compared with 1,900 at the end of the prior year and more than 115 clients have signed up to triResolve Margin. Additional asset classes such as FX forwards and swaps have been mandated for bilateral margining in early 2018.

Traiana solutions have become the market standard for post trade processing of FX, exchange-traded derivatives, fixed income, CDS and synthetic and cash equity transactions. Traiana's Harmony network connects more than 1,000 global banks, broker/dealers, buy-side firms and trading platforms. New pricing structures which incentivise long-term client contracts are driving client retention and are core to the overall growth strategy.

Financial resource optimisation

Financial resource optimisation comprises portfolio compression via triReduce and basis risk mitigation via Reset as well as portfolio balancing via triBalance and derivative pricing and risk analytics via triCalculate, which currently has significantly lower revenue but materially higher growth potential.

For the year ended 31 March 2018, revenue increased by 8% on a reported basis to £91 million (2016/17: £84 million) and by 6% on a constant currency basis. The stringent leverage ratio included within the Basel III rules continues to drive demand from banks for the compression service triReduce. During the year, the compression service terminated $226 trillion of gross notional outstanding (2016/17: $191 trillion). Since launch, more than 260 financial institutions have participated in eliminating $1.2 quadrillion in total notional outstanding from the OTC derivatives market. triReduce continues to innovate and expand its product and market coverage. In April 2018, triReduce announced that four major clients have taken advantage of its new trade revision functionality. Trade revision is the latest evolution in triReduce's multilateral portfolio compression methodology. It enables clients to modify key economic parameters of their cleared OTC trades to improve their compression results. This additional flexibility provides a major step change in compression potential as it dramatically increases the compression efficiency.

The basis risk mitigation service, Reset, continues to be affected by low short-dated interest rate volatility in Europe. However, the recent uptick in volatility resulted in improved performance for Reset in the final quarter.

Data insights

Data insights delivers independent market intelligence and pricing information for OTC data to financial market participants using intelligence from NEX Markets, NEX Optimisation and third-party joint ventures.

For the year ended 31 March 2018, revenue was flat on a reported basis at £48 million (2016/17: £48 million) and increased 2% on a constant currency basis, driven by the launch of new pricing and analytics products and electronic transaction-backed indices.

The increased demand for transparency in the FX market and for data sourced from actual transactions and orders fuelled a collaboration of NEX Markets' EBS data with data insights' technical expertise to create EBS FX Benchmarks, a series of 30-minute transaction-backed FX fixings for 15 major currency pairs.

In February 2018, NEX Data was approved as one of the first Benchmark Administrators under the EU Benchmarks Regulation (BMR). The RepoFunds Rate suite of daily benchmarks for the euro, Italy, Germany, France, Spain, The Netherlands and Belgium will now fall under the BMR.

Analytics

ENSO delivers data, analytics and workflow tools that enable hedge funds and asset managers to manage their relationships with prime brokers more effectively. ENSO provides a complete view of an individual hedge fund's relationships across multiple counterparties, delivering insights on counterparty credit risk, collateral management, portfolio financing and treasury.

For the year ended 31 March 2018, revenue increased by 11% on both a reported basis and constant currency basis to £10 million (2016/17: £9 million).

Regulatory reporting

Regulatory reporting comprises end-to-end multi-regime reporting, data normalisation, enrichment, validation and cross-jurisdictional matching. The service acts as a reporting hub for EMIR and as an ARM for MiFID.

For the year ended 31 March 2018, revenue increased by more than 300% on both a reported basis and constant currency basis to £9 million (2016/17: £2 million). Revenue growth was driven by Abide Financial, acquired in October 2016, which provides regulatory reporting solutions for MiFID II which came into force in January 2018. In addition, Abide also provides regulatory reporting solutions for EMIR and other regulatory regimes.

On 24 November 2017, NEX received approval from ESMA for its Swedish-based trade repository under EMIR. The approval allows NEX Regulatory Reporting to operate a trade repository for European derivatives trades.

NEX OPPORTUNITIES

Through NEX Opportunities, NEX is building an investment portfolio of emerging financial technology companies. It identifies and provides capital to companies delivering new platforms, business models and next-generation technologies with the objective to drive efficiencies, transparency and scale across the transaction lifecycle. Since its launch, NEX Opportunities has invested in 11 portfolio companies, two of which have subsequently been acquired by NEX.

FINANCIAL REVIEW

Samantha Wren
Group Chief Financial Officer and Chief Operating Officer

For our key performance indicators
see pages 10-11

Continuing operations

Trading revenue

Trading revenue was £591 million, which is £50 million (9%) up on the prior year. Revenue benefited primarily from new businesses, the CFETS contract and £nil hedging impact in the current year compared with a £17 million hedging loss in the prior year.

Trading operating profit

The Group reported a £5 million (3%) decrease in trading operating profit. The trading operating profit of £147 million includes one-off items totalling £13 million expense. The trading operating profit for the prior year of £152 million included a net £5 million income that was one-off in nature and was presented as exceptional items in the prior year. Excluding one-off items, the trading operating profit was up £13 million (9%) on the prior year. This includes a net £16 million year-on-year favourable movement from hedging.

Trading profit before tax

Trading profit before tax was £6 million (5%) up on the prior year. There was a £7 million favourable movement in trading net finance cost driven by reduced drawings on the revolving credit facility (RCF), reduced facility fees and an increase in finance income. Excluding the year-on-year adverse impact of £18 million from one-off items, the trading profit before tax is up £24 million (21%) on the prior year.

	Year ended 31 March 2018		Year ended 31 March 2017 (restated)*	
	Trading £m	**Statutory £m**	Trading £m	Statutory £m
Continuing operations:				
Revenue	**591**	**591**	541	541
Operating profit	**147**	**147**	152	153
Net finance costs	**(24)**	**(26)**	(31)	(31)
Share of profit associates and joint ventures after tax	**4**	**4**	–	–
Profit before tax	**127**	**125**	121	122
Tax	**(36)**	**(13)**	(28)	(22)
Profit for the year	**91**	**112**	93	100
EPS (basic)	**24.2p**	**29.9p**	25.1p	27.0p
Full-year dividend per share		**11.15p**		38.5p

* The consolidated income statement for the year ended 31 March 2017 has been restated due to a change in accounting policy to no longer present an 'exceptional items' column and due to NEX Exchange Limited becoming a discontinued operation. See note 2 for more information.

The financial review first focuses on the trading performance of the Group and then discusses acquisitions, disposals and similar items, which is the reconciling item between trading and statutory amounts. A reconciliation between statutory amounts and alternative performance measures is provided on pages 32 and 33.

Tax on trading profit

The Group's tax charge of £36 million on trading profit before tax represents an ETR of 28% (2016/17: 23%). The increase primarily relates to discrete prior year items, a one-off deemed repatriation charge following the commencement of the US tax reform and increased taxable profits following recent changes to UK tax legislation that restrict the deduction of certain interest payments.

Acquisitions, disposals and similar items

Acquisitions, disposals and similar items from continuing operations was a net £2 million expense (2016/17: £1 million income) before a tax credit of £23 million (2016/17: £6 million tax credit). The net £2 million expense before tax credit is a finance cost relating to the unwind of deferred and contingent consideration on various acquisitions.

There were £15 million of operating expenses which were offset by £15 million of other income. The £15 million of operating expenses include an £8 million impairment charge in relation to joint ventures and available-for-sale investments, a £3 million amortisation charge for intangible assets arising on consolidation and £4 million other acquisition and disposal-related costs. The £15 million of other income comprise a release of contingent consideration in relation to various past acquisitions. The majority of the release relates to Abide Financial due to buy-out of certain non-controlling interests during the year.

Profit for the year (statutory) and EPS (basic) (statutory)

Profit for the year (statutory) is £112 million (2016/17: £100 million) and EPS (basic) (statutory) is 29.9p per share (2016/17: 27.0p). The £12 million increase in profit for the year (statutory) is driven by a combination of factors including the £15 million release of contingent consideration, £9 million decrease in the tax charge, £5 million favourable movement from net finance expenses and £4 million favourable movement from profit from associates and joint ventures, partially offset by the £18 million year-on-year adverse impact from one-off items.

Discontinued operations

Trading

Discontinued operations include trading revenue of £1 million (2016/17: £589 million), trading operating loss of £2 million (2016/17: £83 million profit) and trading loss for the year of £2 million (2016/17: £71 million profit). The current year discontinued operations relate to the results of NEX Exchange Limited which became a discontinued operation during the year (see note 4).

Acquisitions, disposals and similar items

Acquisitions, disposals and similar items from discontinued operations resulted in an income of £3 million (2016/17: £1,133 million income) before a tax of £nil (2016/17: £7 million tax credit). The current year acquisitions, disposals and similar items from discontinued operations include a £3 million discounting of a receivable balance and £4 million adjustment to the carrying value of intangible assets arising from development expenditure and property and equipment, both of which were related to IGBB. This was partially offset by the £3 million release of an unutilised provision held at 31 March 2017 which related to transaction costs for the sale of IGBB.

Group

Dividend

In May 2017, NEX stated its dividend policy under which the dividend for the year ended 31 March 2018 would be between 40% and 50% of the post-tax trading profit for the year ended 31 March 2018, with a progressive dividend thereafter.

The directors recommend a final dividend of 7.65p per share (2016/17: 27.0p). The prior year final dividend reflects that of the Group including nine months of IGBB. If approved, the final dividend will be paid on 27 July 2018 to shareholders on the register at the close of business on 6 July 2018. The shares will be quoted ex-dividend from 5 July 2018.

The full-year dividend will be 11.15p per share (2016/17: 38.5p), including the interim dividend of 3.5p per share (2016/17: 11.5p). The full-year dividend per share is covered 2.1 times (2016/17: 1.2 times) by trading EPS (basic) from continuing and discontinued operations of 23.7p per share (2016/17: trading EPS (basic) of 44.5p).

Restatement

The consolidated balance sheet as at 31 March 2017 has been restated due to the recognition of cash held in the employee share trust of £32 million and the reclassification of a £30 million balance from current other receivables to non-current other receivables (see note 2).

FINANCIAL REVIEW (continued)

Trading free cash flow

Group	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m (restated)*
Cash generated by operations before one-off items and timing differences on unsettled matched principal trades	**170**	341
Interest and tax	**(65)**	(64)
Cash flow from trading activities	**105**	277
Capital expenditure on property and equipment and intangible development expenditure	**(88)**	(94)
Dividends from associates, joint ventures and investments	**3**	5
Trading free cash flow	**20**	188
Trading profit for the year	**89**	164
Trading free cash flow conversion (%)	**22%**	115%

* Trading free cash flow conversion the year ended 31 March 2017 has been restated due to the change in accounting policy to no longer present an 'exceptional items' column. See note 2 for more information. Trading free cash flow includes discontinued operations.

During the period, the Group had trading free cash flow of £20 million (2016/17: £188 million), resulting in a trading cash flow conversion of 22% (2016/17: 115%). Prior year trading free cash flow represents that of the Group at that time including IGBB and included a net £47 million favourable working capital movement. The current year cash flow includes a net £35 million adverse working capital movement, primarily driven by the timing of receipts of revenue from the CFETS contract where there were receipts during the year ended 31 March 2017 and in April 2018. Excluding the adverse impact from working capital movements and timing of tax and interest payments, which are all expected to normalise, the trading free cash flow was £60 million with a trading free cash flow conversion of 67%.

In November 2017, we guided to a trading free cash flow conversion of around 60% for the full year, which is lower than the medium term range of 80% to 90% due to the excess in planned capital expenditure over amortisation and depreciation. In line with that expectation, our capital expenditure for the year ended 31 March 2018 was £88 million compared with amortisation and depreciation charges of £52 million.

We expect the capital expenditure for the year ending 31 March 2019 to increase further from the current level as we move into our new London office, the Fruit and Wool Exchange, and Infinity investment continues into the next year. We expect the trading free cash flow conversion for the year ending 31 March 2019 to be around 60%, in line with the previous guidance, as the adverse impact from increased capital expenditure is expected to be offset by the reversal of the working capital timing differences as at 31 March 2018.

We expect that by the end of the year ending 31 March 2020 the amortisation and depreciation charges and capital expenditure will converge. At that point and over the medium term, we expect the trading free cash conversion to be in the range of 80% to 90%.

Balance sheet highlights

The Group's net assets at 31 March 2018 were £905 million (2016/17: £1,011 million), principally reflecting a £104 million loss from the retranslation of foreign currency net assets, largely driven by goodwill, and the £101 million payment of the 2016/17 final dividend and the £13 million payment of the 2017/18 interim dividend. This was partially offset by the profit for the period (statutory) from continuing and discontinued operations of £113 million.

	As at 31 March 2018 £m	As at 31 March 2017 £m (restated)*
Intangible assets arising on consolidation	**936**	1,026
Cash and cash equivalents	**270**	321
Restricted funds	**18**	103
Cash held in the employee share trust	**20**	32
Borrowings	**(511)**	(507)
Other net assets	**172**	36
Total net assets	**905**	1,011

* The balance sheet for the year ended 31 March 2017 has been restated due to recognition of cash held in an employee share trust. See note 2 for more information.

Intangible assets arising on consolidation

The Group's goodwill and other intangible assets arising from consolidation as at 31 March 2018 were £936 million (2016/17: £1,026 million). The decrease mainly resulted from the appreciation of pound sterling against the dollar.

Management reviewed the Group's goodwill and other intangible assets arising on consolidation for impairment as at 31 March 2018 and concluded that there was no impairment at the date (2016/17: no impairment). The review was based on certain estimates and assumptions, including future cash flow projections and discount rates. The estimate is most sensitive in relation to ENSO goodwill and other intangible assets arising on consolidation, the total of which is £82 million (2016/17: £95 million), due to the early stage nature of the business. For ENSO, the WACC rate is 8.1% and the cash flow projections in the final year of the three-year cash flow projections used for the impairment review would need to be adverse by more than 33% in order to lead to an impairment. The Audit Committee challenged management's judgments and estimates and has approved the appropriateness of management's assumptions and conclusions. Please see the report of the Audit Committee on pages 50 to 53.

Liquidity and funding

The Group's overall funding position remains strong. As at 31 March 2018, the Group had committed undrawn headroom under its core credit facilities of £350 million (2016/17: £300 million).

The gross debt position increased by £4 million to £511 million as at 31 March 2018. The increase relates to foreign exchange movements and the amortisation of the costs related to the issuance of debt.

As at 31 March 2018, the Group's long-term issuer ratings were Baa3 by Moody's and BBB by Fitch. Following the announcement of the Offer both agencies have placed the Group on review for a potential upgrade.

	As at 31 March 2018 £m	As at 31 March 2017 £m (restated)*
Cash held in regulated trading entities	**167**	213
Cash held in unregulated entities	**41**	52
Cash held in central treasury function	**80**	159
Cash held in the employee share trust	**20**	32
Total cash**	**308**	456

* Total cash for the year ended 31 March 2017 has been restated due to recognition of cash held in an employee share trust. See note 2 for more information.

** Cash comprises cash and cash equivalents of £270 million (2016/17: £321 million), restricted funds of £18 million (2016/17: £103 million) and cash held in the employee share trust of £20 million (2016/17: £32 million). All restricted funds are held in regulated trading entities. Total cash excludes cash held within held-for-sale assets of £5 million (2016/17: £nil).

Borrowings	**As at 31 March 2018 £m**	As at 31 March 2017 £m	Interest rate	Maturity date
Five-year senior notes	**306**	298	4.0%	March 2019
Japanese yen loan	**67**	72	0.8%	September 2019
Retail bond	**125**	125	5.8%	July 2018
Ten-year senior notes	**13**	12	5.2%	May 2023
Total	**511**	507		

Net debt

Net debt including restricted funds (excluding cash held in the employee share trust) increased by £135 million in the year to £218 million as at 31 March 2018. The primary driver behind the increase in net debt position is the payment of £101 million in July 2017 of the final dividend and payment of £13 million in February 2018 of the interim dividend.

Net debt (including restricted funds)	**2017/18 £m**	2016/17 £m
Net debt as at 1 April 2017	**(83)**	(89)
Trading free cash flow	**20**	188
Timing differences	**–**	80
Dividends paid	**(114)**	(142)
One-off items	**(15)**	(48)
Acquisitions and disposals	**(4)**	(114)
FX and other	**(22)**	42
Net debt as at 31 March 2018*	**(218)**	(83)

* Net debt including restricted funds includes borrowings of £511 million (2016/17: £507 million), cash and cash equivalents from continuing operations of £270 million (2016/17: £321 million), cash and cash equivalents included within held-for-sale assets of £5 million (2016/17: £nil) and restricted funds of £18 million (2016/17: £103 million).

Finance transformation

As part of the Group's overall transformation program we have created a new finance target operating model. This is designed to create a more efficient and effective centralised finance function, to enhance control and help drive the business towards its strategic priorities. An important aspect of this is improving the use of technology and clarifying roles and responsibilities to provide a finance function appropriate for NEX.

FINANCIAL REVIEW (continued)

Alternative performance measures

In reporting financial information, NEX presents APMs that are not defined or specified under the requirements of IFRS. NEX believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

Trading

The definition of trading amounts is statutory amounts before 'acquisitions, disposals and similar items'. The definition of 'acquisitions, disposals and similar items' is provided in the basis of preparation. Trading profit is the profit measure used to calculate trading EPS (see note 5) and is the key indication of the Group's ability to pay dividends and finance future growth. The board and management use trading measures for planning and reporting purposes and a subset of those measures is also used by the remuneration committee and management in setting director and management remuneration.

Trading amounts and statutory amounts for each financial statement line item are presented on the face of the consolidated income statement. The reconciling item between trading amounts and statutory amounts is the 'acquisitions, disposals and similar items' column. We consider the prominence of this reconciliation on the primary financial statement to be helpful to users of the financial statements. A breakdown of 'acquisitions, disposals and similar items' for all relevant financial statement line items is provided in the table opposite.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Operating expenses:		
Operating expenses (statutory)	**(466)**	(410)
Amortisation of intangible assets arising on consolidation	**3**	20
Impairment of investment in joint ventures and available-for-sale investments	**8**	–
Other acquisition costs	**4**	1
Trading operating expenses	**(451)**	(389)
Other income:		
Other income (statutory)	**22**	22
Release of contingent consideration	**(16)**	–
Gain on equity interest	**–**	(20)
Other acquisition income	**1**	(2)
Trading other income	**7**	–
Net finance expense:		
Net finance expense (statutory)	**(26)**	(31)
Unwind of discount on contingent consideration	**2**	–
Trading net finance expense	**(24)**	(31)
Tax:		
Tax (statutory)	**(13)**	(22)
Tax credit on acquisitions, disposals and similar items	**(23)**	(6)
Trading tax	**(36)**	(28)

Before one-off items

NEX excludes certain material one-off items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. The directors believe that providing amounts before one-off items assists in providing additional useful information on the underlying trends, performance and position of the Group. This measure is also used in discussions with the investment analyst community. One-off items relate to one-off costs of transformation and one-off legacy items.

The reconciling items between financial statement line items before one-off items and trading financial statement line items are one-off items. A breakdown of one-off items for all relevant financial statement line items is provided in the table opposite.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Operating expenses:		
Trading operating expenses	**(451)**	(389)
Regulatory matters (net of insurance claims)	**3**	2
One-off dividend receipts	**(3)**	–
Costs of transformation	**13**	–
Onerous lease provision release	**–**	(7)
Trading operating expenses before one-off items	**(438)**	(394)

We expect £6 million of one-off costs of transformation to be incurred in the year ending 31 March 2019 based on our annualised cost savings of £50 million.

Constant currency

Constant currency is calculated by applying the current period foreign exchange rate to prior year amounts in foreign currencies. This provides users with an analysis of the movement in the underlying performance of the Group, excluding translational effects from changes in foreign exchange rates.

The reconciling item between amounts under IFRS and amounts under constant currency in all cases is foreign exchange.

Trading free cash flow

Trading free cash flow is an APM used by management and investors. It is the cash amount that NEX is able to generate after spending the money required for capital expenditure and dividends to associates, joint ventures and investments. It is useful because it represents the cash that is available to NEX for pursuing opportunities that enhance shareholder value, such as developing new products, making acquisitions, paying dividends and reducing debt.

The calculation of trading free cash flow is provided on page 30. 'Cash generated by operations before one-off items and timing differences on unsettled matched principal trades' and 'interest and tax' are from the 'reconciliation of Group profit before tax to net cash flow from operating activities' (see note 11). 'Capital expenditure' and 'dividends from associates, joint ventures and investments' are from the consolidated statement of cash flow.

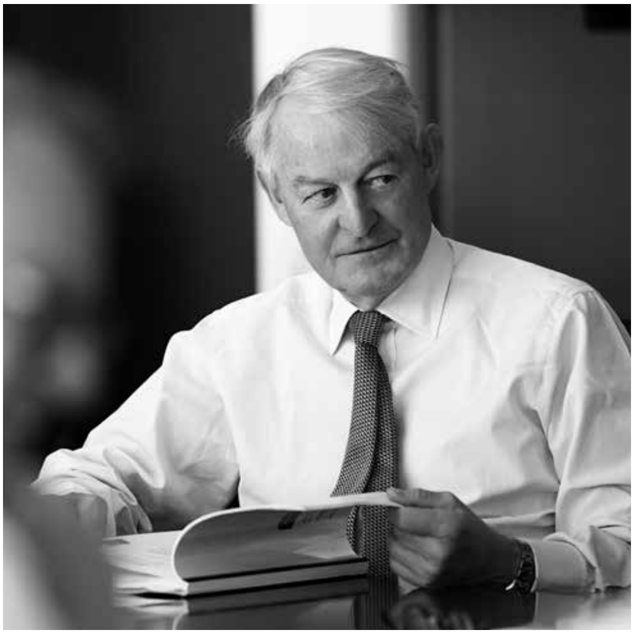
Strategic report approval

The strategic report was approved by the board and signed on its behalf by:

Samantha Wren
Group Chief Financial Officer and Chief Operating Officer
22 May 2018

GOVERNANCE AND DIRECTORS' REPORT

CHAIRMAN'S STATEMENT



Charles Gregson
Chairman

> "We remain committed to maintaining a high standard of governance to support our objectives of being a good investment, a great employer and a valued contributor to our communities, year after year."

Dear shareholder,

This has been the first full year for the NEX Group and, as has been described in other sections of this Annual Report, it has been a year of significant change as we progress towards achieving our strategic priorities. During this time, the Group, led by the board, has remained committed to maintaining a high standard of corporate governance to enhance performance and to drive and support continued good behaviours and protect shareholders.

As has been referenced by Michael Spencer in his review, you will be aware that your board has recommended an offer from CME to acquire NEX Group plc. The rationale for the recommendation has been described in detail in the Scheme Document which shareholders received and on which they have now voted. On behalf of the board, I would like to thank you for your support for this transaction and we look forward to its successful completion.

Board membership

During the year we were delighted to welcome Anna Ewing, Samantha Wren and Ken Pigaga to the board. They brought a range of different skills and experiences and provided new dynamics to the board's discussions. The appointments of Sam and Ken as, at the time, Group Chief Financial Officer and Global Chief Operating Officer, were internal promotions, and the outcome of successful succession planning.

I continue to be impressed with the high levels of engagement of the NEX non-executive directors, not only in their commitment to board matters but also in their willingness and enthusiasm to spend time with those who seek their advice or counsel.

In terms of experience, skills and personal attributes, we have great diversity within the board. The directors have many years of experience gained across a variety of financial service industries and regulated businesses. Good board dynamics are critical to the proper interaction and working of a board of directors. They need to work together effectively and the board environment needs to be one that encourages debate and challenge. Our board evaluation process confirms that directors feel that this is the case and that all viewpoints are listened to and debated as appropriate.

We highlighted in the previous year's report that we were seeking a replacement non-executive director for John Sievwright, with the appropriate experience to take over, in due course, as Chair of the Audit Committee, a position which John will have held for nine years in July 2018. In view of the Offer, this search has been put on hold.

Governance

Our governance structure remains robust and supports effective decision making. My role as Chairman is to ensure that the board gives the right focus to strategic as well as operational issues and to internal and external developments, and that it is sufficiently forward-looking to discharge its duties. Ensuring that the meeting agendas reflect this and that the right high-quality information is received by the board is critical to ensure efficient and effective decision making.

We believe that, for the year under review, the correct balance was achieved and this was confirmed by this year's board evaluation. There were operational matters that took the board's time, particularly the CFETS contract and the implementation of platform changes and regulatory changes, including MiFID II which was successfully delivered in January 2018. Cyber security continues to be a priority focus and, in light of the ongoing and increasing threats worldwide, will remain so.

The board continues to challenge the strategic decisions which lead to NEX investing in new products and services, including platform enhancements within NEX Markets and NEX Optimisation, and by acquisition or investment in new financial technology companies through NEX Opportunities. Well-informed decision making has supported the transformation of the Group and contributes to long-term growth.

Brexit

The board has discussed the impact on the NEX Group of the Brexit decision following the work undertaken by a steering group led by the Group Chief Financial Officer. A range of criteria, including capital requirements, resourcing and implementation timelines, was assessed and, as previously announced, the decision to locate an appropriately permissioned entity in Amsterdam was agreed. At this stage in the Brexit process, we do not anticipate any further significant structural changes to the way we operate will be required but this will be kept under review as the negotiations conclude.

Culture

The board has recognised for some time that developing the right corporate culture is vital for the delivery of high and long-term sustainable performance. To foster development of the Group's culture, the board has visited and held committee meetings in London, New York, Stockholm and Tel Aviv. These meetings were supported by opportunities to meet local management and their teams.

During the year we have seen the results of the work to develop our values and culture. These initiatives support the Group's Employment Practices Policy which includes the Equal Opportunities and Diversity Policy, and are described in more detail in the resources, relationships and responsibilities section of this report. The board remains committed to supporting this developing culture and to find ways of measuring its success, for instance by increasing employee engagement. We recognise, however, that the completion of the Offer may impact the approach taken.

Compliance with the UK Corporate Governance Code

The corporate governance statement which follows sets out the board's approach to corporate governance arrangements which operated and supported the Group during the year. The statement includes reports from the Audit and Risk Committee Chair and provides details on key matters addressed by the committees during the year.

I am pleased to report that we complied with the 2016 Code in all respects and remain committed to maintaining a high standard of governance to support our objectives of being a good investment, a great employer and a valued contributor to our communities, year after year.

Thank you for your continuing support.

Charles Gregson
Chairman
22 May 2018

DIRECTORS' BIOGRAPHIES

NEX board

NEX understands the importance of having a board with the right balance of skills, experience and diversity. All NEX directors have extensive knowledge of the financial markets, regions and regulatory frameworks in which NEX operates. The biographies of the current directors set out their skills, experience, committee membership and other external appointments.

Throughout the year, more than half the board, excluding the Chairman, comprised independent non-executive directors. The balance of the board as at 31 March 2018 is illustrated below. Further details of the non-executive directors' independence are provided on page 47.

Key to board committee membership

G	Governance	● Chair
N	Nomination	○ Member
A	Audit	
R	Risk	
Re	Remuneration	

Charles Gregson
Chairman (age 70)

Appointed to the board
February 2016

Skills and experience
Charles brings considerable senior board, committee and chairman level expertise.

He has a track record of progressive leadership and a good rapport with senior management teams in each of the NEX divisions. With more than 20 years of listed company experience, Charles also understands the importance of maintaining effective relationships with the institutional investor community, media and regulatory bodies. He has served on a number of boards in the financial services and media sectors, including as non-executive chairman of St James's Place plc and CPP Group plc and as deputy chairman of Provident Financial plc. Charles was chairman of ICAP plc from 1999 to 2016.

Charles holds a degree in Law from the University of Cambridge and qualified as a solicitor.

Other external appointments
Charles is the non-executive chairman of Non-Standard Finance plc and the senior independent director of Caledonia Investments plc.

Michael Spencer
Group Chief Executive Officer (age 62)

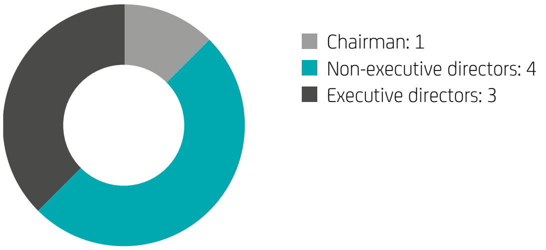
Appointed to the board
February 2016

Skills and experience
Having worked in financial services for more than 30 years, Michael is well respected within the industry. He founded Intercapital in 1986 and became its chairman and Chief Executive in October 1998. Michael brings immense knowledge and insight of successfully growing a complex international business and a deep understanding of the markets in which NEX operates. Michael, together with IPGL and its subsidiary companies, is a substantial shareholder in the Company. He chairs the GEMG and was the Group Chief Executive Officer of ICAP plc from 1999 to 2016.

Michael holds a degree in Physics from the University of Oxford.

Other external appointments
Michael is chairman of IPGL and is on the boards of many of its investments. He is the chairman of The Conservative Party Foundation Limited.

Balance of the board as at 31 March 2018



Board gender as at 31 March 2018

Ken Pigaga
Chief Executive Officer, NEX Optimisation (age 63)

Appointed to the board
May 2017

Skills and experience
Ken has extensive experience of operations and has led significant restructuring and transformation programmes. Having joined the Group in 2006, he was appointed Chief Executive Officer of NEX Optimisation in October 2017. Ken previously served as Global Chief Operating Officer. In addition, Ken played a pivotal role in the transaction with TP ICAP plc where he led the separation programme. Prior to this, Ken was a managing director at JPMorgan in the Investment Bank focused on e-commerce activities. From 1991 to 2001, he held several roles at Goldman Sachs in emerging markets trading, portfolio structuring and e-commerce.

Ken holds a degree in City and Regional Planning from Rutgers University and gained an MBA and MSc from Columbia University.

Other external appointments
Ken has no other external appointments.

Samantha Wren
Group Chief Financial Officer and Chief Operating Officer (age 51)

Appointed to the board
May 2017

Skills and experience
Samantha is a highly experienced finance professional. She joined the Group in 2009 as Group Treasurer and has held a number of senior finance, operational and commercial roles, including Chief Financial Officer and Chief Operating Officer of IGBB. In March 2016, Samantha was appointed Chief Commercial Officer for ICAP plc, most recently supporting NEX Markets. She chairs the Group Finance Committee. Prior to joining the Group, Samantha spent 14 years at Rank Group plc in a variety of finance roles and prior to that at Rentokil Initial plc.

Samantha holds a degree in Economics from the University of Portsmouth and is a Chartered Management Accountant.

Other external appointments
Samantha is a non-executive director of City of London Investment Trust plc and chairs its audit committee.

DIRECTORS' BIOGRAPHIES (continued)

Anna Ewing
Non-executive director (age 57)

Appointed to the board
May 2017

Skills and experience
Anna has significant technology and operations experience and a strong background in strategic planning, delivery and operational support for technology systems and infrastructure. She worked for Nasdaq for 15 years where she held several senior executive roles including Chief Information Officer. Prior to Nasdaq, Anna worked for CIBC World Markets and also spent 15 years at Merrill Lynch in a variety of leadership roles. She is a strong advocate of advancing STEM (science, technology, engineering and mathematics) education and entrepreneurship and currently serves on the boards of the New York Hall of Science and the Nasdaq Entrepreneurial Center. Anna is also a member of Astia Angels which invests in high-growth businesses led by female entrepreneurs.

Anna holds a degree in Economics from York University, Toronto and gained an MBA from Schulich School of Business at York University, Toronto.

Other external appointments
Anna is a director of VMS Parent Holdings LLC.

Ivan Ritossa
Non-executive director (age 56)

Appointed to the board
December 2016

Skills and experience
Ivan has a strong and varied global investment banking background and extensive electronic market experience in foreign exchange, commodities, credit, prime services and equities. He previously served on the executive committee for Barclays Investment Bank, as a non-executive director of ABSA Group and an executive director of the Barclays Saudi Arabia board. Ivan has been a member of numerous industry committees including the New York Federal Reserve Foreign Exchange Committee, the Bank of England Foreign Exchange Joint Standing Committee and the Singapore Foreign Exchange Markets Committee. He was a non-executive director of ICAP plc from 2013 to 2016.

Ivan is a non-executive director of NEX SEF Limited.

Ivan holds an honours degree in Finance from the University of New South Wales, Australia.

Other external appointments
Ivan has no other external appointments which require disclosure.

John Sievwright
Senior independent director (age 63)

Appointed to the board
December 2016

Skills and experience
John has almost 30 years of broad financial services experience with significant exposure to operating at board level. John was previously senior independent director of FirstGroup plc and chairman of its audit committee. Following a 20-year career with Bank of America Merrill Lynch (formerly Merrill Lynch), where he held a number of senior management positions based in New York, Tokyo and London, John brings significant international, financial and operational experience to the board. He was appointed a non-executive director of ICAP plc in 2009 and the senior independent director of ICAP plc from 2012 to 2016.

John holds a degree in Accounting and Economics from the University of Aberdeen and is a member of the Institute of Chartered Accountants in Scotland.

Other external appointments
John is a Trustee of Aberdeen Income Credit Strategies Fund, Alpine Global Dynamic Dividend Fund, Alpine Global Premier Fund and Alpine Total Dynamic Dividend Fund.

Robert Standing
Non-executive director (age 58)

Appointed to the board
December 2016

Skills and experience
Robert has extensive knowledge of the hedge fund industry and is a founder of the Hedge Fund Standards Board. He also brings more than 20 years of senior management, financial and product development expertise having worked in a number of roles and senior positions at Chemical Bank and JPMorgan. Robert co-founded London Diversified Fund Management within the JPMorgan Group in 1995 before its spin-out in 2002. He was a non-executive director of ICAP plc from 2010 to 2016.

Robert is a non-executive director of NEX SEF Limited.

Robert holds a degree in Engineering from the University of Cambridge.

Other external appointments
Robert is a director of DG Partners Services Limited and chief investment officer of Neuron Advisers LLP (both part of the London Diversified Fund group).

Other director who served during the year:
Stuart Bridges, Group Chief Financial Officer, stepped down from the board on 30 May 2017.

CORPORATE GOVERNANCE STATEMENT

UK Corporate Governance Code

As NEX is listed on the London Stock Exchange we apply the main principles of the Code and comply with the Code's provisions. For the year ended 31 March 2018, and at the date of this report, we complied with the 2016 Code.

A copy of the Code can be found on the FRC's website at www.frc.org.uk.

CODE PRINCIPLE: LEADERSHIP

ROLE OF THE BOARD

The board is the principal decision-making body for all significant matters affecting the Group and is accountable to shareholders for creating and delivering sustainable value. From a commercial perspective, these matters include debating and agreeing NEX strategy, long-term business objectives and risk appetite as well as approving the Group's annual budget, dividend proposals and financial statements. The board is also responsible for promoting the highest standards of corporate governance and ensuring the Group has the necessary resources, processes, controls and culture in place to deliver Group strategy and promote long-term growth.

Board members

A clear division of responsibilities is maintained between the roles of the Chairman and the Group Chief Executive Officer. It is the responsibility of the Chairman to lead and manage the work of the board. Responsibility for the Group's executive leadership and day-to-day management of the Group's business is delegated to the Group Chief Executive Officer. The Group Chief Executive Officer is supported in his role by the GEMG. Further details of the Group's executive committee structure and GEMG members are provided on page 57. A summary of the board members' key responsibilities is set out on the page opposite.

Board governance framework

To ensure it maintains an appropriate level of oversight, the board delegates certain roles and responsibilities to its five principal committees: Governance, Nomination, Audit, Risk, and Remuneration. Membership of these committees consists primarily of our non-executive directors and, in some cases, the Chairman. The Nomination Committee makes recommendations for appointments to the board, Audit and Risk Committees. The board makes all other committee appointments.

The activities of the principal committees in 2017/18 are explained in more detail on pages 48 to 57. Each committee Chair reports back to the board and the board reviews the minutes of previous committee meetings at its next meeting. Each committee's terms of reference are documented and agreed by the board and available to view in the corporate governance section of the Company's website (www.nex.com).

Group Company Secretary

All directors have access to the advice and services of the Group Company Secretary who is responsible for ensuring that board procedures and applicable rules are observed. The Group Company Secretary works closely with the Chairman and the Chairs of the board's principal committees to set meeting agendas and ensure the timely presentation of high-quality information to the board. All directors have the power to propose items for discussion at board meetings and regularly did so during the year.

Key responsibilities

Chairman	– Responsible for the leadership and management of the board and ensuring its overall effectiveness – Encourages all directors to maximise their contributions to the board by drawing on their skills, experience, knowledge and, where appropriate, independence – Promotes a culture of openness, challenge and debate, especially for complex and critical issues – Engages and consults with major shareholders and principal stakeholders
Group Chief Executive Officer	– Responsible for the Group's executive leadership and day-to-day management of the Group's business, within the authorities delegated by the board
Group Chief Financial Officer and Chief Operating Officer	– Responsible for providing strategic financial leadership of the Group and day-to-day management of the finance function – Chair of the Group Operating Committee and overseeing Group IT infrastructure, property and a number of related areas – Chair of the Group Finance Committee – Responsible for internal audit, company secretarial and investor relations
Senior independent director	– Acts as an experienced sounding board for the Chairman and a trusted intermediary for other board members and shareholders – Leads the annual evaluation of the Chairman
Non-executive directors	– Contribute sound judgment and objectivity and provide constructive challenge to board discussions and decision making – Support the Chairman and the executive directors in instilling appropriate culture and values in the boardroom and throughout the Group – Determine appropriate levels of remuneration for the executive directors – Scrutinise the performance of management

Attendance at board meetings

Six scheduled board meetings were held during the year in four locations: London, New York, Stockholm and Tel Aviv. The board also convened a further eleven times during the year by conference call and held a number of ad hoc meetings, principally in connection with the Offer. A separate meeting was held to discuss and review the Group's strategy.

At the board's request, members of the GEMG and other senior management attended certain board meetings during the year to provide updates on specific developments or proposals. Their attendance provided an additional opportunity for the non-executive directors to engage directly with the executive team and challenge management's thinking on discussion items, particularly strategic investment reviews, acquisition proposals and new technologies.

The table on page 44 sets out the scheduled board meeting attendance of the directors who served on the board in 2017/18.

CORPORATE GOVERNANCE STATEMENT (continued)

Board activities and discussions

Throughout the year, the board considered the following:

Business and Financial Performance	Strategy, Business and Functional Reviews	Risk, Legal, Governance and Regulatory Matters	Shareholders
Review of markets, strategic developments and investment opportunities	Review and approval of strategic business initiatives, including investments by NEX Opportunities and the Offer	Reviewed effectiveness of the risk management system, including financial, operational and compliance controls, and reviewed the effectiveness of the internal control systems	Investor analysis and feedback from meetings
Review of trading results and performance against budget	Review of NEX transformation programme, approval of annual budget, half-year and full-year results	Reviewed and discussed developments in cyber crime and effectiveness of security controls	Analysts' presentations
Development of 'How to be NEX' framework	Talent recruitment and succession planning	Reviewed and discussed the annual evaluation of the board, its committees and individual directors and conflicts of interest	Annual general meeting and voting feedback
Development and review of KPIs	Major projects report Review of Infinity programme and other platforms Business reviews – NEX Data, Euclid Opportunities, associate investment	Reviewed the performance of the external auditor and recommendation for re-appointment Brexit planning	

Board meeting attendance in 2017/18

	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive directors			
Ken Pigaga[1]	5	5	100
Michael Spencer	6	6	100
Samantha Wren[1]	5	5	100
Non-executive directors			
Anna Ewing[2]	5	5	100
Charles Gregson	6	6	100
Ivan Ritossa	6	6	100
John Sievwright	6	6	100
Robert Standing	6	6	100
Former executive director			
Stuart Bridges[3]	1	1	100

1. Ken Pigaga and Samantha Wren were both appointed to the board on 30 May 2017.
2. Anna Ewing was appointed to the board on 15 May 2017.
3. Stuart Bridges stepped down from the board on 30 May 2017.

CODE PRINCIPLE: RELATIONS WITH SHAREHOLDERS

SHAREHOLDER ENGAGEMENT

The Company's annual general meeting is a key date in the diary for the board. Shareholders who attend the meeting will receive an update from the Group Chief Executive Officer on the activities and performance of the Group since the prior financial year end. All directors, apart from Anna Ewing who was unable to attend due to personal reasons, attended the 2017 annual general meeting and were available to answer questions from shareholders on matters put to the meeting.

For those shareholders who are unable to attend annual general meetings, particularly our overseas shareholder base, NEX has put in place systems to allow for electronic proxy voting through the NEX shareholder portal website (www.nex-shares.com). The proxy votes received on annual general meeting resolutions are published on the Company's website (www.nex.com) following the meeting.

The board gives high priority to shareholder and investor communications. It receives regular investor reports which detail the feedback from investor meetings.

Subject to regulatory constraints, the directors and members of senior management hold regular meetings with investors and analysts to update them on the Group's strategy and performance. In 2017/18 these meetings included presentations from the Group Chief Executive Officer and other senior executives to take analysts and investors through the Group's half-year results and future vision for NEX. In October, the Group hosted an analyst and investor teach-in on NEX Optimisation, which provided an opportunity to meet the senior management of this division. As NEX Optimisation transitions its business units and financial reporting to be more client-focused and to simplify its portfolio of products and services, the teach-in provided an opportunity to meet the senior management of this division.

The senior independent director and non-executive directors are available to meet with shareholders during the year. The Chairman and non-executive directors hosted an investor lunch following the 2017 annual general meeting. This was a valuable opportunity for the non-executive directors to engage with key investors and stakeholders, particularly in relation to the Group's dividend policy, strategic direction, measurements of success and approach to executive director remuneration.

2018 NEX Group plc annual general meeting

The 2018 annual general meeting will be held on Wednesday 11 July 2018 at 2 Broadgate, London EC2M 7UR. In accordance with the Code and the Company's articles of association, all directors will stand for re-election in July.

Full details of the resolutions to be proposed at the 2018 annual general meeting are set out in the notice of annual general meeting. The notice is made available to shareholders on www.nex.com or sent to them, if they have elected to receive hard copies, at least 20 working days before the meeting.

Details of proxy votes for and against each resolution, together with votes withheld, will be made available after the vote has been dealt with on a show of hands and the results of the meeting will be published on www.nex.com.

2017 NEX Group plc annual general meeting

All resolutions proposed at the 2017 annual general meeting were duly passed and the board was pleased to note that the total number of proxy votes received for all resolutions at the 2017 annual general meeting represented approximately 80% of the total voting rights of NEX Group plc (2016: more than 85%). Full details of the proxy votes are available to view in the Shareholder Information section on the Company's website at www.nex.com.

CODE PRINCIPLE: EFFECTIVENESS

EFFECTIVENESS

The composition of the board and its committees is regularly reviewed to ensure there is the right mix of skills, experience and knowledge of the Company to enable board and committee members to perform their roles effectively.

Time commitment

In order to effectively discharge their responsibilities, the non-executive directors must commit sufficient time to their role which, at a minimum, the board considers to be between 30 and 36 days each year. The Chairman has confirmed that, in his view, each non-executive director continued to demonstrate commitment to their role during the year. None of the non-executive directors took on further significant commitments during the year. The Chairman, who is based at NEX's London office, continues to commit as much time as was necessary to fulfil his duties with his responsibilities to NEX taking priority over other business commitments.

In addition to the time spent preparing for and attending board and committee meetings, the Chairman and the non-executive directors allocated sufficient time during the year to further their understanding of the Group. This included briefing meetings with executive and local management in our New York, Stockholm and Tel Aviv offices as well as regular training sessions to ensure ongoing business awareness. Receptions were also held at venues where the board met so that all staff had an opportunity to meet board members.

The table below summarises the directors' attendance at board committee meetings during the year.

	Governance	Nomination	Audit	Risk	Remuneration
Executive directors					
Michael Spencer[1]	5/6	0/1	–	–	–
Samantha Wren	5/5	–	–	–	–
Non-executive directors					
Charles Gregson	6/6	1/1	–	–	–
Anna Ewing	–	–	3/3	5/5	–
Ivan Ritossa[2]	–	1/1	4/4	6/6	6/7
John Sievwright	6/6	1/1	4/4	6/6	7/7
Robert Standing[3]	6/6	1/1	4/4	5/6	7/7
Former executive director					
Stuart Bridges[4]	1/1	–	–	–	–

1. Due to unavoidable circumstances, Michael Spencer was unable to attend the Nomination Committee held in February 2018 and the Governance Committee meeting held in March 2018. He did, however, receive the meeting papers and provided input to the Chair of the committees in advance of the meetings.
2. Ivan Ritossa was unable to attend the Remuneration Committee meeting held in October 2017 which was convened at short notice and conflicted with a prior commitment. He was, however, advised of the meeting content and provided input to the Chair of the committee in advance of the meeting.
3. Robert Standing was unable to attend the Risk Committee meeting held in July 2017 due to a prior commitment. He did, however, receive the meeting papers and provided input to the Chair of the committee in advance of the meeting.
4. Stuart Bridges stepped down from the board and Governance Committee in May 2017.

Performance evaluations

During the year ended 31 March 2018, an independent evaluation of the board and the board committees was externally facilitated by Lintstock. Board members were asked to complete a questionnaire and participated in interviews conducted by Lintstock regarding their responses to the questionnaire.

Lintstock does not provide any other advisory services to NEX or have any other connection to NEX.

The outcomes in respect of the board and the committees were discussed at the March 2018 board meeting and the recommendations from the review were noted. However, in view of the Offer the board agreed that any actions would be put on hold pending completion of the Offer.

Independence

During the year, the board carried out a review of the independence of its non-executive directors. The review considered the nature of the non-executive directors' other appointments, any other positions they hold within the Group, any potential conflicts of interest they have identified and their length of service. Their individual circumstances were also assessed against the independence criteria set out in the Code. Following this review, the board determined that all non-executive directors continue to be independent in character and judgment, particularly in their thinking and challenge of management.

Board inductions

Based on their background, knowledge and skill set, all new directors receive a comprehensive and tailored induction following appointment to the board. Through a combination of office visits, technical briefings and introductory meetings, the NEX board induction programme is designed to broaden directors' understanding of the Group's business operations, strategic priorities, people, culture and clients.

There were three appointments made to the board during the year in May 2017. Anna Ewing's induction focused on the Group's strategy, culture and operations in order to assist her understanding of NEX. Anna met with a number of executive and senior managers and has visited a number of the businesses and spent considerable time with the technologists in Tel Aviv. Anna has also received training and guidance on directors' responsibilities and obligations as a director of a listed company.

Samantha Wren and Ken Pigaga were appointed to the board in May 2017 having been with NEX in various operational and senior management roles for some time. Given this background, the focus for Samantha and Ken's induction was around the responsibilities and obligations of being a director of a listed company and training on this was provided. During the year, Samantha has increased her understanding of the NEX shareholder profile and has met with a number of analysts and current and potential investors. Ken has been involved with shareholder presentations and has also met with a number of analysts and investors.

Training and development

The Chairman is responsible for ensuring that all directors receive ongoing training and development to enhance their roles as board and committee members. The non-executive directors engage fully in this process.

Throughout the year, the directors received strategic business and technology updates and detailed briefings on corporate governance, regulatory and legislative developments.

External advice

Where appropriate, the directors may obtain independent professional advice in respect of their duties to the board and its committees at the Company's expense. No directors sought external advice in 2017/18.

Directors' conflicts of interest

The board has procedures in place for the disclosure of conflicts of interest. The directors are aware of their responsibility to avoid a situation whereby they have an actual or potential conflict of interest and the requirement to inform the Chairman and the Group Company Secretary of any change in their situation. A procedure is in place for the board to authorise conflict situations should they arise, in accordance with the Companies Act and the Company's articles of association.

The Group Company Secretary is responsible for keeping appropriate records, including the scope of any authorisations granted by the board. The board undertakes an annual review of conflict authorisations and, where required, additional interests are authorised during the year.

Compliance with the Code

It is the board's view that, for the year ended 31 March 2018, the Company has applied all the main principles and been fully compliant with all provisions set out in the Code.

CODE PRINCIPLE: ACCOUNTABILITY

GOVERNANCE COMMITTEE

The role of the committee remains as being responsible for reviewing, shaping and monitoring the Group's corporate governance structure.

In accordance with its terms of reference, which are available at www.nex.com, the committee reviews and makes recommendations on all aspects of corporate governance and reviews the arrangements for subsidiary companies.

The committee reports to the board.

Members

The committee's membership consists of the Chairman of the board, the senior independent director, a non-executive director, the Group Chief Executive Officer and the Group Chief Financial Officer and Chief Operating Officer.

The committee is chaired by the Chairman of the board and the Group General Counsel has a standing invitation to attend meetings.

The table on page 46 sets out the directors who served on the committee during the year and their meeting attendance.

In addition to the scheduled meetings, additional meetings for the resignation and appointment of directors for subsidiary companies were undertaken.

Key activities

Following the committee's detailed review last year, the committee was satisfied with the robust governance structure, which has largely remained the same in the current year.

The committee's standing agenda items reflect the responsibility for ensuring the corporate governance structure of the Group is appropriate, in particular with oversight for the regulatory entities within the Group. The sources of information required to brief the committee were augmented during the year with the provision of minutes from the Group's regulated entities including NEX SEF Limited and NEX Exchange Limited.

During the year the committee's activities also included:

- assessment of the regulatory impact of the Senior Managers Regime on certain boards within its scope;
- monitoring of governance actions within regulated entities to ensure completion;
- approval of the registration proposals of NEX Data Services Limited regarding becoming a registered benchmark administrator;
- a review of the process for the escalation of governance issues within regulated entities;
- a review of non-regulated entities and associates to assess the most appropriate method(s) of ensuring consistent governance standards across the Group; and
- review and approval of amended terms of reference of the Group Finance Committee.

Terms of reference

During the year the committee reviewed the terms of reference and have made no significant change.

CODE PRINCIPLE: EFFECTIVENESS

NOMINATION COMMITTEE

The Nomination Committee reports to the board and is responsible for reviewing the structure, size, composition and succession planning of the board. It also ensures that a formal, rigorous and transparent procedure exists for the appointment of new directors. The committee is authorised by the board to carry out any activity within its terms of reference which are available at www.nex.com.

Members

Members of the Nomination Committee are appointed by the board and comprise a majority of independent non-executive directors. The committee is chaired by the Chairman of the board.

The table on page 46 sets out the directors who served on the committee during the year and their meeting attendance.

Key activities

There were a number of board changes during the year which are tabled below. As a result of the timings for some of these appointments, the board, rather than the Nomination Committee, discussed and approved the appointments.

The Nomination Committee, as set out in the committee's report for the prior year, undertook a search through a third party (Heidrick & Struggles) for the appointment of Anna Ewing. During this search, the committee was very mindful of the board and Group's policy on diversity. NEX has always recognised that a mix of backgrounds, skills and experience within teams, which includes the board, improves adaptability and agility and supports long-term growth and sustainability for the Group. The gender ratio, one of the diversity metrics, for the NEX Group, including that of the board, is set out on pages 12 and 13.

The committee also considered, and met with, people within the Group, from all global business and support areas, who had been identified as future talent. The particular focus during the year under review was on developing talent within the NEX technology space.

Aside from recruitment services, Heidrick & Struggles, who undertook the recruitment process in respect of Anna Ewing, did not provide any other services to or have any other connection with the Company during the year.

Board changes during the year:

Director	Appointment/resignation	Date of change
Anna Ewing	Appointment	15 May 2017
Stuart Bridges	Resignation	30 May 2017
Samantha Wren	Appointment as Group Chief Financial Officer	30 May 2017
Samantha Wren	Appointment as Chief Operating Officer in addition to Group Chief Financial Officer	16 October 2017
Ken Pigaga	Appointment as Group Chief Operating Officer	30 May 2017
Ken Pigaga	Resignation as Group Chief Operating Officer and appointment as Chief Executive Officer, NEX Optimisation	16 October 2017

CODE PRINCIPLE: ACCOUNTABILITY

AUDIT COMMITTEE

Chair's overview

On behalf of the Audit Committee, I am pleased to present its report for the year ended 31 March 2018.

The committee's membership was strengthened during the year by the appointment of Anna Ewing as a member in September 2017. All members of the committee are independent non-executive directors. The committee's discussions are supported by the attendance of senior management at its meetings.

We have reviewed a number of areas within the Group's financial statements including key areas of judgment, critical accounting policies, provisioning and any changes in these areas or policies. This work, together with the insight from Deloitte as the new external auditor, has ensured the correct focus for the committee's discussions and a high standard of decision making. The judgment areas are set out in the report and in the Independent Auditor's Report on pages 84 to 93.

The other areas of focus for the committee, as set out in the report on the following pages, support the remit within the terms of reference and provide support and guidance to management. I am confident that the committee, supported by members of senior management and the external auditors, has carried out its duties in the year under review effectively and to a high standard.

The transition to the new Deloitte team has gone very well and the committee received regular progress reports. Deloitte have also provided training to the committee on updates to the corporate governance environment and guidance on the growing expectations from financial regulators.

Through the activities of the committee described in the report, the board confirms that it has reviewed the effectiveness of the Company's internal systems of internal control and risk management, covering all material controls including financial, operational and compliance controls, and that there were no material failings identified which require disclosure in this Annual Report, except those noted below.

A number of items have arisen during the year ended 31 March 2018 and through the financial close process for the year ended 31 March 2018 that should have been accounted for in previous financial periods. Where material these amounts have been restated with appropriate disclosure of the restatement made in the financial statements.

These restatements all relate to one-time consequences of the IGBB transaction and the knock-on impact within the financial statements for the year ended 31 March 2017.

There are a number of other prior year errors that have not led to restatement as it is not considered that they are, individually or in aggregate, material to the understanding of the financial statements. Disclosure of where these items have impacted the current year performance and results has been made.

NEX Group was formed in December 2016 and, as a consequence, has reshaped its corporate functions which included a review of the effectiveness of finance. The findings of this review, completed during the financial year, have helped develop the direction of finance for the coming years to provide a control environment appropriate to the needs of NEX.

The review has considered the underlying risks inherent in NEX's operations as a provider of financial technology services created from a series of acquisitions. The result is that the Company now considers a more centralised finance function to be the most effective model for managing finance to help control and drive performance towards our new strategic priorities.

The output from this review is a transformation programme intended to meet the needs of the business efficiently, whilst creating a more effective, centralised and robust finance function. Key steps to implement these changes are greater standardisation of processes, better use of technology and greater clarity of roles and responsibilities. This will involve changing from a more decentralised structure, whereby separate operating businesses run with independent and more aligned finance support, to provide a more consistent model.

Part of our transformation programme involves looking at how we can better utilise IT general controls to build an effective and efficient internal control environment. This is intended to reduce our current reliance on more manual business processes and reconciliation controls upon which we rely today and is part of an ongoing programme.

The output will be more efficient transaction-level processing and oversight, enhanced control of accounting and close processes as well as clearer, more timely management and board-level reporting.

As part of its review of the Annual Report, the committee considered whether the report is fair, balanced and understandable (noting the Code's reference to position as well as performance, business model and strategy). On the basis of this work, the committee recommended to the board that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

John Sievwright
Chair, Audit Committee
22 May 2018

Audit Committee

The Audit Committee is responsible for the effective governance of the Group's financial reporting, including the adequacy of financial disclosures and both the external and internal audit functions. It is authorised by the board to carry out any activity within its terms of reference. The Audit Committee reports to the board.

Members

The Audit Committee members are all independent non-executive directors and the committee is chaired by John Sievwright. The composition of the committee changed in September 2017 when Anna Ewing was appointed. The board is satisfied that at least one member of the committee has recent and relevant financial experience and that all members bring extensive expertise to the committee and that the committee as a whole is deemed to be competent in the sectors in which the Company operates.

The table on page 46 sets out the directors who served on the Audit Committee during the year and their meeting attendance.

Meetings are attended by the Chairman, the Group Chief Financial Officer and Global Chief Operating Officer, the Chief Executive Officer, NEX Optimisation, the Group General Counsel, the Group Financial Controller, the Group Head of Internal Audit and the external audit partner.

The Chair of the Audit Committee maintains contact with attendees throughout the year. There were two meetings during 2017/18 when the committee met with the external audit partner without any executive director or management present.

Key activities

The Audit Committee reviews the Group's accounting policies and monitors the integrity of the Group's financial statements, including the half-year and annual reports, and other announcements relating to the Group's financial performance to ensure that they present a balanced and clear assessment of the Group's financial position and outlook.

During the year, the committee considered certain accounting and financial reporting areas to be of a more subjective nature. Throughout the year, management presented to the committee its position on those areas that were material in nature and involved significant management judgment and assumptions. In reviewing management's judgments and estimates in these areas, where appropriate the committee discussed these judgments and estimates with the external auditor.

An annual work plan is agreed to ensure all areas of significance are considered by the Audit Committee and that business and reporting requirements are met. The committee's key activities during the year included reviewing and discussing:

- the progress of the transition in respect of Deloitte's appointment as the Company's external auditor in 2017;
- approval of the 2017/18 external audit fee;
- the appropriateness of the Group's half-year and annual financial statements and financial announcements to the London Stock Exchange;
- the viability assessment and viability statement on page 61;
- the going concern statement on page 61 and the appropriateness of preparing the Group's half-year and annual financial statements on a going concern basis;
- reports from the external auditor;
- the new accounting standards IFRS 9, IFRS 15 and IFRS 16;
- the valuation of available-for-sale investments and associates;
- the revenue recognition of the CFETS contract;
- litigation, investigations and contingent liabilities;
- the Group's tax strategy;
- the Group's non-audit services policy;
- the effectiveness of the Group's internal control systems for financial reporting;
- an annual schedule of work to be conducted by the external and internal audit teams; and
- the effectiveness of internal audit.

CORPORATE GOVERNANCE STATEMENT (continued)

Significant accounting judgments and estimates considered during the year ended 31 March 2018 included:

Key area	Action taken
Impairment of goodwill and other intangible assets arising on consolidation	The committee has considered the impairment of goodwill and other intangible assets arising on consolidation and made it clearer that this is an estimate, rather than a judgment (not involving estimation). The committee agreed that there should be more specific disclosure about key estimates, namely the pre-tax cash flow projections, discount rate and terminal growth rate. In particular, the committee carefully considered the position of ENSO given the recent change in management. A sensitivity analysis of the carrying value of goodwill was completed and specific disclosure has been included in the financial statements, albeit no impairment was recorded.
Recognition of Provisions	The committee considered the provisions and it has been made clearer that this is a judgment (not involving estimation), rather than an estimate. The committee agreed that there should be more specific disclosure about the key judgment, namely whether litigation matters are classified as contingent liabilities or provisions. This is a judgment because it involves management's view as to whether obligations arising from uncertain litigation matters are possible or probable, which can be difficult given the complexity of the litigation matters.
Recognition of contingent liabilities	Same as for provisions.
Presentation of acquisitions, disposals and similar items	The committee considers this to be a significant judgment since the choice to present this column separately from trading involves the judgment that this is more relevant and useful for users of the financial statements, and not doing so would materially alter the presentation of the consolidated income statement. This is consistent with the FRC Thematic Review which noted that the most commonly disclosed judgment related to exceptional or separately disclosed items.
Capitalisation and useful economic life of intangible assets arising from development expenditure	The committee considers the capitalisation of costs as intangible assets arising from development expenditure to be a significant judgment. The creation and application of the Group capitalisation policy requires judgment in how IFRS is applied to NEX in describing which expenditure qualifies for capitalisation as opposed to maintenance or research expense. The determination of useful economic life is also considered to be a significant estimate, particularly with respect to the impact of new technology and enhancements on existing assets.

The committee considered management's going concern statement and the appropriateness of preparing the Group's annual financial statements on a going concern basis. It also considered management's viability statement and the appropriateness of management's judgments, estimates and assumptions made in assessing the viability of the Group.

The committee, on behalf of the board, is satisfied that an assessment of the solvency and liquidity of the Group over a period of three financial years up to 31 March 2021 has been carried out in accordance with the provisions of the Code.

The viability statement is disclosed on page 61 and should be read together with the Group's risk management framework and principal risks as set out in the risk management section of the strategic report on pages 16 to 23.

Additionally, auditing standards require the external auditor to presume risks of fraud in revenue recognition as a significant audit risk area and to perform procedures to address those risks. The committee concluded that, based on the findings reported by the external and internal auditors and from its own review of the Group's internal control and risk management frameworks, the financial statements for the year ended 31 March 2018 were not exposed to a material risk arising from this risk area.

The committee considered and approved the Group's tax strategy, the objectives of which were to deliver shareholder value by complying with all tax obligations and working constructively with relevant tax authorities.

The work described above, together with a review of the content of the strategic report, provided assurance to the committee and to the board that the Annual Report for the year ended 31 March 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Internal audit

The internal audit function is predominantly insourced with a small outsourced component. Internal audit establishes an annual audit plan based on discussions with management and an assessment of the risks inherent in the Group's activities. The activities of internal audit are reported to the Audit and Risk Committees and provide assurance to both management and these committees that the system of internal control achieves its objectives and highlights gaps and areas for improvement.

During the year, an evaluation of the effectiveness of the internal audit function was carried out through a questionnaire, and key stakeholders across the Group were asked to participate. The questionnaire addressed the function's quality of planning and communication, understanding of the key risks and controls within the business, resourcing, engagement and independence. A subsequent report to the Audit Committee provided empirical data on which the function's overall performance was assessed. The report also included specific comments made by respondents, providing valuable insight into management's views. The results of the evaluation concluded that the function's performance in 2017/18 was rated positively, particularly the comprehensiveness of its audit plan and follow-up of identified actions, in addition to the quality of reporting to the Audit Committee.

External auditor

As previously reported, following a competitive tender process, Deloitte were appointed at the annual general meeting in July 2017 replacing PricewaterhouseCoopers as the Company's external auditor. Deloitte will be required to rotate the audit partner responsible for the Company's audit, who is currently Fiona Walker, every five years. The Company has no current retendering plans, however in accordance with the Statutory Audit Services Order, the Company will be required to put the external audit contract out to tender by 2027.

The Committee is satisfied with the independence, performance and effectiveness of the external auditor and has recommended to the board that a resolution proposing the re-appointment of Deloitte as the Company's auditor for the year ending 31 March 2019 be proposed at the 2018 annual general meeting.

Following the conclusion of the first year of Deloitte's audit involvement, the Committee proposes to undertake an assessment of the effectiveness of the external audit process during the year.

Following the tender of the Group's external audit contract in 2015/16, the Company confirms its compliance with the requirements of the Statutory Audit Services Order for the year ended 31 March 2018.

Non-audit services

In line with best practice, the Audit Committee is responsible for determining the non-audit services that the external auditor may or may not provide to the Group and monitoring the balance of spend on audit and non-audit fees to ensure the continued independence of the Group's external auditor. A policy is in place whereby the expenditure with the Group's auditor for non-audit work should not exceed 70% of the audit fee. Any proposed non-audit assignments with fees in excess of £100,000 are subject to the Audit Committee's prior approval. Fees below this limit are approved by the Chairman of the Audit Committee and reported to the committee. All non-audit services provided to the Group are in accordance with applicable legislation.

The total spend on non-audit services during the year was approximately £0.3 million, being approximately 18% of the audit fee (2016/17: 38%). The non-audit fee was mainly in relation to corporate finance transaction services and other assurance services. Note 3 to the financial statements provides further details of the fees paid for audit and non-audit services during the year.

Whistleblowing

The Group maintains a global whistleblowing hotline through which employees may raise issues of concern, report suspected wrongdoing, or seek clarification on ethical dilemmas in confidence. The service is administered through an independent third-party vendor. The Audit Committee receives reports of notifications made through the system. There were no notifications submitted during the year.

ACCOUNTABILITY:

RISK COMMITTEE

Chair's overview

On behalf of the Risk Committee, I am pleased to present its report for the year ended 31 March 2018.

The committee's membership was strengthened during the year by the appointment of Anna Ewing as a member in May 2017. All members of the committee are independent non-executive directors. The committee's discussions are supported by the attendance of senior management at its meetings, including the CEOs of NEX Marketing and NEX Optimisation. The attendance and contributions directly from the risk owners have increased the level of understanding and challenge at the meeting.

The committee's role is to promote a culture of effective risk management throughout the Group and to provide direction and oversight of the Group's management of risk. The committee achieves this through review and challenge of the risk report which focuses on significant key risk developments and a review of the principal risks. This review highlighted, as in previous years, that cyber security risk continued to be a challenging area and one that took up a considerable amount of the committee's time. The principal risk contained in the previous year's report highlighted cyber threats as a source of the risk relating to information security and business resiliency. The committee has decided that, given its continuing significance, cyber security risk should be reported as a separate principal risk. Further details and mitigating controls are set out in the principal risks section of the Annual Report on pages 17 to 23. To support this decision, the committee's terms of reference were amended to include a dual reporting line to the Risk Committee, and day-to-day to the Group Chief Financial Officer and Chief Operating Officer, for the Chief Information Security Officer.

During the year, the committee received presentations and reports from local risk, compliance and internal audit personnel which provided additional colour and understanding of issues in specific jurisdictions. The committee spent considerable time reviewing the GDPR implementation programme which included IT security obligations. These are being addressed as part of the wider programme of work referred to in the key activities section set out in the following report, together with other key areas of the committee's activities.

John Sievwright
Chair, Risk Committee
22 May 2018

Risk Committee

The Risk Committee reports to the board and is responsible for setting the overall risk strategy, risk appetite and risk tolerance for the Group in order to ensure that the risk management function within the Group promotes the success of the Company. The committee is authorised by the board to carry out any activity within its terms of reference, which are available at www.nex.com.

Members

All members of the Risk Committee are independent non-executive directors and the Chair is John Sievwright.

The table on page 46 sets out the directors who served on the committee during the year and their meeting attendance.

In addition to the members, committee meetings were attended by the Chairman of the board and management including the CEOs for NEX Markets and NEX Optimisation, the Group Chief Financial Officer and Chief Operating Officer, the Group General Counsel, the Chief Risk Officer, the Global Head of Compliance, the Group Head of HR, the Group Head of Internal Audit and the external audit partner.

The Chair of the Risk Committee maintains contact with attendees throughout the year and met with the Chief Risk Officer and the Group Head of Internal Audit without any executive director or management present. No substantive issues were raised but the meetings provided an opportunity for the Chair to ensure that the committee's agenda remained topical and relevant to any ongoing issues.

Key activities

The significant matters addressed by the committee during the year were:

- regular and robust assessment of the key risks facing the Group;
- discussion and remediation of risk events;
- information and cyber security;
- MiFID II and GDPR preparatory efforts;
- potential civil or regulatory litigation;
- technology resiliency;
- externally driven risks;
- effective use of capital; and
- compliance of the regulated entities risk programmes.

The key risks reviewed during the year included cyber crime, the post-separation risks, the NEX Optimisation transformation programme, vendor risk and liquidity risk management.

The majority of the reportable risk events were associated with information security and business resilience principal risks. Information security incidents are largely driven by human error but mitigation efforts have led to a decreasing number of incidents over the course of the year. Business resilience incidents continue to be mitigated by improved governance and oversight of change management processes.

Information and cyber security remain an area of high focus for the committee and the Group. The committee reviewed the information security analysis which was undertaken by an external third party during the year and the information security aspirational paper which sets out a programme of work which is ongoing. Recent progress includes enhanced inbound email monitoring, more stringent user authentication practices, annual staff awareness training and the revision of applicable security policies.

There were a number of externally driven risks monitored by the committee during the period. These included MiFID II, GDPR, ongoing political and regulatory uncertainty and the impact of Brexit.

The committee reviewed and supported proposals from the management of NEX Markets to make appropriate adjustments to clients' credit limits to support the management of liquidity exposure, especially at certain periods in the cycle of US Treasury refunding.

The committee reviewed the risk programme for regulated entities to ensure that the businesses continued to execute their risk programmes in line with regulations and best practice and that regular challenge was undertaken by the independent risk function. The approach to risk programmes and oversight efforts undertaken by non-regulated entities was also reviewed and agreed with the committee.

Risk control and management framework

The board reviews the adequacy and effectiveness of the Group's risk management and internal control frameworks on an annual basis. This review is supported by the Group's independent control functions. Any remediating actions identified are reported to the board.

No significant failings or weaknesses in the Group's systems of risk management or internal control were identified during the year. The Group complies with FRC guidance.

All commercial and support managers are responsible for the identification, management and mitigation of the risks in the areas for which they are responsible. Employees are expected to take a prudent approach to the management of risk, and to be committed to transparency, escalation of issues and continuous self-improvement. Prudent risk management is not something that is purely the province of certain control functions – it is everyone's responsibility. The importance of this approach was reinforced in May 2017 through the review and approval by the committee of the NEX Group Risk Reporting Policy.

The Group's internal control and risk management systems in relation to financial reporting are described on pages 52 and 53.

Risk management

The Group maintains an independent risk management function responsible for providing expertise, challenge and analysis of risk-related developments. Among the key responsibilities of the Group Risk function are:

- acting as an independent source of advice, expertise and challenge with respect to the development and execution of risk management policies, standards and practices across the NEX Group;
- serving as a central repository for the reporting of risk events, providing challenge and analysis of such events and their remediation, and presenting such events to the Risk Committee at its meetings;
- administering a board-approved credit matrix for the assignment of counterparty credit limits to clients and the monitoring of exposure and potential breaches;
- working with the business teams and Group Treasury to monitor and address ongoing liquidity needs in the NEX Markets business;
- identifying and reviewing key and emerging risks on a regular basis and reporting updates to the Risk Committee at its meetings;
- serving as an interface with the Group's regulators regarding the management of risk;
- facilitating the collection, analysis and reporting of data on risk events and trends;
- assisting with the preparation of ICAAPs for EU-regulated subsidiaries of the Group;
- conducting targeted deep-dives of important and emerging risk issues; and
- helping foster a positive risk culture across the Group.

Internal control

The board is responsible for reviewing the effectiveness of the risk management and internal control systems, which management is responsible for maintaining, and it does this through the Audit and Risk Committees. The principal risks faced by the Group are detailed on pages 17 to 23.

The day-to-day business of the Group is managed through a system of financial, operational and compliance controls and monitored by a series of risk management systems. Internal controls are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of the internal control system is reviewed regularly by the internal audit function.

The Group has investments in a number of joint ventures and associates. Internal control procedures for joint ventures and associates rest with the senior management of those operations and the Company seeks to monitor such investments and exert influence through board representation. The board's review of the effectiveness of the system of internal control in those entities is consequently less comprehensive than in its directly-owned subsidiaries.

Remuneration Committee

The Remuneration Committee is authorised by the board to review and approve proposals to ensure that the NEX global reward and employee benefits approach supports the business strategy of the Group.

The committee is responsible for the oversight of the Group's remuneration strategy, to ensure that the NEX approach to remuneration is aligned with the interests of employees and shareholders and to comply with current best practice and regulatory requirements.

Members

The Remuneration Committee members are all independent non-executive directors and the committee is chaired by Robert Standing. The Chair of the committee's statement for 2017/18 is set out on pages 62 to 64.

The table on page 46 sets out the directors who served on the Remuneration Committee during the year and their meeting attendance.

Key activities

The committee's external evaluation in 2015/16 noted that continued alignment of executive management's interests with Group strategy and culture is key to driving appropriate outcomes for shareholders, particularly in light of the transaction with CME.

The committee's key activities during the year included reviewing and discussing:

- the directors' remuneration policy for the year ended 31 March 2018;
- approval of the executive directors' bonuses for the year ended 31 March 2018, including assessment of the level of achievement of the executive directors' objectives for the year;
- consideration of the performance conditions for the 2015 share awards;
- gender pay gap reporting in the UK;
- business unit objectives for FY17/18;
- job architecture framework;
- the reward policy;
- succession planning and leadership;
- update on 2017/18 annual salary and bonus; and
- the highest earners' compensation arrangements across the Group.

The directors' remuneration report for the year ended 31 March 2018, which will be put to shareholders for approval at the 2018 annual general meeting, is set out on pages 62 to 83.

GLOBAL EXECUTIVE MANAGEMENT GROUP

EXECUTIVE COMMITTEES

The Group operates three executive committees: the GEMG, the GOC and the GFC. The purpose of these committees is to complement and support the work of the board and its principal committees.

Membership of the executive committees consists of the executive directors, senior management and representatives from Group functions. Appointments to the executive committees are approved by the board.

The GEMG is responsible for proposing commercial strategy to the board, overseeing the strategic and operational performance of the Group, and setting its commercial direction within the scope of delegated authorities and in developing and leading the NEX cultural agenda. The biographies of the GEMG members highlight the skills and experience each member brings to the committee.

The GOC has executive responsibility for the Group's operations and reports to the board and the GEMG. It also reports to the Audit and Risk Committees, as required.

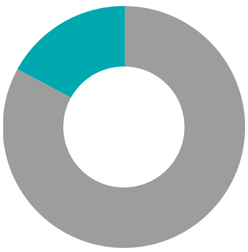
The GFC has executive responsibility for the Group's financial structure, accounting and financial reporting processes and control environment. The GFC reports to the GEMG, the Audit and Governance Committees, as required.

Global Executive Management Group

Michael Spencer Group Chief Executive Officer	Michael's biography is on page 38
Samantha Wren Group Chief Financial Officer and Chief Operating Officer	Samantha's biography is on page 39
Seth Johnson Chief Executive Officer, NEX Markets	Seth was appointed Chief Executive Officer of NEX Markets in October 2016. He was previously responsible for developing ICAP's global broking strategy, focusing on growing revenue, improving the application of technology to its business model and expanding client coverage. Seth also led the expansion of the NEX Markets product portfolio in his role as Chief Executive Officer of BrokerTec and Chief Executive Officer of NEX Exchange. He joined ICAP as a graduate trainee and has worked in the Group for more than 20 years. Seth holds a degree in International Business and Modern Languages from Aston University and gained an Advanced Management Program qualification from Harvard Business School.
Ken Pigaga Chief Executive Officer, NEX Optimisation	Ken's biography is on page 39
Steve Gibson Chief Executive Officer, NEX Opportunities	Steve leads NEX Opportunities, the Group's financial technology investment division. Its portfolio includes a number of emerging fintech firms bringing new technologies and business models into capital markets. NEX Opportunities is represented on the boards of NEX Regulatory Reporting (formerly Abide Financial), AcadiaSoft, Axoni, Cloud9 Technologies, Duco, ENSO Financial, OpenFin, OpenGamma and Research Exchange. Steve previously held senior management positions with Calypso Technology, Ipreo and Siebel (now Oracle). Steve holds a degree in Physical Sciences from University College London.
Tim Cartledge Global Head of FX and Head of Product, NEX Markets	Tim was appointed Global Head of FX and Head of Product for NEX Markets in February 2017. He brings significant expertise in electronic trading within both the FX and fixed income markets. Tim previously served as Chief Strategy Officer of EBS BrokerTec and, prior to that, was Head of Global Fixed Income Currencies and Commodities Electronic Trading at Barclays Bank and Managing Director at Barclays Capital. Tim has also held roles at Dresdner Bank, Credit Suisse and Goldman Sachs. Tim holds a degree in Computer Science from the University of Cambridge.

The gender balance of each of the Group's executive committees as at 31 March 2018 is illustrated below.

GEMG



Male: 83%
Female: 17%

Total number of members: 6

GOC

Male: 55%
Female: 45%

Total number of members: 11

GFC

Male: 67%
Female: 33%

Total number of members: 9

OTHER STATUTORY INFORMATION

Strategic report

Pages 1 to 33 inclusive consist of the strategic report and pages 35 to 93 inclusive consist of the directors' report. The strategic report includes a review of the Group's business areas, business model, strategic priorities, key performance indicators, the principal risks affecting the Group and the main trends and factors likely to affect the future development, performance and position of the business. Some of the matters normally included in the directors' report have instead been included in the strategic report and these matters are referred to below and are explained in more detail in the strategic report.

Related party transactions

Details of related party transactions are set out in note 28 to the financial statements.

Environment

Information relating to the environment and greenhouse gas emissions is set out in the resources, relationships and responsibilities section on pages 14 and 15 of the strategic report.

Employees

Information on the Group's policies in respect of employee involvement, diversity, human rights and a statement on the employment of disabled persons are given on pages 12 and 13 of the strategic report.

Post balance sheet events

On 18 May 2018, the NEX shareholders voted to approve the Offer from CME.

Dividends

The directors recommend a final dividend of 7.65p per share to be paid on 27 July 2018 to shareholders on the register on 6 July 2018. The shares will be quoted ex-dividend from 5 July 2018.

Political donations

No political donations were made during the year (2016/17: nil).

Appointment and retirement of directors

The appointment and retirement of directors is governed by the Company's articles of association, the Code, the Companies Act and related legislation. The board has the power to appoint additional directors or to fill a casual vacancy among the directors. Any such director holds office only until the next annual general meeting, when that director will stand for appointment by shareholders. In accordance with the Code, the articles of association also provide that all directors are subject to annual re-election by shareholders.

Powers of the directors

The powers of the directors are determined by the Companies Act, the Company's articles of association and any directions given by special resolution. The business of the Company is managed by the board which may exercises all powers of the Company.

Directors' indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act) were in force during the year ended 31 March 2018 and remain in force as at the date of this report, for the benefit of directors of the Company in relation to certain losses and liabilities which they may incur when acting in their capacity as a director or officer of any Group company.

The Company maintains directors' and officers' liability insurance in respect of itself and its directors and officers, when acting in their capacity as a director or officer of any Group company.

Articles of association

The Company's articles of association are available on the Company's website at www.nex.com and may be amended by special resolution at a general meeting of shareholders. No changes to the articles of association of the Company will be proposed at the 2018 annual general meeting.

Share capital

Share capital	31 March 2018	31 March 2017
Issued share capital	**379,735,432 ordinary shares of 17.5p each**	379,735,432 ordinary shares of 17.5p each

During the year there were no changes in the share capital of the Company. Further information on the share capital is detailed in note 25 to the financial statements.

Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company. There are no restrictions on the transfer of ordinary shares.

Powers of directors to issue or buy back the Company's shares

The powers of the directors are determined by the Companies Act and the Company's articles of association. The directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the annual general meeting.

Repurchase of shares

The Company did not purchase any of its own shares during the year (2016/17: nil). As at 31 March 2018, and at 17 May 2018, the Company had an unexpired authority to repurchase shares up to a maximum of 37,973,543 ordinary shares of 17.5p each (being 10% of the issued share capital of the Company). The directors propose to seek a similar authority at the 2018 annual general meeting.

Employee share trust

Awards granted under the Group's share plans are expected to be satisfied by ordinary shares held in the NEX Trust or new issues of shares. As at 31 March 2018, employee share awards and options existed over 11,577,383 of the Company's ordinary shares and 7,695,900 ordinary shares were held in the NEX Trust.

The voting rights of ordinary shares held in the NEX Trust are exercisable by the trustees in accordance with their fiduciary duties. The right to receive dividends has been waived in respect of the shares held in the NEX Trust.

The rules of the Group's share plans contain provisions which may cause options and awards granted to employees under the schemes to vest on a change of control.

Substantial shareholders

The Company's substantial shareholders do not have different voting rights from those of other shareholders. As at 31 March 2018, the Company had been notified under the FCA's Disclosure and Transparency Rules of the following holdings of voting rights in its shares:

	Percentage of voting rights attaching to issued share capital			
Person interested	Indirect	Direct	Other	Total
Michael Spencer together with IPGL, IPGL Limited, INFBV and INCAP Overseas BV*	16.55	1.00	0.07	17.62
Schroders plc	10.00	–	–	10.00
Marathon Asset Management LLP	4.99	–	–	4.99
Silchester International Investors LLP	4.97	–	–	4.97
York Capital Management Global Advisors, LLC.	4.03	–	–	4.03

* Michael Spencer owns a majority shareholding in IPGL, of which IPGL Limited and INFBV are wholly-owned subsidiaries. Mr Spencer is deemed to be interested in all the shares in NEX Group plc held by INFBV and its indirect wholly-owned subsidiary, INCAP Overseas B.V., totalling 61,546,806 shares. IPGL Limited holds 1,303,356 shares in NEX Group plc and 199,999 shares acquired via CFD. A further 3,516,558 shares are held by Sanne Fiduciary Services Ltd as trustee of the NEX Trust. The shares held in the NEX Trust include basic awards to Michael Spencer under the BSMP and matching awards under the BSMP in respect of which there are no unsatisfied performance or continuity of employment conditions. Michael Spencer has a personal interest in 214,532 shares in NEX Group plc and holds 57,142 shares acquired via a contract for difference. Michael Spencer's spouse holds 53,000 shares in NEX Group plc.

On 17 May 2018, the Company was notified by Schroders plc that it held below 5% of the voting rights in the Company's issued share capital.

Financial Instruments

Information on the use of financial instruments can be found in note 19 to the financial statements on pages 147 to 149.

OTHER STATUTORY INFORMATION (continued)

FCA Listing Rules – compliance with Listing Rule 9.8.4C

The majority of the disclosures required under Listing Rule 9.8.4 are not applicable to NEX. The table below sets out the location of the disclosures required by Listing Rule 9.8.4C.

Applicable sub-paragraph within Listing Rule 9.8.4C	Disclosure provided
(5) details of any arrangements under which a director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking	See page 83
(6) where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review	See page 83
(12) details of any arrangements under which a shareholder has waived or agreed to waive any dividends	See page 59
(13) where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to all dividends which are payable during the period under review	See page 59

Statement of directors' responsibilities for the Annual Report

The directors are responsible for preparing the Annual Report, the strategic report, the remuneration 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 Group's and Company's financial statements in accordance with IFRS as adopted by the EU. 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 the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgments and accounting estimates that are reasonable and prudent;
– state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for ensuring that the Group and the Company keep adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken all the matters considered by the board and brought to the attention of the board during the year into account, the directors are satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable and it provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

The directors are responsible for the maintenance and integrity of the information on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the FCA's Disclosure and Transparency Rules

The directors are required by the Disclosure and Transparency Rules to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company. The directors of the Company who were in office during the year, and up to the date of signing the Annual Report, were Charles Gregson, Michael Spencer, Samantha Wren, Ken Pigaga, Anna Ewing, Ivan Ritossa, John Sievwright and Robert Standing. Each of these directors, whose function is listed in the directors' biographies, confirms to the best of their knowledge that:

– the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
– the management report disclosures which are contained in the strategic report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the financial review. Notes 10, 12 and 27 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The strategic report includes an analysis of the principal risks facing the Group and the Group's approach to risk management.

After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Group and the Company have adequate resources to continue to operate and confirm that the Group and the Company are going concerns. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

Viability statement

In addition to the requirement to consider the appropriateness of preparing the Group's financial statements on a going concern basis, the directors have an obligation under the Code to make a statement in the Annual Report with regard to the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

The Group's viability assessment has been made over a period of three financial years up to 31 March 2021. The directors are satisfied that a three-year period is sufficient to enable a reasonable assessment of the Group's viability to be made. In addition, this period is covered by the Group's medium-term plan. The board reviewed the plan in detail, challenged assumptions made in the forecasts and assessed the attainability of the forward projections.

In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the Group's principal risks and uncertainties.

Based on these assessments, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due up to 31 March 2021.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Company's auditor in connection with preparing its report, of which the Company's auditor is unaware.

Each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act.

By order of the board

Samantha Wren
Group Chief Financial Officer and Chief Operating Officer
22 May 2018

REMUNERATION REPORT

CHAIRMAN'S STATEMENT

Dear shareholder,

I am pleased to present the remuneration report for 2017/18.

As the Chairman noted in his statement, on 29 March 2018 the board reached an agreement with CME for the acquisition of NEX which was subsequently approved by shareholders on 18 May 2018. I address the consequences of the acquisition for remuneration further into my statement but focus first on remuneration in 2017/18 as it relates to Company performance and changes to the board.

As you will recall, the current remuneration policy was adopted shortly after the creation of NEX and approved by shareholders for a period of one year at the 2017 AGM. This approach was taken to allow the remuneration committee the opportunity to carry out a review of policy to make sure it aligned with the Company's long-term needs. Having reviewed the policy during the year, the committee has concluded that it remains fit for purpose and therefore intends to seek shareholder approval at the 2018 AGM for an unchanged policy. The annual report on remuneration will also be put to shareholders for an advisory vote.

Context and performance during 2017/18

For the year ended 31 March 2018, the Group reported revenue of £591 million, an increase of 9% on the prior year both on a reported and on a constant currency basis. On a constant currency basis, revenue from NEX Markets was up 6% and from NEX Optimisation up 7%.

During the year, the Group's trading performance benefited from episodic increases in FX volatility, including in Asian currency pairs and an increase in trading activity in EU repo. The revenue performance also benefited from progression with the CFETS contract, as well as an increase in demand for post trade services such as risk reduction and regulatory reporting solutions. This was partly offset by a decrease in revenue in some government bonds and a subdued performance in the basis risk mitigation services, Reset, which continues to be affected by low short-dated interest rate volatility in Europe.

Following the departure of Stuart Bridges as Group Chief Financial Officer in May 2017, Ken Pigaga and Samantha Wren were appointed to the board as Group Chief Operating Officer and Group Chief Financial Officer respectively. Both have been integral to the successful execution of the NEX transformation programme and in October 2017 Ken took on the role of Chief Executive Officer, NEX Optimisation and Samantha the dual role of Group Chief Financial Officer and Chief Operating Officer. Together with the Group Chief Executive Officer, the executive team made good progress against our strategic objectives during the year, which included completing the redesign of the Group's operating model following the transaction with TP ICAP and setting a clear long-term strategy for the business and communicating this to our investors, clients and employees.

Remuneration outcomes for 2017/18

Annual bonus

As mentioned above, the roles that Ken and Samantha have successfully fulfilled throughout the past year of transformation have evolved from those to which they were originally appointed, and with this, both executives also undertook a material increase in responsibility. In recognition of this, the committee determined it appropriate that, alongside the Chief Executive Officer, they be eligible for a bonus of 300% of salary, the maximum annual bonus opportunity permitted by policy, pro-rated to reflect the timing of their appointment to the board. Having taken into account achievement against both revenue, operating profit and client targets together with the strategic targets set by the committee at the start of 2017/18, the committee approved bonus payments equal to 78% of maximum for the Chief Executive Officer and 80% for the Group Chief Financial Officer and Chief Operating Officer and the Chief Executive Officer, NEX Optimisation. Half of the bonus will be delivered in Company shares under the DSBP.

Further detail in relation to the executives' performance against their objectives is set out in the Annual Report on Remuneration on pages 73 to 83.

PSP
The first award under the current PSP was granted in 2015. Vesting was contingent on performance based 50% on relative total shareholder return (TSR) compared to a select group of industry peers and 50% based on growth in trading earnings per share (EPS) relative to the Consumer Price Index (CPI). At the end of the performance period, the committee determined that the performance conditions had not been met and that awards would lapse in full.

Base salary increases
As disclosed in last year's report, the base salary for the Group Chief Executive Officer and the now-departed Group Chief Financial Officer were not increased for 2017/18. Details of the salaries for executives that joined the board during the year are set out below.

Joiners and leavers
Samantha Wren
Samantha was appointed to the board effective 30 May 2017 as Group Chief Financial Officer before taking on the much broader role of both Group Chief Financial Officer and Chief Operating Officer effective 16 October 2017. Prior to joining the board, Samantha was Chief Commercial Officer of NEX Markets and, prior to that, Chief Financial Officer and Chief Operating Officer of ICAP's Broking division.

On appointment to the board, Samantha became eligible to participate in both the annual bonus and PSP. In order to recognise the increased scope and responsibilities of Samantha's combined Group Chief Financial Officer and Chief Operating Officer role, her base salary will increase from 1 April 2018 to £500,000 (previously £425,000), this new salary having been the same salary as the previous Chief Financial Officer. In addition, and by exception for 2018/19 only, she will be eligible for a PSP award of 300%, as permitted under the policy.

This is to award the exceptional contribution Samantha has made to the business since her appointment, the increase in her responsibilities and the pivotal role she continues to play in completing the transaction. Pension and benefits for Samantha will continue to be in line with policy.

Ken Pigaga
Ken joined the board on 31 May 2017 as Global Chief Operating Officer. Ken was brought onto the board to reflect the importance of his role in leading the NEX transformation programme. Prior to being appointed Global Chief Operating Officer on 1 January 2017, Ken had been the Global Chief Operating Officer of ICAP since 2013.

Ken was appointed Chief Executive Officer, NEX Optimisation on 16 October 2017 as a result of further changes in the executive leadership team during the year. At the same time, he handed over his Global Chief Operating Officer responsibilities to Samantha Wren. Ken's base salary for his role as Global Chief Operating Officer and now Chief Executive Officer, NEX Optimisation were both set at £500,000. There is no intention to increase Ken's base salary for 2018/19 and pension and benefits will be in line with the policy.

Ken is eligible for the maximum annual bonus permitted (300%) and a PSP award (200%).

Stuart Bridges – former Chief Financial Officer
The employment of the former Chief Financial Officer is due to terminate on 30 May 2018, which is after the date of this report. The arrangements in relation to his termination of employment, which will be in accordance with the directors' remuneration policy, will be finalised after this date and disclosed in due course in the appropriate manner.

Anna Ewing – non-executive director
On 15 May 2017, the board appointed Anna Ewing as a non-executive director. She is a member of the main board, the Risk Committee and the Audit Committee. Anna's fees are in line with the level for the existing non-executive directors.

Decisions taken in reaching agreement with CME

As part of the process for entering into the co-operation agreement with CME on 29 March 2018, the committee convened to consider the impact of the transaction on subsisting incentive awards. Alongside approved policy and the relevant incentive plan rules, the committee was mindful of the uncertainty created by a proposed takeover against the need to retain and incentivise those critical to its achievement along with business as usual activity, particularly given the timeline between the market announcement and anticipated date of completion of the transaction.

Taking into account assessment of interim performance against the targets set, the committee has determined that it would, on completion of the transaction, exercise its discretion in line with approved policy to determine that 75% of all awards granted under the DSBP and PSP plans that subsist at that date would vest. The remaining 25% of awards will lapse and be replaced with a cash award which will become payable six months post the effective date of the transaction and subject to the award holder remaining employed or having ceased employment by way of a qualifying termination to ensure retention of senior managers during the important integration phase.

Remuneration for 2018/19

The committee does not intend to make any material changes to the implementation of the remuneration policy in 2018/19 and for it to operate up to the date of completion of the transaction in a manner consistent with 2017/18.

We look forward to receiving your support for our advisory vote on the annual report on remuneration and the vote in respect of the directors' remuneration policy at the 2018 annual general meeting.

Signed on behalf of the board

Robert Standing
Chair, Remuneration Committee
22 May 2018

DIRECTORS' REMUNERATION POLICY

In preparation for the expiration of the existing policy which was approved for a period of 12 months at the 2017 AGM, the Remuneration Committee presents an unchanged directors' remuneration policy, which will be put to shareholders for a binding vote at the AGM to be held on 11 July 2018. Subject to shareholder approval, the effective date of this policy will be the same date. The intention of the committee is that the policy will normally remain in place for three years. For the avoidance of doubt, the directors' remuneration policy as set out herein is unchanged from that previously approved at the 2017 AGM.

Future policy table for executive directors

The table below summarises the directors' remuneration policy in respect of each component of remuneration for executive directors.

Element of pay	Purpose and link to NEX's strategy	Operation	Maximum opportunity	Performance measures
Base salary	Reflects individual role and experience. Set at a level to attract the right talent into the Group to deliver the business strategy.	Salaries are reviewed annually in the context of the total remuneration opportunity. Factors considered include: – size and scope of individual responsibilities; – skills, experience and performance; – typical salary levels for comparable roles within appropriate pay comparators; and – reward levels and structure below the board. Any increase usually takes effect from 1 April. The committee may award increases at any other time, for example where there is a significant change in the role or responsibilities of the executive director.	Maximum levels of salary have not been set by the committee but executive director salary increases will normally be in line with the wider employee population. Higher increases than the average for the wider employee population may be awarded in exceptional circumstances, at the Remuneration Committee's discretion, including a significant increase in scope and/or responsibility of the individual's role, rebalancing of fixed and variable pay or to take into account any future regulatory changes. Where an executive director has been appointed to the board at a lower than typical salary, larger increases may be awarded as they develop in the role.	There are no specific performance conditions attached to salary increases, although overall performance of the individual and the Company will be one of the considerations in setting salary levels.
Pension	Element of remuneration to assist employees with retirement planning	Directors are normally enrolled in the relevant pension plan (if any) for senior managers in their country of residence.	The maximum pension contribution is equivalent to 5% of salary. Directors may opt out of the defined contribution plan operated in the UK and instead receive an equivalent cash allowance. A bonus sacrifice arrangement is also offered. Individual arrangements are shown on page 73.	None
Benefits	Element of remuneration to provide a competitive and cost-effective benefits package.	Executive directors are eligible to receive certain benefits that vary by director and may include (but are not limited to) medical, life insurance, car and travel benefits reflecting the director's location and individual circumstances. The current Group Chief Executive Officer has the use of a driver, in order to recognise the unique circumstances of the role and the travel requirements involved. In certain circumstances, our executive directors may be accompanied by their spouse/partner on business trips. This will only be where there is a genuine business reason. The value of actual benefits received is shown on page 73. Where executive directors are required to relocate or complete an international assignment, or perform duties outside their home location, the Remuneration Committee may offer additional expatriate benefits, if considered appropriate, or vary benefits according to local practice. This may include cover for additional taxation and support with tax reporting.	Benefits are generally set taking into account affordability and local market practice for comparable roles. The committee has not set a maximum limit for benefits. The benefit policy and levels are kept under review and the committee may remove benefits that executive directors receive or introduce other benefits if it considers it appropriate.	None

DIRECTORS' REMUNERATION POLICY (continued)

Element of pay	Purpose and link to NEX's strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	The annual bonus plan incentivises executive directors to achieve the Company's key financial metrics and strategic objectives, while also aligning their interests with those of our shareholders. Deferral of a significant proportion of the bonus into shares helps to align the long-term interests of executives with those of our shareholders.	The level of award is determined by the Remuneration Committee based on performance against the relevant performance criteria. Awards are delivered in a combination of cash and shares, with at least 50% deferred for at least three years into NEX Group plc shares under the DSBP. A further six-month retention period may also be applied on awards under the DSBP. The committee may award dividend equivalents in respect of dividends declared over the deferral period. Dividend equivalent payments are made at the end of the deferral period in either cash or shares. The committee may apply malus or clawback to annual bonus awards in certain exceptional circumstances. Further details on malus and clawback provisions are provided in the notes to the table.	The maximum annual bonus opportunity is 300% of salary.	At least 70% of the annual bonus opportunity is assessed against financial measures. The balance will be subject to strategic and/or individual objectives. The committee retains the right to adjust the balance of the measures on an annual basis. The financial element, however, will always have a greater weighting than the strategic/individual element. Payouts will range from zero to 100% of the maximum, with 50% of the maximum payable for achieving 'on-target' performance.
Performance Share Plan (PSP)	The Group's long-term incentive plan is to reward sustained Company performance and the creation of shareholder value over time.	Annual award of NEX Group plc shares subject to performance conditions over a period of at least three years. An additional holding period of at least two years will apply following vesting. Participants may receive a payment equivalent to the value of dividends paid on any vested shares when the participant receives those shares at the end of the holding period. Payment of dividend equivalents may be in either cash or shares. The committee may apply malus or clawback to PSP awards. Further details on malus and clawback provisions are provided in the notes to the table.	The maximum PSP opportunity is 300% of salary.	Performance measures include the Company's financial performance and a share price-based measure which will usually be equally weighted. These measures are reviewed regularly to ensure that they remain appropriate to business strategy, are sufficiently challenging and remain appropriate for incentivising executive directors. In future, the committee may decide that it is appropriate to introduce additional measures such as the Group's key long-term strategic objectives. In any case, at least 80% of the award will continue to be based on financial and share price-based measures. Threshold performance results in 25% vesting, rising to full vesting for maximum performance.
Shareholding requirement	To create alignment with shareholders by encouraging longer-term focus.	Executive directors are required to build up over time and thereafter maintain a holding in the Company's shares. The minimum shareholding requirement for the Group Chief Executive Officer is 500% of base salary and for the other executive directors is 300% of base salary.		

Notes to the policy table

Legacy matters

The committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed:

- before this or a prior policy came into effect; or
- at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes 'payments' includes the committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

In particular, under the 2003 BSMP, a bonus in lieu of dividend is paid on vested but unexercised awards.

Performance conditions

The performance conditions for both the annual bonus and PSP are selected to align directly with our short- and long-term strategy.

The profit before tax and EPS measures under the annual bonus and PSP incentivise the achievement of continuing financial growth, with the TSR measure providing a direct link to the creation of shareholder value. We also use strategic measures to focus on the achievement of the key short- and long-term strategic objectives of the Company.

Performance targets are set annually by the committee taking into account the board's business plans and building in an appropriate level of stretch. The committee may vary both measures and targets year by year to ensure that they remain fully aligned with our strategy and continue to be reflective of the Company's business plans.

More detail on the annual bonus and PSP measures and targets can be found on pages 81 and 82.

Malus and clawback

All variable pay may be subject to malus and clawback in any of the following circumstances, for a period of up to seven years in line with corporate governance timeframes:

- a material misstatement of the Company's or any other Group member's audited financial results;
- a material failure of risk management by the Company, any other Group member or a relevant business unit;
- misconduct or material error on the part of the participant; or
- a material downturn in the financial performance of the Company, any other Group member or a relevant business unit (malus only). Malus and clawback parameters will remain under review in line with regulatory guidance.

DIRECTORS' REMUNERATION POLICY (continued)

Policy table for the Chairman and non-executive directors

Purpose and link to NEX's strategy	Operation and fee levels
To attract and retain a high-performing Chairman and non-executive directors with the right level of skills, international experience and industry knowledge.	The Chairman receives a fee for the role, as determined by the Remuneration Committee. The Chairman is entitled to an additional fee for the chairmanship of the Nomination Committee, but has waived his entitlement to this additional fee. The non-executive directors receive an annual fee in respect of their duties. Further fees may be paid in respect of chairmanship of board committees and for the senior independent director. No fees are paid for membership of a board committee. Additional fees are paid to non-executive directors who sit on the board of the SEF entities and/or any other subsidiary boards due to the additional time commitment required for discharging these roles. Non-executive directors' fees are considered and approved by the executive directors and the Chairman. Fees are set at a level which is considered appropriate to attract and retain the calibre of individuals required by the Company. Fees are reviewed regularly against comparable companies and may be adjusted from time to time. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties. The current fee levels can be found on page 83.

Recruitment policy

In determining remuneration for new appointments to the board, the committee will apply the following principles:

- the committee will consider all relevant factors including, but not limited to, the calibre of the individual, the external market, and existing arrangements for the Company's current executive directors, with a view to ensuring that any arrangements offered are in the best interests of the Company and shareholders and without paying any more than is necessary; and
- the committee will seek to align new executive directors' remuneration packages with the remuneration policy as set out above.

Components and approach

Pay on recruitment will be consistent with the usual policy for executive directors, as set out in the policy table.

Where the new appointment is replacing a previous executive director, salaries, pension and total remuneration opportunity may be higher or lower than the previous incumbent dependent on skills and experience.

Where an executive director is appointed from within the Group, the normal policy of the Company is that any existing arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive director is appointed following an acquisition of or merger with another company, legacy terms and conditions would be honoured.

Maximum level of variable pay

The maximum level of variable pay which may be awarded to a new executive director in respect of their appointment shall be limited to that set out in the policy table above for each component of remuneration. This excludes any one-off awards made to compensate the director for awards forfeited from their previous employer.

Buy-outs

In order to facilitate recruitment, the committee may make a one-off award to 'buy out' incentive awards and any other compensation arrangements that a new director has had to forfeit on leaving their previous employer. In doing so, the committee will take into account all relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of these conditions being met, the proportion of the vesting/performance period remaining and the form of the award (for example cash or shares). Where possible, the forfeited awards will normally be bought out on a like-for-like basis.

The committee is at all times conscious of the need to pay no more than is necessary, particularly when determining any possible buy-out arrangements.

Contractual terms

The Company's policy on notice periods is up to 12 months' notice by the Company or executive director to provide a reasonable balance between the need to retain the services of key individuals and the need to limit the liabilities of the Company in the event of the termination of a contract.

Recruitment of Chairman and non-executive directors

In the event of the appointment of a new Chairman and/or non-executive director, their remuneration framework will be in line with the table set out on page 83.

Service contracts and policy on payment for loss of office

Executive directors

Key terms relating to NEX's policy in the event of termination of an executive director's employment are set out in the table below.

Provision	Policy
Notice period	Up to 12 months' notice by the Company or executive director.
Termination payment	Contractual entitlement would be limited to salary and benefits (including pension) over the notice period. The Company would normally expect executive directors to mitigate any loss on their departure.
Incentive plans	Participation in all incentive plans is non-contractual and at the committee's discretion. **Annual bonus** An executive director will not be eligible to receive an annual bonus unless the committee, in its absolute discretion, decides otherwise. In determining whether to award a bonus, the committee will assess performance during the financial year and apply pro rata as deemed appropriate. It will normally be the case that a proportion of any bonus would continue to be deferred under the DSBP (see below). The committee, however, reserves the right to make any such payment in cash with no requirement to defer any bonus. **DSBP** Unvested awards will lapse except in certain circumstances (such as ill-health, injury or disability, the participant's employing company ceasing to be a Group member, or any other reason) and, at the committee's discretion (other than in the case of summary dismissal), when deferred awards under the DSBP will vest at the normal time. The number of shares released in such circumstances will be determined by the committee in its absolute discretion, taking into account the period until cessation of employment. In the case of death, awards will vest after the date of death. **PSP** Unvested awards will lapse except in certain circumstances (such as ill-health, injury or disability, the participant's employing company ceasing to be a Group member, or any other reason) and, at the committee's discretion (other than in the case of summary dismissal), when PSP awards will vest and be released at the normal time. The number of shares released in such circumstances will be determined by the committee in its absolute discretion, taking into account the period until cessation of employment. In the case of death, awards will vest after the date of death. If the individual leaves prior to the release of awards but after the end of the vesting period, the awards will continue to be released at the end of the holding period, except on the grounds of summary dismissal, in which case they will lapse.

DIRECTORS' REMUNERATION POLICY (continued)

The key termination provisions of the Group's executive directors' contracts are set out below:

Michael Spencer
Michael Spencer's notice period is 12 months. He is entitled to receive salary and benefits for the duration of his notice period. His contract includes a pay in lieu of notice clause which allows the Company to make a payment equal to this amount in lieu of any applicable period of notice. He may be eligible to receive a discretionary bonus.

Samantha Wren and Ken Pigaga
The notice period for these executive directors is 12 months. They are entitled to receive salary and benefits for the duration of their notice period. They may be eligible to receive a discretionary bonus.

Change of control
In the event of a change of control or a voluntary winding up of the Company, DSBP and PSP awards will vest at that time, taking into account, unless the board determines otherwise, the extent to which any performance conditions have been met and the time elapsed since the grant date. The committee, however, may require or permit individuals to exchange any awards for equivalent awards in the acquiring company.

Non-executive directors
The non-executive directors and the Chairman of the Company have letters of appointment which set out their duties and responsibilities. They do not have service contracts. The key terms of the appointments are set out in the table below.

Provision	Policy
Notice period	Non-executive directors and the Chairman are not entitled to compensation on leaving the board, other than fees in respect of any notice period. There is no notice period, other than in the event of change in control for non-executive directors (excluding the Chairman) in which case a three-month notice period will apply.

Availability of documentation
Directors' service contracts are available for inspection at the Company's registered office.

Remuneration arrangements throughout the Group and wider employment conditions
There are consistent overarching principles of remuneration which apply across the Group.

Given the nature of our business, there is no single structure of remuneration that applies to all employees throughout the Group. A significant element of pay, however, is performance-linked, ensuring that all NEX employees are focused on delivering strong financial results and achieving our strategic goals.

For members of the GEMG and other senior executives in the Group, a proportion of remuneration is deferred into Company shares, ensuring long-term alignment with the interests of our shareholders. The committee takes into consideration the pay and conditions of employees throughout the Group when determining remuneration arrangements for executive directors. NEX manages the costs of employment at the corporate level and expects changes in total remuneration for directors to reflect changes in the Group's performance.

Notwithstanding a change in structure of the overall package for the executive directors, changes in salary are normally aligned to both policy and practice for increases for the wider employee base in terms of annual increases, market positioning, and adjustments for promotions and changes of role.

Director remuneration over time is expected to correlate with corporate performance and as such has the potential to be much more volatile than that of the wider employee base.

The Company does not consult directly with employees on the policy but information relating to employee remuneration is provided in regular updates to the committee.

Consideration of shareholder views

The committee is committed to ongoing dialogue with shareholders and seeks the view of its largest shareholders when any major changes are being made to remuneration policy and arrangements for executive directors.

Minor amendments

The committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for any such amendments.

Charts illustrating the application of the directors' remuneration policy

The charts overleaf illustrate the policy for 2018/19 in line with the policy table on pages 65 to 70. The charts show hypothetical values for the remuneration package for executive directors under three different performance scenarios:

Minimum

- Fixed elements of pay only
- No bonus pay-out or vesting under the PSP

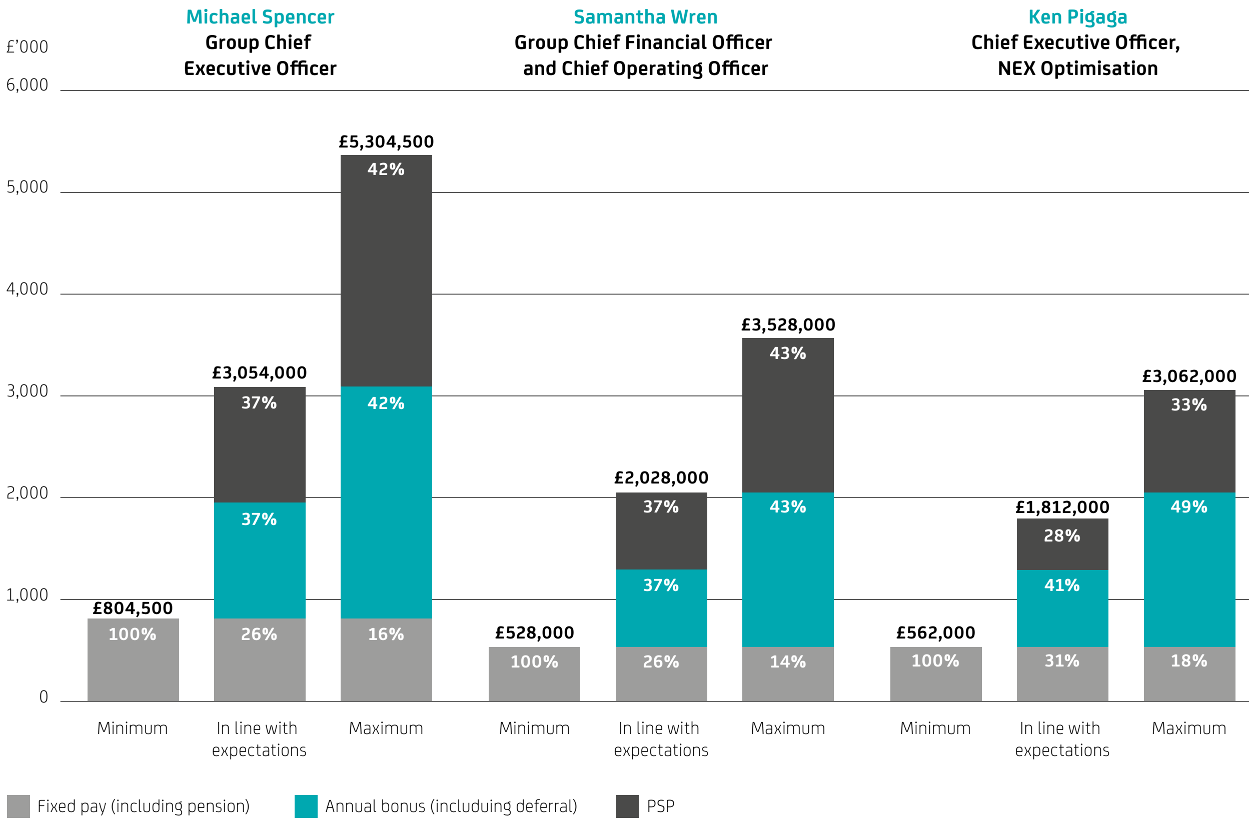
Performance in line with expectations

- Fixed elements of pay
- 50% of maximum annual bonus pay-out (i.e. 150% of salary for all executive directors)
- 25% of maximum vesting under the PSP (i.e. 75% of salary for Group Chief Executive Officer and Group Chief Financial Officer and Chief Operating Officer and 50% for other executive directors)

Maximum

- Fixed elements of pay
- 100% of maximum annual bonus pay-out (i.e. 300% of salary for all executive directors)
- 100% of maximum vesting under the PSP (i.e. 300% of salary for Group Chief Executive Officer and Group Chief Financial Officer and Chief Operating Officer and 200% for other executive directors)

DIRECTORS' REMUNERATION POLICY (continued)



	Salary	Benefits	Pension/cash allowance	
	With effect from 1 April 2018	Anticipated 2018/19	In line with policy	Total fixed pay
Group Chief Executive Officer	£750,000	£17,000	£37,500	£804,500
Group Chief Financial Officer and Chief Operating Officer	£500,000	£3,000	£25,000	£528,000
Chief Executive Officer, NEX Optimisation	£500,000	£17,000	£25,000	£542,000

ANNUAL REPORT ON REMUNERATION

The information in this section up to and including the statement of directors' shareholding and share interests section is subject to audit. The complete annual report on remuneration is subject to an advisory vote by shareholders.

Single total figure of remuneration

The following table sets out the total remuneration for executive directors and non-executive directors for the years ended 31 March 2018 and 31 March 2017.

	Salary and fees (a)		Benefits (b)		Annual bonus (c)		Pension/cash allowance (d)		Payment in lieu of dividend (e)		Total	
	£'000		£'000		£'000		£'000		£'000		£'000	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Executive directors												
Michael Spencer	**750**	750	**17**	33	**1,755**	1,749	**32**	32	**776**	904	**3,330**	3,468
Samantha Wren[f]	**354**	–	**2**	–	**850**	–	**18**	–	**3**	–	**1,227**	–
Ken Pigaga[g]	**417**	–	**34**	–	**1,000**	–	**–**	–	**11**	–	**1,462**	–
Stuart Bridges[h]	**83**	500	**1**	2	**–**	778	**4**	22	**–**	–	**88**	1,302
Non-executive directors												
Charles Gregson	**350**	300	**28**	15		–		–		–	**378**	315
Ivan Ritossa	**100**	95	**–**	–		–		–		–	**100**	95
John Sievwright	**118**	110	**16**	11		–		–		–	**134**	121
Robert Standing	**106**	90	**–**	–		–		–		–	**106**	90
Anna Ewing[i]	**105**	–	**–**	–		–		–		–	**105**	–

Notes to the table
(a) Salary and fees – the base salary or fees paid in respect of the relevant financial year.
(b) Benefits – the taxable value of all benefits paid in respect of the financial year. Benefits vary for each executive director but include medical, life insurance, car and travel benefits. Michael Spencer also has the use of a driver. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties.
(c) Annual bonus – this represents the bonus awarded in respect of the 2017/18 performance year, at least 50% of which will be deferred into NEX Group plc shares under the DSBP.
(d) Pension/cash allowance – Michael Spencer and Stuart Bridges each receive a pension allowance in lieu of contributions. Samantha Wren and Ken Pigaga participate in the Group's pension arrangements – further details are set out in the pensions and benefits section below.
(e) Payment in lieu of dividend – the amounts shown reflect payments in lieu of interim and final dividends declared during the year on unvested legacy share awards in accordance with plan rules, including the basic and matching awards for 2008 and basic awards granted under the BSMP for 2009, 2010, 2011 and 2012.
(f) Samantha Wren was appointed to the board on 30 May 2017.
(g) Ken Pigaga was appointed to the board on 30 May 2017.
(h) Stuart Bridges resigned from the board on 30 May 2017.
(i) Anna Ewing was appointed to the board as a non-executive director on 15 May 2017.

Additional disclosures in respect of the single total figure of remuneration table

2017/18 annual bonus

The bonus plan is structured to incentivise executive directors to meet corporate objectives of achieving growth and profitability, deepening relationships with strategic clients to drive cross-selling whilst continuing to focus on strategic imperatives including optimising the NEX strategic framework and operating model.

The plan was designed so that progress and achievements in the past 12 months can be recognised and rewarded, with a significant proportion of any value deferred into share for a period of three years to ensure ongoing alignment and positive behaviours.

As noted in the Chairman's letter, alongside the Chief Executive Officer, the Group Chief Financial Officer and Chief Operating Officer and Chief Executive Officer, NEX Optimisation were eligible for the maximum annual bonus opportunity permitted by the policy. Each executive director was measured against the key financial and strategic goals set by the committee at the start of the year. The table below summarises the targets set, the weighting applied and the committee's assessment of the executive directors' performance and level of achievement. When determining the level of performance, the committee takes account of a combination of quantitative and qualitative reference points to ensure a robust assessment process.

Financial objectives – 70% of total bonus opportunity

Profitability

Objective	Weighting	Threshold (0%)	Max (100%)	Achieved	Narrative
1. To achieve growth in revenue and operating profit (assessed using constant exchange rates)	Group Chief Financial Officer and Chief Operating Officer – 100% Chief Executive Officer, NEX Optimisation – 100% Group Chief Executive Officer – 70%	Operating profit (70%)			
		£147 million	£173 million	£169 million	Excluding the impact of transformation programme costs, and on a constant currency basis, trading operating profit increased by c9% on the prior year. Achievement was measured on a straight-line basis between prior year trading operating profit (minimum threshold) and FY18 budget trading operating profit (maximum achievement), on a constant currency basis. Achieved trading operating profit of £169 million was adjusted from £147 million of continuing trading operating profit for transformation programme costs and other items including correction of certain prior year matters.
		Revenue (30%)			
		£540 million	£611 million	£591 million	Group revenue in FY18 increased by c9% on the prior year both on a constant currency basis and on a reported basis. Achievement % was measured on a straight-line basis between prior year revenue (minimum threshold) and FY18 budget revenue (maximum achievement), on a constant currency basis.

Objective	Weighting	Threshold (0%) Weighting	Max (100%) Achieved	Achieved	Narrative
2. Deepen relationships with existing strategic clients and grow business with identified new target clients. In addition, drive cross-selling across the NEX portfolio	Group Chief Executive Officer – 30%	Deepen relationships with strategic clients (50%)			Reset signed fixed fee deals with six key global and regional banks to lock in liquidity. Traiana signed longer-term unlimited volume contracts with five tier 1 banks to tie in revenue. NEX Markets successfully delivered FX2017 for CFETS, strengthening the partnership with CFETS.
		50%	80%		
		Grow business with new target clients (25%)			NEX Markets signed 79 new clients against a target of 74 with 36 of them already trading. In NEX Optimisation 67 new buy-side clients were added in FY18 with revenue in excess of £2 million (approximately half in Abide and the remaining in ENSO and triResolve).
		25%	70%		
		Drive cross-selling across the Group (25%)			Sales teams across NEX Optimisation are now on a single instance CRM. A similar project has commenced in NEX Markets during the year. Continued training of the sales force to achieve full demo capabilities across the team in Traiana, ENSO and NEX Regulatory Reporting. PIVOT launched during the year, connecting the ENSO Core platform with NEX Treasury with a view to generating significant revenue in future years.
		25%	50%		

ANNUAL REPORT ON REMUNERATION (continued)

Strategic priorities - 30% of total bonus opportunity

Strategy

Objective	Weighting	Achieved		Narrative
Define and clearly articulate the NEX Group strategy to:	A – ensure all employees understand NEX Group, are proud to work here and are motivated for NEX to succeed	30% (All EDs)	70%	The NEX strategy was produced and presented at the Berlin management conference in September 2017. The strategy was then cascaded by leaders across the organisation, alongside follow-up emails from Group Communications summarising session content with soundbite videos from attendees. Group town halls were hosted on 22 May and 20 November 2017 following the announcements of annual and half-yearly financial results respectively. The NEX values were launched at the November town hall following 18 employee workshops. Development of a behavioural framework to bring the values to life. Increased internal promotion of the NEX brand via the publication of NEX Express monthly summary communications to all staff. A new set of Group-wide policies is being launched from April 2018. The programme of work continues to transition sales teams from sales commission plans to discretionary plans in line with our Reward strategy to encourage and reward employees to work towards shared organisational goals. NEX Communities, including Women's and Pride communities, were launched in June and September 2017 respectively.
	B – ensure all external stakeholders (clients, shareholders, analysts and the wider market) understand what NEX Group stands for and how the combination of its constituent businesses and services generates value	30% (All EDs)	100%	An investor relations briefing pack was produced and an analyst day took place in May 2017 setting out what NEX stands for and our roadmap to financial aspirations. NEX was ranked #3 for Best Analyst Day in the 2018 All-Europe Executive Team survey, published by Institutional Investor in March 2018. More than 150 investor meetings took place throughout the year. NEX won Fintech Marketing Campaign of the Year at the Finance Monthly Fintech Awards 2018. A biennial EBS and NEX Treasury client survey launched in March 2018; results will be available in Q1 2018/19.

Objective	Weighting	Achieved		Narrative
Complete and implement the redesign of an operating model (including structure and governance) to support the NEX strategy		40% (All EDs)	70%	The NEX transformation programme has been finalised and articulated to all employees; execution is in progress. Target operating model designs are all complete, with related organisational structure and process changes being implemented between December 2017 and March 2019 depending on the function.

The Remuneration Committee determined that the targets and achievements in the above table were a fair reflection of performance during the year. Achievement against both revenue and operating profit targets together with performance against the strategic targets set by the committee at the start of 2017/18 resulted in bonus payments equal to 78% of maximum for the Chief Executive Officer and 80% for the Group Chief Financial Officer and Chief Operating Officer and the Chief Executive Officer, NEX Optimisation.

Executive directors are required to defer at least 50% of bonus payments into NEX Group plc shares vesting after three years.

Details of share awards granted in the year

2017 PSP award

On 23 May 2017, PSP awards were granted to the Group Chief Executive Officer and former Group Chief Financial Officer. Following her appointment to the board on 26 June 2017, a PSP award was granted to the Group Chief Financial Officer and Chief Operating Officer, as shown in the table below.

Director	Type of award	Number of shares	Face value (£)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Michael Spencer	PSP – conditional share award based on performance	357,424	2,241,763	25%	100%	31 March 2020
Stuart Bridges	PSP – conditional share award based on performance	158,855	996,339	25%	100%	31 March 2020
Samantha Wren[1]	PSP – conditional share award based on performance	39,713	249,080	25%	100%	31 March 2020

1 Samantha Wren was awarded 39,713 shares on her appointment to the board to assist her in reaching the minimum shareholding requirement of 300% of base salary. These awards were subject to the same performance targets as other PSP awards made in the year and fall within the limits of the directors' remuneration policy.

The face value of the awards is based on the average closing price for the five business days following 15 May 2017, being the preliminary announcement date of the 2016/17 financial results (£6.272).

The committee selected a combination of trading EPS and relative TSR as the performance conditions on the basis that it safeguards the progress that has been made in the Group's performance and underpins continuing forward growth in the Group's earnings and therefore promotes the long-term success of the Company.

The performance condition for the 2017 awards is based on graduated vesting where 25% of the award will vest at EPS growth of 6% p.a. over the three-year period and TSR performance at the median level versus the FTSE 250 index, increasing to 100% vesting at EPS growth of 12% p.a. over the three-year period and TSR performance at the upper quartile level versus the FTSE 250 index. The EPS and TSR performance conditions are measured independently and are not contingent on one another.

Payments to past directors

Other than the fixed elements of pay paid to Stuart Bridges as Chief Financial Officer (detailed on page 73) there were no payments to past directors made during the year.

ANNUAL REPORT ON REMUNERATION (continued)

Payments for loss of office

The employment of the former Chief Financial Officer is due to terminate on 30 May 2018, which is after the date of this report. The arrangements in relation to his termination of employment, which will be in accordance with the directors' remuneration policy, will be finalised after this date and disclosed in the appropriate way.

Statement of directors' shareholding and share interests

Minimum shareholding guidelines for executive directors have been in place since 2012.

These shareholdings will be built up over time and, for these purposes, will include vested share awards under long-term incentive plans but will not include any unvested rights to shares awarded under long-term incentive plans or any unexercised options. Any vested shares subject to a holding period under the PSP will count towards shareholding guidelines.

Other shares that count towards the guideline include those that are beneficially owned and shares held by the NEX Trust in respect of BSMP basic awards and any vested but not exercised BSMP matching and PSP awards.

The minimum shareholding guideline for the Group Chief Executive Officer is 500% of base salary and for other executive directors is 300% of base salary. The Group Chief Executive Officer had exceeded his target as at 31 March 2018 based on the share price at the close of business on that date. The Group Chief Financial Officer and Chief Operating Officer and the Chief Executive Officer, NEX Optimisation have yet to reach the shareholding guideline requirement; however, it is to be noted that they have only recently been appointed to the board.

The table below details the share interests of the directors in office at 31 March 2018.

Director	Note	Share interests in NEX as at 31 March 2018	Share interests in NEX as at 31 March 2017	Outstanding DSBP awards	Outstanding PSP awards with performance condition	Outstanding BSMP awards	Outstanding LTIP awards	Outstanding SAYE options
Charles Gregson		233,223	219,503	–	–	–	–	–
Michael Spencer	1, 2	3,841,232	3,839,742	671,917	1,052,183	3,516,558	–	2,986
Samantha Wren	3	11,367	–	5,162	53,798	–	8,923	3,719
Ken Pigaga	3	11,422	–	127,280	271,172	–	48,579	–
Anna Ewing	3	5,000	–	–	–	–	–	–
Ivan Ritossa		168,413	167,500	–	–	–	–	–
John Sievwright		27,994	26,927	–	–	–	–	–
Robert Standing		15,714	5,714	–	–	–	–	–

1 Details of Michael Spencer's shareholding, including his connected parties, are set out in a note to the substantial shareholders' section on page 59.
2 The outstanding BSMP awards include the 2008 BSMP matching award which has vested and remains unexercised.
3 Samantha Wren, Ken Pigaga and Anna Ewing were all appointed to the board in May 2017.
4 Between 31 March 2018 and 17 May 2018 there were no transactions by the directors in the Company's shares.

External appointments

The Company recognises the opportunities and benefits to both the Company and executive directors serving as non-executive directors of other companies. Executive directors are permitted to take on non-executive directorships with other companies with the approval of the Nomination Committee. Any fees arising from such appointments are retained by the individual.

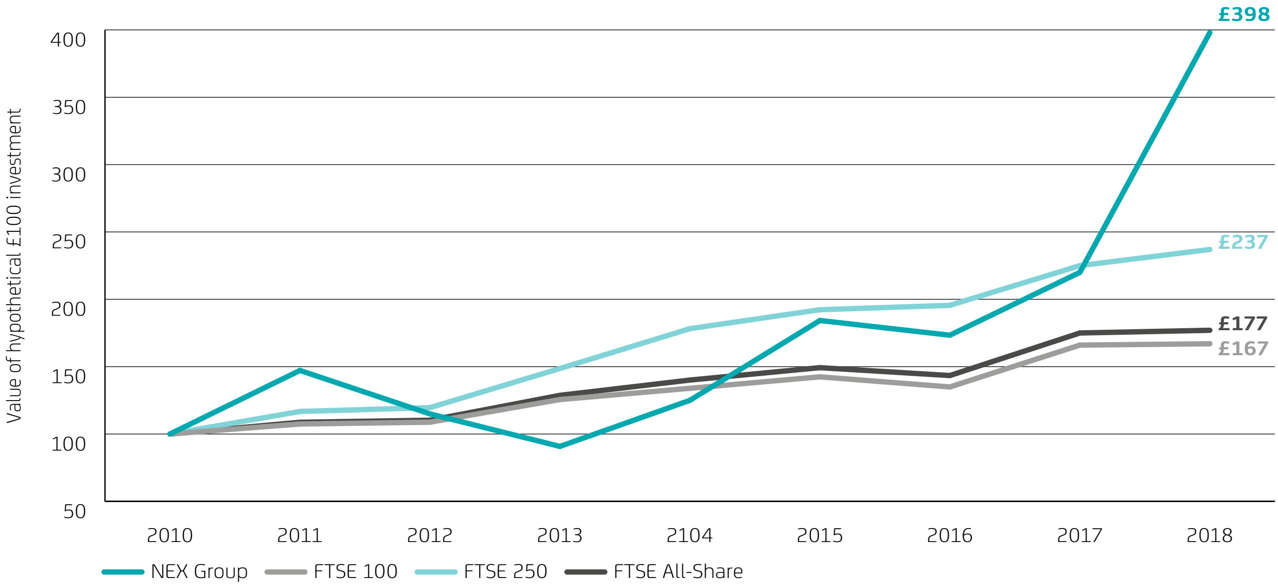
In respect of periods while a member of the NEX board, Stuart Bridges received and retained a fee of £7,666 for his non-executive directorship of Caledonia Investments plc. Samantha Wren similarly received and retained a fee of £27,706 for her non-executive directorship of City of London Investment Trust plc.

Total shareholder return

The TSR on a holding of the Company's ordinary shares compared with the FTSE 100, FTSE 250 and the FTSE All-Share indices for the nine financial years to 31 March 2018 is shown in the graph below. As a constituent of the FTSE 250, the Company considers the FTSE 250 is an appropriate index for comparison.

TSR is a measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends.

Performance graph – value of £100 invested



ANNUAL REPORT ON REMUNERATION (continued)

Remuneration of the Group Chief Executive Officer

	Previous policy structure					**Current policy structure**		
	2010/11	2011/12	2012/13	2013/14	2014/15	**2015/16**	**2016/17**	**2017/18**
Single total figure of remuneration (£'000)	10,727	5,524	4,326	2,215	3,320	**3,591**	**3,468**	**3,330**
Percentage of maximum bonus paid[1]	n/a	56%	41%	12%	25%	**76%**	**78%**	**78%**
Percentage of maximum BSMP opportunity vesting	100%	0%	0%	0%	0%	**0%**	**0%**	**0%**

1 No maximum bonus stated prior to 2011/12.

Change in the remuneration of the Group Chief Executive Officer compared with other employees

The table below shows the percentage change in remuneration awarded to the Group Chief Executive Officer compared with other employees of the Group between 2016/17 and 2017/18.

	Salary	Benefits	Bonus
Group Chief Executive Officer	0%	0%	0%
All other employees	9%	40%	(8)%

Relative importance of spend on pay

	2017/18 £m	2016/17 £m	Change %
Total remuneration	**241**	221	9%
Dividends	**114**	142	(20)%

Note that in May 2017 the dividend policy was updated further to the disposal of IGBB and the creation of NEX Group plc so that the dividend for the year ended 31 March 2018 would be between 40% and 50% of post-tax trading profit with a progressive dividend thereafter. Further, on the completion of the disposal of IGBB in December 2016, NEX shareholders received 56% of the shares in the combined TP ICAP Group.

Statement of implementation of the directors' remuneration policy in 2018/19

The approach to implementation of policy in 2018/19 will be to assume business as usual until such time as the transaction is completed.

Salary

Salary levels from 1 April 2018 are shown below.

	Salary	% increase
Group Chief Executive Officer	£750,000	0%
Group Chief Financial Officer and Chief Operating Officer	£500,000	18%
Chief Executive Officer, NEX Optimisation	£500,000	0%

Pension and benefits

The Group Chief Executive Officer receives a cash equivalent to the standard 5% of salary contribution to the UK defined contribution plan. The cash equivalent is reduced to take account of employers' national insurance contributions. The Group Chief Financial Officer and Chief Operating Officer contributes to the UK defined contribution plan and receives the standard employer contribution match of 5%. The Chief Executive Officer, NEX Optimisation participates in the Group's US 401k plan which is eligible for an employee contribution only. There will be no material change to benefits.

Annual bonus awards in respect of the 2018/19 financial year

The bonus structure for 2018/19 is consistent with that detailed in the directors' remuneration policy section of this report. Annual bonuses will be assessed based on financial performance relating to revenue and profit with an expected weighting of 70%. The remaining 30% will relate to strategic objectives and the committee will take into account performance up to the date on which a change of control occurs. The targets set for performance measures are commercially sensitive and (as permitted by the regulations) are not being disclosed in advance.

Maximum opportunity for 2018

Group Chief Executive Officer: 300% of base salary
Group Chief Financial Officer and Chief Operating Officer: 300% of base salary
Chief Executive Officer, NEX Optimisation: 300% of base salary

Up to half of any bonus award will be paid in cash, with the balance deferred into NEX Group plc shares for a three-year period subject to the terms of the co-operation agreement.

ANNUAL REPORT ON REMUNERATION (continued)

Long-term incentive awards

In the 2018/19 financial year, awards will be made under the PSP to the executive directors. Further details are set out below.

Maximum opportunity	Group Chief Executive Officer and Group Chief Financial Officer and Chief Operating Officer: 300% of base salary; Group Chief Executive Officer, NEX Optimisation: 200% of base salary
Performance period	Performance will be measured over a three-year performance period subject to the terms of the co-operation agreement. Once they have vested, awards will be subject to an additional holding period of at least two years. The performance period will run from 1 April 2018 to 31 March 2020

Performance measures and targets

TSR (50% of the award)
Half of the 2018 PSP award will be subject to a total shareholder return performance condition. The Group's TSR will be measured relative to the FTSE 250 index

Vesting of awards under the TSR element will be in line with the following schedule:

TSR performance	Percentage of EPS element vesting
Below median	0%
Median	25%
Upper quartile	100%

Straight-line vesting between median and upper quartile

EPS (50% of the award)
The remaining 50% of the 2018 award will be subject to an EPS performance condition

Awards under this element will vest in line with the following schedule:

Annual EPS growth	Percentage of EPS element vesting
<6%	0%
6%	25%
12%	100%

Straight-line vesting between 6% and 12%

Chairman and non-executive directors' fees (from 1 April 2018)

Fees for the Chairman and non-executive directors remain unchanged from 1 April 2017.

Position	Fee	% increase
Chairman	£350,000	0%
Non-executive director	£85,000	0%
Additional fees		
Senior independent director	£11,000	0%
Chair of the Audit Committee	£11,000	0%
Chair of the Remuneration Committee	£11,000	0%
Chair of the Risk Committee	£11,000	0%
Chair of the Nomination Committee[1]	£5,000	0%
Membership of the SEF board and/or any other subsidiary board[2]	£15,000/$25,0000	0%

1 Charles Gregson waived his entitlement to the additional fee for his role as Chair of the Nomination Committee.
2 Additional fees are paid to non-executive directors who sit on the boards of the SEF entity due to the additional time commitment for discharging this role.

Support to the committee

The members of the committee throughout the year were Robert Standing (Chair), Ivan Ritossa and John Sievwright. The committee is supported by the Group Chief Executive Officer, the Group Chief Financial Officer and Chief Operating Officer, the Group Head of HR and the Group Company Secretary although none take part in discussions relating to their own pay arrangements.

During the year management has been provided with external, independent advice from Willis Towers Watson which has been shared with the committee where relevant. Willis Towers Watson was selected from a number of providers following a process conducted internally, and is a signatory to the Remuneration Consultants Group Code of Conduct. The committee is satisfied that any advice received from Willis Towers Watson was independent and objective. The fees in respect of the advice provided by Willis Towers Watson during the year were £102,542 charged on a time and expense basis.

Statement of voting at the NEX Group plc 2017 annual general meeting

At the 2017 NEX plc annual general meeting votes cast in respect of the remuneration policy and annual report on remuneration were:

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Remuneration report	288,581,455	95.27	14,341,731	4.73	302,923,186	4,050,134
Remuneration policy	300,799,101	98.11	5,785,312	1.89	306,584,413	388,907

The committee was satisfied with the voting outcome for the remuneration report and directors' remuneration policy, and looks forward to the support of shareholders in relation to the report and policy in 2018.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of NEX Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group and of the Parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of NEX Group plc and its subsidiaries which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

– management's impairment assessment of goodwill;
– appropriateness of software capitalisation; and
– recognition of revenue relating to service and technology contracts.

Key audit matters not previously identified are marked with .

Materiality

The materiality that we used for the Group financial statements was £6 million, which is determined on the basis of 5% of profit before tax.

When planning the Group audit, we considered the risk of errors that may exist which, when aggregated, could exceed £6 million. In order to reduce the risk of unidentified errors that could aggregate to this amount, we used a lower materiality, known as performance materiality, of £3 million to identify the individual balances, classes of transactions and disclosures that were subject to audit.

We asked each of the component teams to work to an assigned materiality level reflecting the size of operations they audited.

Scoping

This is the first year audit for Deloitte having taken over as the NEX Group plc auditors for the year ended 31 March 2018. Our audit scoping is performed on the basis of financial significance and consideration of qualitative factors. We performed a variety of procedures (e.g. understanding the business, performing walkthroughs of key business process cycles, review of predecessor audit files) during our transition to gain a detailed knowledge of the Group.

We have assessed management's defined business segments (i.e. NEX Markets, NEX Optimisation and NEX Group and Other) and have identified eight financially significant components across these segments.

The analysis performed for these components achieved 91% coverage of net assets, 87% coverage of revenue and 93% coverage of profit before tax across the NEX business segments for the Group audit.

Significant changes in our approach

Key audit matters:
Two key audit matters ('sale of ICAP's Global Broking Business (IGBB)' and 'presentation and disclosure of exceptional items') which were considered as key audit matters by the predecessor auditor are not relevant for the current year. This is due to the completion of the IGBB transaction and change in the Group's policy relating to exceptional items.

In addition we have introduced a new key audit matter, 'appropriateness of software capitalisation, determination of economic useful life and impairment assessment', due to the change in business strategy and its significance to the financial statements as NEX transforms into a financial technology company.

Changes to performance materiality
The following factors identified in the audit resulted in us reducing performance materiality to £3 million from our planning assumption of £4.2 million:

– Prior period errors: A number of adjustments were identified by management through the financial closing process which related to the prior period. The prior period financial statements were adjusted for items that were judged by management to be material to the financial statements (see note 2). Adjustments that were considered immaterial, either individually or in aggregate, to users of the financial statements were adjusted in the current year.
– Finance transformation: The impact of the wider transformation programme and the centralisation of the finance function from a decentralised model elevates the risk of operational error whilst roles and responsibilities are redefined between location and people.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX GROUP PLC (continued)

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement on page 61 of the Annual Report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and to report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

– the disclosures on pages 17 to 23 that describe the principal risks and explain how they are being managed or mitigated;
– the directors' confirmation on page 54 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
– the directors' explanation on page 61 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Management's impairment assessment of goodwill	
Relevant references in the financial statements	Please refer to: – intangible assets arising on consolidation (note 14); and – significant accounting estimates and judgements in the Audit Committee report on page 52.
Key audit matter description	As required by IAS 36 *Impairment of assets*, goodwill and other intangible assets are assessed for impairment at least annually. Determining whether the goodwill of £922 million (31 March 2017: £1,008 million) is impaired requires an estimation of the recoverable amount of the Group's cash generating units (CGUs), using the higher of the value in use or fair value less costs to sell. Management has applied the 'value in use' method to assess the recoverable amount of all seven CGUs. This method takes into account expected future cash flows and requires the selection of suitable discount rates and forecast of future growth rates. The value in use of each CGU is sensitive to changes in underlying assumptions and is therefore inherently subjective.
How the scope of our audit responded to the key audit matter	Our audit procedures included assessing the design and implementation of management's controls relating to the goodwill impairment analysis. We challenged the identification of the Group's CGUs, by assessing whether the CGUs reflected the lowest aggregation of assets that generate largely independent cash flows. In relation to the 'value in use' methodology we: – assessed management's forecast of future cash flows (three years) prepared by comparing them to the latest board-approved budgets; – tested historical budgeting accuracy by comparing current year results with the equivalent figures included in the prior year forecasts and comparing the prior year forecasts to actuals; – performed sensitivity analysis on the assumptions as mentioned above to understand the impact of movements in the key assumptions on the overall value; – utilised our internal valuations' specialists to independently derive a range of discount rates which were then compared to the ones used by the Group; and – performed a detailed analysis of the Group's assumptions used in the annual impairment review, in particular to forecast future growth rates, the cash flow projections and discount rates. Additionally, we assessed the adequacy of the disclosure in the Group financial statements as per the requirements of IAS 36 *Impairment* and IAS 38 *Intangible assets*.
Key observations	Whilst we concluded that the overall valuation of goodwill is appropriate, our testing identified one CGU (ENSO) where the headroom between the carrying value and the 'value in use' is most sensitive to the underlying profits, discount and long term growth rate. As the business is in relatively early stages of development management have performed an alternative scenarios with cash flows extended by two more years, rather than its standard three year forecasting process, to estimate revenues to a point of greater maturity in the business. We are satisfied that the disclosure relating to the sensitivity of ENSO to the inputs into the 'value in use' assessment as set out in note 1 to the financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX GROUP PLC (continued)

Appropriateness of software capitalisation

Relevant references in the financial statements	Please refer to: – intangible assets arising from development expenditure (note 13); and – significant accounting estimates and judgements in the Audit Committee report on page 52.
Key audit matter description	The Group capitalises development expenditure on software as an intangible asset in accordable with the provisions of IAS 38 *Intangible assets*. Development costs are capitalised once management has considered the commercial viability and technological feasibility of bringing the assets into use. Where costs are identified by management to be an enhancement to the original asset that will provide additional economic benefits, these costs are capitalised and amortised over the remaining expected useful life of the asset, in accordance with IAS 38. Impairment assessments are performed on capitalised assets in accordance with IAS 36. There is a high degree of management judgement involved in (1) determining whether a project is economically viable and therefore development costs should be capitalised; (2) determining the economic useful life of assets; and (3) the impairment assessment of capitalised assets. The net book value of intangible assets arising from development expenditure was £157 million (31 March 2017: £127 million).
How the scope of our audit responded to the key audit matter	We obtained a detailed understanding and evaluated the design and implementation of controls that the Group has established in relation to software capitalisation and associated reporting processes. Our detailed procedures included: – assessing the appropriateness of management's capitalisation policy; – challenging whether there was an appropriate assessment of the future economic benefits and approval by the relevant delegated authority in order to commence capitalisation of development costs for a sample of projects; – assessing the appropriateness of capitalisation against the project documentation and capitalisation criteria of IAS 38 for the sample selected; – challenging the point in time at which a sample of projects 'went-live' and the assets created then begin amortising; and – evaluating management's impairment review of capitalised software in line with IAS 36; this included an evaluation of the value in use of a sample of assets and the useful economic life utilised. Additionally, we assessed the adequacy of the disclosure in the Group financial statements as per the requirements of IAS 38.
Key observations	The policy for capitalisation of intangible assets is in line with the requirements of IAS 38. The policy also includes the Group requirements for the assessment of useful economic life and potential impairment. The application of the policy to individual projects is the responsibility of the business finance teams. Given the current federated nature of the Group we have observed a lack of consistency of documentation, tools and processes. Whilst we did not find any instances of inappropriate application of the policy, the inconsistency in process increases the risk of potential error. As set out on page 31, management is in the process of undertaking a finance transformation programme in order to enhance consistency and the robustness of governance and control.

Recognition of revenue relating to service and technology contracts

Relevant references in the financial statements	Please refer to: – segmental information (note 1); and – significant accounting estimates and judgements in the Audit Committee report on page 52.
Key audit matter description	Group revenue comprises transaction fees, access fees and technology development fees from NEX Markets and fees from the provision of NEX Optimisation services. Long-term technology development fees require significant judgements in estimation of revenue (i.e. the CFETS contract). As required by IAS 11 *Construction contracts* and IAS 18 *Revenue*, revenue recognised to date in respect of the complex contractual agreements is based on the percentage of the total contract revenue equivalent to the costs incurred to date compared to the total estimated costs. The revenue recognised requires management to estimate the costs to be incurred over the life of the contract, the margin, and the split of the revenue between the performance obligations. The variety and number of the arrangements within the contracts can make it complex to determine the performance conditions associated with the income. Due to the significant level of management judgement involved and complexity in revenue recognition, we identified this key audit matter as a potential fraud risk.
How the scope of our audit responded to the key audit matter	We obtained a detailed understanding and evaluated the design and implementation of controls that the Group has established in relation to the complex revenue recognition identified for contracts and associated reporting processes. In addition, our procedures across the Group's contractual stage of completion revenue included: – assessing appropriateness of management's revenue recognition model, by reviewing compliance with IAS 11 *Construction contracts* and IAS 18 *Revenue*; – challenging management on key judgements including cost plus margin method, cost forecasting, and accounting for various modules by reviewing the contracts to verify the key terms and conditions which have an impact on the revenue recognition; – reviewing the fulfilment of the contractual obligations against the contract terms and conditions along with the revenue recognition model; and – testing reconciliations between the revenue systems used by the Group and its financial ledgers and journal entries posted to revenue accounts. We also reviewed the adequacy of the revenue related disclosure within the Group's financial statements as per the requirements of IAS 18 and IAS 11.
Key observations	Revenue recognition treatment with respect to the above and the related disclosures are appropriate.

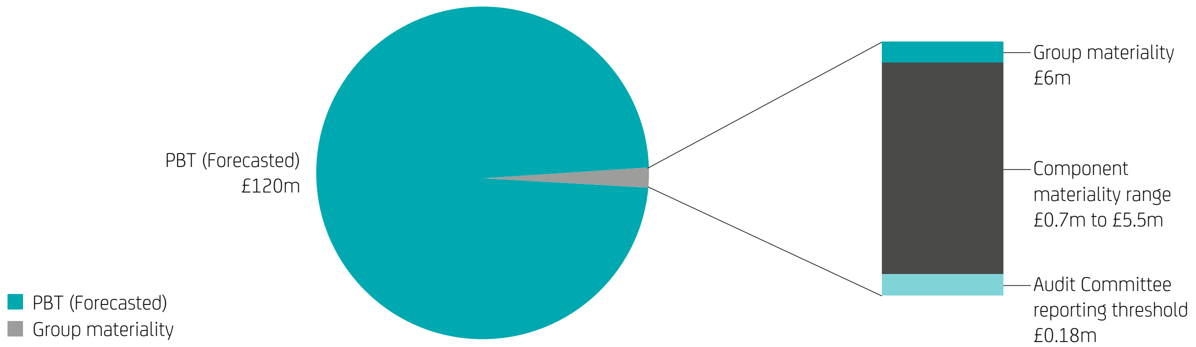
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX GROUP PLC (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£6 million (2017: £10 million)	£1.2 million
Basis for determining materiality	5% of forecast profit before tax. (2017: the previous auditor set materiality at £10.0 million which represents 5% of continuing and discontinued profit before tax, acquisition and disposal costs and exceptional items)	1.5% of net assets.
Rationale for the benchmark applied	Profit before tax is an appropriate basis as the Group is a profit oriented entity and this measure would be significant for the users of the financial statements as earnings are used to predict future share price and the ability to pay dividends.	Net assets is an appropriate basis as NEX Group plc is a holding company for the Group and therefore this measure would be significant for the users of the financial statements.



We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £183,000 for the Group (2017: previous auditor reported audit differences in excess of £500,000 for the Group), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, reviewing predecessor audit files and assessing the risks of material misstatement at the Group level. Based on that assessment, we have identified eight financially significant components and have focused our audit work at four primary locations: the United Kingdom (London), United States of America (New York), Sweden (Stockholm) and Israel (Tel Aviv).

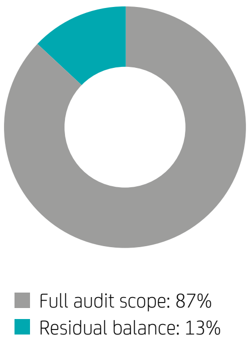
Components at these locations were subject to full audit. These components represent the principal business units and account for 91% of the Group's net assets, 87% of the Group's revenues and 93% of the Group's profit before tax. Our audit work at these locations was executed at levels of materiality applicable to each component which were lower than Group materiality and range from £0.7 million to £5.5 million (performance materiality: £0.4 million to £2.8 million).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

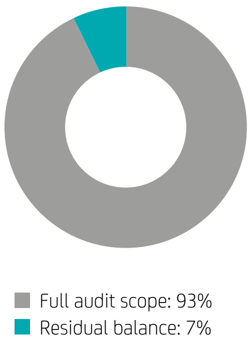
Involvement with component auditors

We exercised oversight over the work of our component auditors by remaining in active dialogue at regular intervals throughout the duration of the audit. We held a Group audit planning meeting in London and involved both of the component auditors in our team briefing and issued a set of instructions to each component auditor setting out the audit work and the specified audit procedures we requested them to undertake. We undertook a visit to our component auditors in New York, Stockholm and Tel Aviv during the final stage of our audit to discuss key findings arising from their work and to review their audit work papers. We also formally received audit clearance documentation from both component auditors confirming that they had performed the audit and the specified audit procedures in accordance with our instructions.

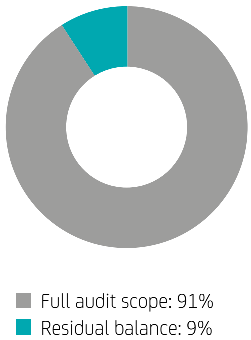
Revenue



Profit before tax



Group net assets



The residual balance has been reviewed at a Group level.

Control environment

Following the separation of the voice broking business, the Group is undergoing a transformation which includes rationalisation of business processes, technology infrastructure and restructure of Group finance target operating model. This involves the definition and embedding of Group-wide policies and standards including those for technology risk and some core financial processes.

Due to the maturity of current framework and transformational activities that are being undertaken we have deemed it appropriate not to rely on controls for the current year audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report including the strategic report, governance and directors' report, other than the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX GROUP PLC (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if, in our opinion, certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on 12 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ended 31 March 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Fiona Walker, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

22 May 2018

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March 2018			Year ended 31 March 2017 (restated)		
	Note	Trading £m	Acquisitions, disposals and similar items £m	Total £m	Trading £m	Acquisitions, disposals and similar items £m	Total £m
Revenue	1	**591**	**–**	**591**	541	–	541
Operating expenses	3	**(451)**	**(15)**	**(466)**	(389)	(21)	(410)
Other income		**7**	**15**	**22**	–	22	22
Operating profit	1	**147**	**–**	**147**	152	1	153
Finance income	9	**1**	**–**	**1**	–	–	–
Finance costs	9	**(25)**	**(2)**	**(27)**	(31)	–	(31)
Share of profit of associates after tax	22	**5**	**–**	**5**	–	–	–
Share of loss of joint ventures after tax	21	**(1)**	**–**	**(1)**	–	–	–
Profit/(loss) before tax from continuing operations		**127**	**(2)**	**125**	121	1	122
Tax before prior year items and change in tax rate	7	**(36)**	**3**	**(33)**	(33)	7	(26)
Tax relating to prior year items	7	**(1)**	**(6)**	**(7)**	4	(1)	3
Tax relating to change in tax rate	7	**1**	**26**	**27**	1	–	1
Total tax	7	**(36)**	**23**	**(13)**	(28)	6	(22)
Profit for the year from continuing operations		**91**	**21**	**112**	93	7	100
(Loss)/profit for the year from discontinued operations		**(2)**	**3**	**1**	71	1,140	1,211
Profit for the year		**89**	**24**	**113**	164	1,147	1,311
Attributable to:							
Owners of the Company		**88**	**24**	**112**	165	1,147	1,312
Non-controlling interests		**1**	**–**	**1**	(1)	–	(1)
		89	**24**	**113**	164	1,147	1,311
Earnings per ordinary share (pence)							
Continuing operations							
– basic	5	**24.2**		**29.9**	25.1		27.0
– diluted	5	**23.5**		**29.0**	24.3		26.2
Discontinued operations							
– basic	5	**(0.5)**		**0.3**	19.4		326.9
– diluted	5	**(0.5)**		**0.3**	18.9		317.5
Continuing and discontinued operations							
– basic	5	**23.7**		**30.2**	44.5		353.9
– diluted	5	**23.0**		**29.3**	43.2		343.7

The consolidated income statement for the year ended 31 March 2017 has been restated due to a change in accounting policy to no longer present an 'exceptional items' column and due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year		**113**	1,311
Other comprehensive (expense)/income from continuing operations			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Revaluation loss of available-for-sale investments	23, 26(a)	**(1)**	–
Unrealised movement in cash flow hedges	26(a)	**4**	(10)
Realised movement in cash flow hedges	26(a)	**1**	17
Exchange differences		**(104)**	143
Current tax recognised in other comprehensive income	7	**(1)**	(1)
Deferred tax recognised in other comprehensive income	7	**–**	1
Other comprehensive (expense)/income for the year, net of tax, from continuing operations		**(101)**	150
Other comprehensive income for the year, net of tax, from discontinued operations		**–**	29
Total comprehensive income for the year		**12**	1,490
Total comprehensive income attributable to:			
Owners of the Company		**12**	1,485
Non-controlling interests		**–**	5
		12	1,490

CONSOLIDATED AND COMPANY BALANCE SHEET

	Note	Group		Company	
		As at 31 March 2018 £m	As at 31 March 2017 £m (restated)	**As at 31 March 2018 £m**	As at 31 March 2017 £m (restated)
Non-current assets					
Intangible assets arising on consolidation	14	**936**	1,026	**–**	–
Intangible assets arising from development expenditure	13	**157**	127	**–**	–
Property and equipment	24	**36**	36	**–**	–
Investment in subsidiaries	20	**–**	–	**1,490**	1,490
Investment in joint ventures	21	**–**	7	**–**	–
Investment in associates	22	**48**	42	**–**	–
Deferred tax assets	7	**8**	21	**–**	–
Trade and other receivables	17	**34**	47	**–**	–
Available-for-sale investments	23	**17**	20	**–**	–
		1,236	1,326	**1,490**	1,490
Current assets					
Trade and other receivables	17	**162**	144	**217**	240
Cash and cash equivalents	11	**270**	321	**–**	–
Cash held in the employee share trust	11	**20**	32	**–**	–
Restricted funds	11	**18**	103	**–**	–
Tax receivable		**8**	–	**1**	–
Available-for-sale investments	23	**–**	1	**–**	–
Held-for-sale assets	4	**6**	–	**–**	–
		484	601	**218**	240
Total assets		**1,720**	1,927	**1,708**	1,730
Current liabilities					
Trade and other payables	18	**(163)**	(197)	**(1)**	(46)
Borrowings	10	**(498)**	(72)	**(125)**	–
Tax payable		**(24)**	(28)	**–**	–
Provisions	15	**(1)**	(11)	**–**	–
Held-for-sale liabilities		**–**	–	**–**	–
		(686)	(308)	**(126)**	(46)
Non-current liabilities					
Trade and other payables	18	**(43)**	(61)	**–**	–
Borrowings	10	**(13)**	(435)	**(13)**	–
Deferred tax liabilities	7	**(57)**	(96)	**–**	–
Retirement benefit obligations		**(4)**	(4)	**–**	–
Provisions	15	**(12)**	(12)	**–**	–
		(129)	(608)	**(13)**	–
Total liabilities		**(815)**	(916)	**(139)**	(46)
Net assets		**905**	1,011	**1,569**	1,684

	Note	Group		Company	
		As at 31 March 2018 £m	As at 31 March 2017 £m (restated)	**As at 31 March 2018 £m**	As at 31 March 2017 £m (restated)
Equity					
Capital and reserves					
Called up share capital	25	**66**	66	**66**	66
Share premium account		**–**	–	**–**	–
Other reserves	26	**2**	49	**–**	–
Translation		**154**	257	**–**	–
Retained earnings		**658**	612	**1,503**	1,618
Equity attributable to owners of the Company		**880**	984	**1,569**	1,684
Non-controlling interests		**25**	27	**–**	–
Total equity		**905**	1,011	**1,569**	1,684

The consolidated balance sheet for the year ended 31 March 2017 has been restated due to recognition of cash held in an employee share trust and due to a reclassification of a current other receivable to a non-current other receivable. The Company balance sheet for the year ended 31 March 2017 has been restated due to the recognition of an amount due from the employee share trust and amount due to a subsidiary. There is no impact on any financial statement line items as at 1 April 2016. See note 2 for more information.

The Company reported a loss for the year ended 31 March 2018 of £4 million (2016/17: £1,238 million profit).

The financial statements and accompanying notes on pages 96 to 165 were approved by the board on 22 May 2018 and signed on its behalf by:

Samantha Wren
Group Chief Financial Officer and Chief Operating Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	Share capital (note 25(a)) £m	Share premium £m	Other reserves (note 26(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2017	66	–	49	257	612	984	27	1,011
Profit for the year	–	–	–	–	112	112	1	113
Other comprehensive (expense)/income								
Revaluation loss of available-for-sale investments (note 23, note 26(a))	–	–	(1)	–	–	(1)	–	(1)
Unrealised movement in cash flow hedges (note 26(a))	–	–	4	–	–	4	–	4
Realised movement in cash flow hedges (note 26(a))	–	–	1	–	–	1	–	1
Exchange differences	–	–	–	(103)	–	(103)	(1)	(104)
Income tax (note 7)	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income/(expense) for the year	–	–	3	(103)	112	12	–	12
Share options exercised	–	–	–	–	2	2	–	2
Other movements in non-controlling interests	–	–	–	–	–	–	(2)	(2)
Share-based payments in the year (note 8)	–	–	–	–	8	8	–	8
Reclassification of revaluation reserve	–	–	(50)	–	50	–	–	–
Movement in cash held in the employee share trust	–	–	–	–	(12)	(12)	–	(12)
Dividends paid in the year (note 6)	–	–	–	–	(114)	(114)	–	(114)
Balance as at 31 March 2018	66	–	2	154	658	880	25	905

Year ended 31 March 2017	Share capital (note 25(a)) £m	Share premium £m	Other reserves (note 26(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2016	66	454	77	104	276	977	41	1,018
Profit for the year	–	–	–	–	1,312	1,312	(1)	1,311
Other comprehensive income/(expense)								
Unrealised movement in cash flow hedges (note 26(a))	–	–	(10)	–	–	(10)	–	(10)
Realised movement in cash flow hedges (note 26(a))	–	–	17	–	–	17	–	17
Exchange differences	–	–	–	166	–	166	6	172
Income tax (note 7)	–	–	(1)	–	1	–	–	–
Total comprehensive income for the year	–	–	6	166	1,313	1,485	5	1,490
Share options exercised	–	–	–	–	2	2	–	2
Other movements in non-controlling interests	–	–	–	–	–	–	1	1
Share-based payments in the year (note 8)	–	–	–	–	11	11	–	11
Dividends paid in the year (note 6)	–	–	–	–	(142)	(142)	(1)	(143)
Capital reorganisation	–	(454)	(1)	–	455	–	–	–
Reclassification of cash held in the employee share trust	–	–	–	–	32	32	–	32
Distribution of discontinued operations	–	–	(33)	(13)	(1,335)	(1,381)	(19)	(1,400)
Balance as at 31 March 2017	66	–	49	257	612	984	27	1,011

The consolidated statement of changes in equity for the year ended 31 March 2017 has been restated due to recognition of cash held in an employee share trust. See note 2 for more information.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	Share capital (note 25(a)) £m	Retained earnings £m	Total £m
Balance as at 1 April 2017	**66**	**1,618**	**1,684**
Loss for the year	**–**	**(4)**	**(4)**
Total comprehensive expense for the year	**–**	**(4)**	**(4)**
Share options exercised	**–**	**3**	**3**
Dividends paid in the year	**–**	**(114)**	**(114)**
Balance as at 31 March 2018	**66**	**1,503**	**1,569**

Year ended 31 March 2017	Share capital (note 25(a)) £m	Retained earnings £m	Total £m
Balance as at 1 April 2016	–	–	–
Profit for the year	–	1,238	1,238
Total comprehensive income for the year	–	1,238	1,238
Share options exercised	–	1	1
Capital reorganisation	66	379	445
Balance as at 31 March 2017	66	1,618	1,684

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

	Note	Group		Company	
		Year ended 31 March 2018 £m	Year ended 31 March 2017 £m (restated)	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Cash flows from operating activities	11(a)	**90**	309	**111**	(1)
Cash flows from investing activities					
Dividends received from associates		**3**	4	**–**	–
Dividends received from joint ventures		**–**	1	**–**	–
Payments to acquire property and equipment		**(18)**	(19)	**–**	–
Intangible development expenditure		**(70)**	(75)	**–**	–
Proceeds from disposal of available-for-sale investments		**2**	–	**–**	–
Acquisition of available-for-sale investments		**(3)**	(9)	**–**	–
Acquisition of interests in businesses, net of cash acquired		**–**	(46)	**–**	–
Acquisition of associates and joint ventures		**(3)**	(5)	**–**	
Movement in restricted funds		**85**	(44)	**–**	
Monies received in satisfaction of completion receivable		**–**	330	**–**	–
Derecognition of cash held in discontinued operations		**–**	(384)	**–**	–
Net cash flows from investing activities		**(4)**	(247)	**–**	–
Cash flows from financing activities					
Dividends paid to owners of the Company		**(114)**	(142)	**(114)**	–
Dividends paid to non-controlling interest		**–**	(1)	**–**	–
Proceeds from exercise of share options		**2**	2	**3**	1
Repayment of borrowings		**(139)**	(151)	**–**	–
Funds received from borrowing, net of fees		**139**	51	**–**	–
Net cash flows from financing activities	11(b)	**(112)**	(241)	**(111)**	1
Net decrease in cash and cash equivalents		**(26)**	(179)	**–**	–
Net cash and cash equivalents at beginning of the year		**321**	433	**–**	–
FX adjustments		**(20)**	67	**–**	–
Net cash and cash equivalents at end of the year*	11(c)	**275**	321	**–**	–

* Net cash and cash equivalents comprises cash and cash equivalents from continuing operations of £270 million (2016/17: £321 million), cash and cash equivalents held within held-for-sale assets of £5 million (2016/17: £nil) and overdrafts of £nil (2016/17: £nil).

The consolidated cash flow statement for the year ended 31 March 2017 has been restated to include restricted funds in investing activities instead of financing activities. See note 2 for more information. Restricted funds comprise cash held at a CCP clearing house or a financial institution providing NEX with access to a CCP (note 11).

Cash flows of discontinued operations

Cash outflows from operating activities of £13 million (2016/17: £141 million), cashflows from investing activities of £nil (2016/17: £13 million) and cashflows from financing activities of £nil (2016/17: £1 million) were incurred relating to discontinued operations. Cash outflows of £13 million from operating activities comprised £10 million in relation to the settlement of certain provisions and accruals that existed as at 31 March 2017 in connection with the IGBB disposal and £3 million net cash outflow from the operating activities of NEX Exchange Limited.

BASIS OF PREPARATION

Preparation of financial statements

The consolidated financial statements of the Group and the separate financial statements of the Company (together the Financial Statements) have been prepared in accordance with IFRS, as issued by the IASB and the interpretations issued by the IFRS Interpretations Committee (IFRIC) and their predecessor bodies, and as endorsed by the EU and the Companies Act 2006 applicable to companies reporting under IFRS. In publishing the separate financial statements of the Company here together with the consolidated financial statements of the Group, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 to not present its individual income statement, individual statement of comprehensive income and the related notes. The Financial Statements are presented in pound sterling, which is the functional currency of the Company and presented in millions.

The significant accounting policies adopted by the Group and the Company are included at the beginning of the notes to which they relate.

Judgments and estimates

Following the guidance provided by the FRC in 'Corporate Reporting Thematic Review: Judgments and Estimates, November 2017', management reassessed the critical judgments and estimates and resolved that the following were no longer considered critical: investment in joint ventures; investments in associates; the presentation of exceptional items; and the stage of completion of technology development revenue.

Investment in joint ventures and investments in associates are no longer considered a critical judgment because management does not believe that the judgments involved have materially affected the reported numbers. Presentation of exceptional items is no longer considered a critical judgment because there has been a change in accounting policy to no longer present an 'exceptional items' column. The stage of completion of technology development revenue is no longer considered a critical estimate because management does not believe that there is a significant risk that there will be a material adjustment required in the following period as a result of changes to the estimate of the stage of completion because the technology development stage of the CFETS contract is now almost complete.

Judgments (not involving estimation): Management considers the following items to be critical judgments (apart from those involving estimations) that were made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- The recognition and classification of litigation matters as contingent liabilities (note 16) or provisions (note 15) under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Recognising and classifying litigation matters as either contingent liabilities or provisions is a critical judgment because it involves management's view as to whether obligations arising from uncertain litigation matters are possible or probable. This can be judgmental because the litigation matters arise in multiple jurisdictions, are complex, relate to past events over multiple reporting periods and have a variety of potential outcomes, all of which requires regular reappraisal;
- The presentation of acquisitions, disposals and similar items (note 3) under IAS 1 'Presentation of Financial Statements'. Management considers that the decision to present acquisitions, disposals and similar items separately from trading items in the consolidated income statement is a critical judgment because it materially impacts the view of the business by the users of the financial statements. Management believes that this presentation is appropriate because it provides more relevant and useful additional information to the users of the financial statements than not doing so (also see the 'presentation of the income statement' section of the basis of preparation); and
- The capitalisation of costs as intangible assets arising from development expenditure (note 13) under IAS 38 'Intangible Assets'. Judgment is exercised in the expenditure that is capitalised or alternatively expensed as maintenance or research. This is governed by the Group's capitalisation policy which describes the nature and type of costs that should be capitalised to ensure consistency across the Group. Creation and application of this Group capitalisation policy requires judgment in how IFRS is applied to NEX in describing which expenditure qualifies for capitalisation as well as the thresholds that are applied. NEX has an internal threshold for capitalisation of £5,000 for individual assets and £125,000 for software-related projects.

Estimates: Management considers the following items to involve key assumptions concerning the future, or other key sources of estimation uncertainty, in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Impairment of goodwill and other intangible assets arising on consolidation (note 14) under IAS 36 'Impairment of Assets'. The pre-tax cash flow projections, discount rate and terminal growth rate are significant estimates because management has to determine a budget for the business being evaluated. This can involve significant inherent uncertainty because management needs to forecast uptake for often new disruptive technologies where uncertain competition, regulation, delivery of product and demand from clients can impact the timing and price of services provided. The estimate is most sensitive in relation to ENSO goodwill and other intangible assets arising on consolidation, the total of which is £82 million (2016/17: £95 million), due to the early stage nature of the business. For ENSO, the base case WACC rate is 8.1% and the terminal growth rate is 4.25%, applied on management's cash flow projection over 3 years. The valuation is sensitive to changes to these key inputs and the cashflow forecasts. An increase in discount rate of 1.8 ppt or reduction in terminal growth rate of 1.9 ppt, would lead to an impairment as would a reduction in year 3 cashflow by more than 33%. An alternative scenario with cashflows extended by 2 more years, a lower terminal growth rate of 3% and a higher discount rate of 9.5% was also considered and did not indicate impairment; and
- The amount of amortisation recorded against intangible assets arising from development expenditure (note 13) under IAS 38 'Intangible Assets' is significantly impacted by estimates of the useful economic life. The NEX general accounting policy is to charge amortisation to intangible assets arising from development expenditure to the consolidated income statement on a straight-line basis over the expected useful economic life of three to seven years. The useful economic life is a significant estimate due to the inherent uncertain speed of commercial development of new and competing technologies to meet changing requirements in the markets that NEX operates in. The estimate can be particularly judgmental when considering the impact on existing assets of new technology and enhancements to existing technology made during the period. The amortisation charge on intangible assets arising from development expenditure for the year ended 31 March 2018 is £38 million (2016/17: £29 million). An increase of one year to the average useful economic life would decrease the charge by approximately £8 million (2016/17: £6 million) and a decrease of one year to the average useful economic life would increase the charge by approximately £13 million (2016/17: £10 million).

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Discontinued operations

Disposal groups (including both the assets and liabilities of the disposal groups) are classified as held-for-sale when their carrying amounts will be recovered principally through sale, they are available for sale in their present condition and their sale is highly probable. Disposal groups are measured at the lower of their carrying amount and fair value less cost to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current assets held-for-sale and discontinued operations'. Immediately before the initial classification as held-for-sale, the carrying amounts of the assets and liabilities in the disposal group are measured in accordance with the applicable IFRS.

When the Group has disposed of or intends to dispose of a business component that represents a major line of business or geographic area of operations, it classifies such operations as discontinued. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the consolidated income statement, separate from the other results of the Group. The consolidated income statement for the comparative periods is restated to show the discontinued operations separate from those generated by the continuing operations.

BASIS OF PREPARATION (continued)

On 30 December 2016, the Group completed the disposal of IGBB to TP ICAP. The results of the IGBB business were presented as discontinued operations in the consolidated income statement for the year ended 31 March 2017 as the sale was a single co-ordinated plan to dispose of a separate major line of business. Within the notes to the financial statements, disclosures for the year ended 31 March 2017 are presented on a continuing operations basis, where possible, to provide a more meaningful comparative to the disclosures for the year ended 31 March 2018.

NEX Exchange Limited became a discontinued operation during the year ended 31 March 2018 (note 4).

Presentation of the income statement

The Group maintains a columnar format for the presentation of its consolidated income statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting its trading profit separately from acquisitions, disposals and similar items. Trading profit is the profit measure used to calculate trading EPS (note 5) and is the key indication of the Group's ability to pay dividends and finance future growth. The board and management use trading measures for planning and reporting purposes and a subset of those measures are also used by the remuneration committee and management in setting director and management remuneration. Trading figures are reconciled to statutory figures on the face of the consolidated income statement.

The column 'acquisitions, disposals and similar items' includes items that are not part of the organic growth activities of the business and therefore are shown separately from the trading items so that the underlying performance of the Group can be separately monitored. The column 'acquisitions, disposals and similar items' includes: any gains, losses or other associated costs on the full or partial disposal of available-for-sale investments, associates, joint ventures or subsidiaries; costs associated with a business combination that do not constitute fees relating to the arrangement of financing; amortisation or impairment of intangible assets arising on consolidation; any re-measurement after initial recognition of contingent consideration which has been classified as a liability; any gains or losses on the revaluation of previous interests; impairment of investments in joint ventures, associates and available-for-sale investments; gains or losses on the settlement of pre-existing relationships with acquired businesses; and the re-measurement of liabilities that are above the value of indemnification.

Basis of consolidation

The Group's consolidated financial statements include the results and net assets of the Company, its subsidiaries (note 20) and the Group's share of joint ventures (note 21) and associates (note 22).

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the prior month closing exchange rate. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period where these approximate to the rate at the date of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation, all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss. In relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities. Exchange differences arising are recognised in other comprehensive income.

Future accounting developments

(a) New standards, amendments and interpretations adopted

No new standards, amendments or interpretations, effective for the first time for the year ended 31 March 2018, have had a material impact on the Group or Company. The additional disclosures introduced by the amendments to IAS 7 'Statement of cash flows' are provided in note 11.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group or Company, except as set out below.

IFRS 9

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which will replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. NEX will adopt IFRS 9 for its financial statements for the year ending 31 March 2019.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. For equity investments currently accounted for as available-for-sale investments, NEX plans to take the irrevocable option at inception to present the changes in fair value in other comprehensive income. NEX does not expect any other significant impact in relation to classification and measurement.

An expected credit losses model replaces the incurred loss impairment model used in IAS 39. NEX expects a significant change to the process and methodology applied for estimating impairment but for there to be no material impact to the amount calculated and recognised in the financial statements.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. To qualify for hedge accounting, it requires an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that management actually uses for risk management purposes. Contemporaneous documentation is still required, but it is different from that currently prepared under IAS 39. There is an accounting policy choice to continue to account for all hedges under IAS 39. NEX plans to take the accounting policy choice to continue to account for all hedges under IAS 39.

BASIS OF PREPARATION (continued)

NEX does not expect to restate comparatives on initial application of IFRS 9 on 1 April 2018 but will provide detailed transitional disclosures in accordance with the amendment requirements of IFRS 7. No material impact on transition or on profit for future periods is expected.

IFRS 15

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers', which will replace IAS 18 'Revenue' and IAS 11 'Construction Contracts' and other related interpretations on revenue recognition. The standard will become effective for annual periods beginning on or after 1 January 2018. NEX will adopt IFRS 15 for its financial statements for the year ending 31 March 2019.

IFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with clients. Revenue is recognised when a client obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved.

For subscriptions where variable consideration is provided that spans reporting periods, under the existing accounting policy, revenue is recognised when the amounts can be reliably measured whereas under IFRS 15, revenue is recognised using the expected value or most likely amount method at the point it is considered highly probable there will be no significant reversal. NEX expects there to be a change in the methodology for accounting for variable consideration but for there to be no material impact to the amount calculated and recognised in the financial statements.

NEX plans to take the modified retrospective transition option and to apply the practical expedients for significant financing component and incremental costs of obtaining a contract. No material impact on transition or on profit for future periods is expected.

IFRS 16

In January 2016, the IASB issued IFRS 16 'Leases', which will replace IAS 17 'Leases' and other related interpretations on leases. The standard is effective for annual periods beginning on or after 1 January 2019. NEX intends to adopt IFRS 16 for its financial statements for the year ending 31 March 2020.

IFRS 16, 'Leases', addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that for lessees, leases previously classified as operating leases will be accounted for on the balance sheet. The present value of future lease payments will be recognised as a liability with a related asset being depreciated.

NEX expects that the main impact will be the accounting treatment of office rentals which are currently accounted for as operating leases and under IFRS 16 will lead to an increase in property and equipment, together with an additional lease liability. In 2017 NEX signed a 15-year lease for an office in New York and a 20-year lease for an office in London and therefore the impact will be larger than if NEX was closer to the end of its office leases. The operating lease expense will be replaced by a depreciation and interest expense.

NEX has not completed its IFRS 16 impact assessment. The impact on NEX financial statements from the adoption of IFRS 16 will be disclosed closer to the date of adoption.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental information

The Group has determined its operating segments based on the management information including trading revenue and trading operating profit reviewed on a regular basis by the Company's board. The Group considers the executive members of the Company's board to be the Chief Operating Decision Maker (CODM). NEX has two reportable segments: NEX Markets and NEX Optimisation. NEX also presents a 'NEX Group and other' column which includes the Group's remaining activities that do not meet the definition of reportable segments. The 'NEX Group and other' column includes the activities of Shipping companies, NEX Exchange Limited, NEX Opportunities, certain joint venture and associate investments and Group costs.

NEX Opportunities moved from the 'NEX Optimisation' operating segment to the 'NEX Group and other' column in the management accounts during the year ended 31 March 2018. Segmental information for the year ended 31 March 2018 has incorporated this change in order to be consistent with the management accounts and segmental information for the year ended 31 March 2017 has been restated to make the comparative comparable. See note 2 for more information.

Segmental information required by IFRS 8 'Operating Segments' that is not included in this note is excluded because the segmental information is not included in the management information reported to the Company's board and the cost to develop it would be excessive.

(a) Nature of services

Revenue comprises transaction fees, access fees and technology development fees from its NEX Markets business, and fees from the provision of NEX Optimisation services.

NEX Markets

Transaction fees and access fees: The Group acts as an intermediary for FX and fixed income products through the Group's electronic platforms. Revenue is generated from transaction fees which are dependent on the trading volumes. The Group also charges access fees to use the electronic trading platform for access to liquidity in the FX or precious metal markets.

Matched principal business: The Group is involved in a non-advisory capacity as principals in the matched purchase and sale of financial instruments between our clients. Revenue is generated from transaction fees and is recognised in full at the time of the commitment by our clients to sell and purchase the financial instrument.

Technology development: The Group provides technology development services. Fees from the development of technology are recognised as revenue by reference to the stage of completion using the most appropriate method for each contract.

NEX Optimisation

The Group receives fees from the sale of financial information and provision of NEX Optimisation services to third parties. These are stated net of VAT, rebates and other sales taxes and recognised in revenue on an accruals basis to match the provision of the service.

TriOptima: The Group provides risk mitigation solutions for OTC derivatives, primarily through the elimination and reconciliation of outstanding transactions.

Traiana: The Group operates market infrastructure for pre- and post-trade processing, risk management and regulatory compliance across multiple asset classes.

NEX Data: The Group delivers pricing, analytics and index solutions to financial market participants from information received from NEX Markets and elsewhere. NEX Data generates subscription-based fees as well as licensing fees from other index administrators for the use of NEX Data in their indices.

Reset: The Group is a provider of risk mitigation services, reducing basis risk within trading portfolios in interest rate, FX, equity index and inflation derivatives.

ENSO: The Group delivers data, analytics and workflow tools that enable hedge funds and asset managers to more effectively manage their relationships with prime brokers. ENSO provides a complete view of an individual hedge fund's relationships across multiple counter parties, delivering insights on counter party credit risk, collateral management, portfolio financing and treasury.

Abide Financial: The Group provides regulatory reporting technology, supporting market participants with evolving compliance reporting obligations. Abide Financial acts as a reporting hub for EMIR, Approved Reporting Mechanism for MiFID and a Regulatory Reporting Mechanism for REMIT.

(b) Segmental results

	Year ended 31 March 2018				
Group	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Continuing operations:					
Trading revenue (note 1(c))	326	260	5	–	591
Trading operating expenses and other income before one-off items	(203)	(192)	(37)	1	(431)
Trading one-off items	(2)	(4)	(7)	–	(13)
Trading operating profit/(loss)	121	64	(39)	1	147
Share of profit of associates after tax	–	1	4	–	5
Share of loss of joint ventures after tax	–	–	(1)	–	(1)
Trading EBIT*	121	65	(36)	1	151
Reconciliation to the consolidated income statement:					
Trading net finance cost** (note 9)					(24)
Trading profit before tax					127
Acquisitions, disposals and similar items					(2)
Profit before tax from continuing operations					125
Tax on continuing operations					(13)
Profit for the year from continuing operations					112
Profit for the year from discontinued operations, net of tax					1
Profit for the year					113
Continuing operations:					
Other segmental information:					
Trading operating profit margin	37%	25%	n/m	n/m	25%
Trading depreciation	8	6	–	–	14
Trading amortisation	24	14	–	–	38
Trading EBITDA***	153	85	(36)	1	203
Capital expenditure on intangible developments	30	40	–	–	70

* Trading EBIT is the trading profit before deducting net finance cost and tax.

** Given the Group's debt financing arrangements are managed centrally through a treasury function, the board of NEX Group plc does not incorporate net finance cost in the assessment of the segments' performance, therefore this is presented on a total Group basis.

*** Trading EBITDA is the trading profit before deducting net finance cost, tax and amortisation, depreciation and impairment charges.

Group	Year ended 31 March 2017 (restated) NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Continuing operations:					
Trading revenue (note 1(c))	313	240	5	(17)	541
Trading operating expenses and other income before one-off items	(197)	(168)	(31)	2	(394)
One-off items	–	–	5	–	5
Trading operating profit/(loss)	116	72	(21)	(15)	152
Share of profit of associates and joint ventures after tax	–	–	–	–	–
Trading EBIT*	116	72	(21)	(15)	152
Reconciliation to the consolidated income statement:					
Trading net finance cost** (note 9)					(31)
Trading profit before tax					121
Acquisitions, disposals and similar items					1
Profit before tax from continuing operations					122
Tax on continuing operations					(22)
Profit for the year from continuing operations					100
Profit for the year from discontinued operations, net of tax					1,211
Profit for the year					1,311
Continuing operations:					
Other segmental information:					
Trading operating profit margin	37%	30%	n/m	n/m	28%
Trading depreciation	7	4	–	–	11
Trading amortisation	19	9	1	–	29
Trading EBITDA***	142	85	(20)	(15)	192
Capital expenditure on intangible developments	30	28	1	–	59

* Trading EBIT is the trading profit before deducting net finance cost and tax.
** Given the Group's debt financing arrangements are managed centrally through a treasury function, the board of NEX Group plc does not incorporate net finance cost in the assessment of the segments' performance, therefore this is presented on a total Group basis.
*** Trading EBITDA is the trading profit before deducting net finance cost, tax and amortisation, depreciation and impairment charges.

For reconciliation of alternative performance measures, see pages 32 and 33.

Segmental information for the year ended 31 March 2017 has been restated due to a change in operating segments for the NEX Opportunities division and operating expenses hedging impact. See note 2 for more information.

(c) Revenue information
The hedging impact relates primarily to NEX Markets.

The Group did not earn more than 10% of its total revenue from any individual client (2016/17: did not). The Group earned revenue of £109 million (2016/17: £55 million) from entities in the UK, £199 million (2016/17: £221 million) from entities in the US, £102 million (2016/17: £86 million) from entities in Sweden, £36 million (2016/17: £38 million) from entities in Singapore and £145 million from entities in other countries (2016/17: £141 million). NEX regulated companies will meet CRD IV disclosure requirements, to the extent in scope, by disclosing the information in their 2017/18 financial statements or on the NEX website.

Revenue from the rendering of services recognised in the year was £571 million (2016/17: £528 million). Revenue from technology development recognised in the year was £20 million (2016/17: £13 million). The Group used the costs-incurred method to estimate the stage of completion of technology development revenue.

2. Restatements

Prior period errors

The consolidated balance sheet as at 31 March 2017 has been restated for the following reasons:

1. The recognition of cash held in the employee share trust of £32 million. The Group controlled the employee share trust as at 31 March 2017 and therefore the cash held in the employee share trust should have been consolidated in the Group's consolidated balance sheet. This results in a £32 million increase to net assets as at 31 March 2017. This has also led to restatements of the consolidated statement of changes in equity, cash (note 11) and financial assets and liabilities (note 19).

2. The reclassification of a £30 million balance from current other receivables to non-current other receivables as the amount was due to be received after more than one year as at 31 March 2017. There is no impact on total assets or net assets. This has also led to restatements of trade and other receivables (note 17) and financial assets and liabilities (note 19).

The Company balance sheet as at 31 March 2017 has been restated for the following reason:

3. The recognition of an amount due from the employee share trust and amount due to a subsidiary. These balances were erroneously omitted as at 31 March 2017. There is no impact on net assets. This has also led to restatements of trade and other receivables (note 17) and trade and other payables (note 18).

Other restatements

4. The consolidated income statement for the year ended 31 March 2017 has been restated due to a change in accounting policy to no longer present an 'exceptional items' column. The accounting policy was changed because the Group is no longer expected to have exceptional items and therefore removing the column provides reliable and more relevant information. Items that were presented as exceptional items from continuing operations in the income statement for the year ended 31 March 2017 have been restated to be presented in the 'trading' column since they do not relate to acquisitions, disposals and similar items. Items that were presented as exceptional items from discontinued operations in the income statement for the year ended 31 March 2017 have been restated to be presented in the 'acquisitions, disposals and similar items' column since they relate to the disposal of IGBB (note 4). There is no impact on the total column of the consolidated income statement for the year ended 31 March 2017, which is the statutory amount. This has also led to restatements of segmental information (note 1), operating expenses (note 3), earnings per share (note 5) and tax (note 7) for the year ended 31 March 2017.

5. The consolidated income statement and discontinued income statement (note 4) for the year ended 31 March 2017 have been restated due to NEX Exchange Limited becoming a discontinued operation in the year. There is no impact on the combined continuing and discontinued consolidated income statement for the year ended 31 March 2017. This has also led to restatements of segmental information (note 1), operating expenses (note 3), earnings per share (note 5), tax (note 7), employee information and expense (note 8) and cash (note 11).

6. The consolidated statement of cash flow for the year ended 31 March 2017 has been restated due to a change in accounting policy to present restricted funds in investing activities instead of financing activities as this is considered to be more appropriate to its nature (note 11). There is no impact on total cash flows for the year ended 31 March 2017.

7. Segmental information (note 1) for the year ended 31 March 2017 has been restated due to a change in the management accounts during the year ended 31 March 2018 which moved the NEX Opportunities division from the 'NEX Optimisation' operating segment to the 'NEX Group and other' column and moved the operating expenses hedging impact from the 'NEX Group and other' column to the 'Hedging impact' column. There is no impact on the total column of segmental information for the year ended 31 March 2017.

8. Earnings per share (note 5) for the year ended 31 March 2017 has been restated to be calculated using earnings attributable to owners of the Company, as opposed to profit for the year which was previously used, as this is the appropriate calculation.

None of the restatements affect financial statement line items as at 1 April 2016.

Continuing income statement

	FY17 previously reported			
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Total £m
Revenue	543	–	–	543
Operating expenses	(398)	(21)	5	(414)
Other income	–	22	–	22
Operating profit	**145**	**1**	**5**	**151**
Net finance costs	(31)	–	–	(31)
Profit before tax from continuing operations	**114**	**1**	**5**	**120**
Tax	(28)	6	–	(22)
Profit for the year from continuing operations	**86**	**7**	**5**	**98**
Profit for the year from discontinued operations	73	–	1,140	1,213
Profit for the year	**159**	**7**	**1,145**	**1,311**

	Restatement 4			Restatement 5
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Trading £m
Revenue	–	–	–	(2)
Operating expenses	5	–	(5)	4
Operating profit	**5**	**–**	**(5)**	**2**
Profit before tax from continuing operations	**5**	**–**	**(5)**	**2**
Profit for the year from continuing operations	**5**	**–**	**(5)**	**2**
Profit for the year from discontinued operations	–	1,140	(1,140)	(2)
Profit for the year	**5**	**1,140**	**(1,145)**	**–**

	FY17 restated			
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Total £m
Revenue	541	–	–	541
Operating expenses	(389)	(21)	–	(410)
Other income	–	22	–	22
Operating profit	**152**	**1**	**–**	**153**
Net finance costs	(31)	–	–	(31)
Profit before tax from continuing operations	**121**	**1**	**–**	**122**
Tax	(28)	6	–	(22)
Profit for the year from continuing operations	**93**	**7**	**–**	**100**
Profit for the year from discontinued operations	71	1,140	–	1,211
Profit for the year	**164**	**1,147**	**–**	**1,311**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Discontinued income statement

	FY17 previously reported			
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Total £m
Revenue	587	–	–	587
Operating expenses	**(504)**	**(1)**	**(28)**	**(533)**
Other income	2	–	–	2
Operating profit	**85**	**(1)**	**(28)**	**56**
Net finance income	2	–	–	2
Share of profit of associates and joint ventures after tax	4	–	–	4
Gain on sale of discontinued operations	–	–	1,162	1,162
Profit before tax from discontinued operations	**91**	**(1)**	**1,134**	**1,224**
Tax	(18)	1	6	(11)
Profit for the year from discontinued operations	**73**	**–**	**1,140**	**1,213**

	Restatement 4			Restatement 5
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Trading £m
Revenue	–	–	–	2
Operating expenses	–	(28)	28	(4)
Operating profit	**–**	**(28)**	**28**	**(2)**
Gain on sales of discontinued operations	–	1,162	(1,162)	–
Profit before tax from discontinued operations	**–**	**1,134**	**(1,134)**	**(2)**
Tax	–	6	(6)	–
Profit for the year from discontinued operations	**–**	**1,140**	**(1,140)**	**(2)**

	FY17 restated			
	Trading £m	Acquisitions, disposals and similar items £m	Exceptional £m	Total £m
Revenue	589	–	–	589
Operating expenses	(508)	(29)	–	(537)
Other income	2	–	–	2
Operating profit	**83**	**(29)**	**–**	**54**
Net finance income	2	–	–	2
Share of profit of associates and joint ventures after tax	4	–	–	4
Gain on sales of discontinued operations	–	1,162	–	1,162
Profit before tax from discontinued operations	**89**	**1,133**	**–**	**1,222**
Tax	(18)	7	–	(11)
Profit for the year from discontinued operations	**71**	**1,140**	**–**	**1,211**

Consolidated balance sheet

	Group			
	FY17 previously reported £m	Restatement 1 £m	Restatement 2 £m	**FY17 restated £m**
Non-current assets				
Intangible assets arising on consolidation	**1,026**	–	–	**1,026**
Intangible assets arising from development expenditure	**127**	–	–	**127**
Property and equipment	**36**	–	–	**36**
Investment in joint ventures	**7**	–	–	**7**
Investment in associates	**42**	–	–	**42**
Deferred tax assets	**21**	–	–	**21**
Trade and other receivables	**17**	–	30	**47**
Available-for-sale investments	**20**	–	–	**20**
	1,296	–	30	**1,326**
Current assets				
Trade and other receivables	**174**	–	(30)	**144**
Cash and cash equivalents	**321**	–	–	**321**
Restricted funds	**103**	–	–	**103**
Cash held in the employee share trust	**–**	32	–	**32**
Available-for-sale investments	**1**	–	–	**1**
	599	32	(30)	**601**
Total assets	**1,895**	**32**	**–**	**1,927**
Current liabilities				
Trade and other payables	**(197)**	–	–	**(197)**
Borrowings	**(72)**	–	–	**(72)**
Tax payable	**(28)**	–	–	**(28)**
Provisions	**(11)**	–	–	**(11)**
	(308)	–	–	**(308)**
Non-current liabilities				
Trade and other payables	**(61)**	–	–	**(61)**
Borrowings	**(435)**	–	–	**(435)**
Deferred tax liabilities	**(96)**	–	–	**(96)**
Retirement benefit obligations	**(4)**	–	–	**(4)**
Provisions	**(12)**	–	–	**(12)**
	(608)	–	–	**(608)**
Total liabilities	**(916)**	**–**	**–**	**(916)**
Net assets	**979**	**32**	**–**	**1,011**
Equity				
Capital and reserves				
Called up share capital	**66**	–	–	**66**
Other reserves	**49**	–	–	**49**
Translation	**257**	–	–	**257**
Retained earnings	**580**	32	–	**612**
Equity attributable to owners of the Company	**952**	**32**	**–**	**984**
Non-controlling interests	**27**	–	–	**27**
Total equity	**979**	**32**	**–**	**1,011**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Company balance sheet

	Company		
	FY17 previously reported £m	Restatement 3 £m	FY17 restated £m
Non-current assets			
Investment in subsidiaries	1,490	–	1,490
	1,490	–	1,490
Current assets			
Trade and other receivables	194	46	240
	194	46	240
Total assets	**1,684**	**46**	**1,730**
Current liabilities			
Trade and other payables	–	(46)	(46)
	–	(46)	(46)
Non-current liabilities			
Trade and other payables	–	–	–
Total liabilities	**–**	**(46)**	**(46)**
Net assets	**1,684**	**–**	**1,684**
Equity			
Capital and reserves			
Called up share capital	66	–	66
Retained earnings	1,618	–	1,618
Equity attributable to owners of the Company	**1,684**	**–**	**1,684**
Non-controlling interests	–	–	–
Total equity	**1,684**	**–**	**1,684**

Consolidated statement of cash flow

	Group		
	FY17 previously reported £m	Restatement 3 £m	FY17 restated £m
Cash flows from operating activities	**309**	–	**309**
Cash flows from investing activities			
Dividends received from associates	4	–	4
Dividends received from joint ventures	1	–	1
Payments to acquire property and equipment	(19)	–	(19)
Intangible development expenditure	(75)	–	(75)
Proceeds from sale of business	330	–	330
Acquisition of AFS investments	(9)	–	(9)
Acquisition of interests in businesses net of cash acquired	(46)	–	(46)
Acquisition of associates and joint ventures	(5)	–	(5)
De-recognition of cash held in discontinued operations	(384)	–	(384)
Movement in restricted funds	–	(44)	(44)
Net cash flows from investing activities	**(203)**	**(44)**	**(247)**
Cash flows from financing activities			
Dividends paid to owners of the Company	(142)	–	(142)
Proceeds from exercise of share options	2	–	2
Dividends paid to NCI	(1)	–	(1)
Repayment of borrowings	(151)	–	(151)
Funds received from borrowing, net of fees	51	–	51
Movement in restricted funds	(44)	44	–
Net cash flows from financing activities	**(285)**	**44**	**(241)**
Net decrease in cash and cash equivalents	(179)	–	(179)
Net cash and cash equivalents at beginning of the year	433	–	433
Exchange adjustment	67	–	67
Net cash and cash equivalents at end of the year	**321**	**–**	**321**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Operating expenses

(a) Trading operating expenses and operating expenses

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m (restated)
Continuing operations:		
Trading operating expenses:		
Employee costs (note 8)	**239**	220
IT costs*	**111**	87
Professional and legal fees (including auditor's remuneration)	**28**	22
Depreciation and impairment of property and equipment (excluding IT)	**2**	4
Operating lease rentals – minimum lease payments	**19**	15
Exchange adjustments	**4**	(2)
Onerous lease provisions release	**–**	(7)
Regulatory matters (net of insurance claims)	**3**	2
Other	**45**	48
Trading operating expenses	**451**	389
Acquisitions, disposals and similar items:		
Amortisation of intangible assets arising on consolidation	**3**	20
Impairment of investment in joint ventures and available-for-sale investments	**8**	–
Other acquisition and disposal costs	**4**	1
Acquisitions, disposals and similar items	**15**	21
Operating expenses (statutory)	**466**	410

* IT costs include £50 million (2016/17: £38 million) of depreciation and amortisation charges. The remaining £61 million (2016/17: £49 million) of costs incurred include purchase of assets that are individually below the Group's capitalisation threshold, maintenance expenditures, certain enhancements not eligible for capitalisation and research phase-related expenditures. IT costs do not include employee costs; these are presented within employee costs.

Trading operating expenses for the year ended 31 March 2017 has been restated due to the change in accounting policy to no longer present an 'exceptional items' column and due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

Employee costs for the year ended 31 March 2018 includes a £3 million charge which relate to periods for the year ended 31 March 2017 and earlier as employer national insurance contributions on share awards were not accrued. Exchange adjustments for the year ended 31 March 2018 includes a £3 million charge which relate to periods for the year ended 31 March 2017 and earlier due to a correction to historic foreign exchange swap balances. £2 million of the impairment of investment in joint ventures and available-for-sale investments for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to an equity accounting correction.

(b) Auditor's remuneration

Group	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Auditor's remuneration		
Fees payable to the Company's auditors for the audit of the parent Company's financial statements and Group's consolidated financial statements	**0.9**	1.0
Fees payable to the Company's auditors for other services:		
– the auditing of any subsidiary of the Company	**0.8**	2.2
– taxation compliance services	**–**	0.2
– other assurance services	**0.1**	0.3
– corporate finance transaction services	**0.2**	0.7
	2.0	4.4

The Group's external auditor for the year ended 31 March 2018 was Deloitte and for the year ended 31 March 2017 was PricewaterhouseCoopers LLP.

(c) Contractual arrangements

The Group places reliance on several key suppliers to carry out its business and has procedures to ensure that purchasing decisions balance cost against other factors, including service quality, global reach and resilience.

The settlement of matched principal and exchange-traded businesses requires access to clearing houses either directly or through third-party providers of clearing and settlement services. In North America, the Group is a member of the FICC through which it clears US Treasury, Agency and Repo products for its client base. In Europe, clearing arrangements for exchange-traded transactions are outsourced to third parties.

4. Discontinued operations

The Group is in the process of selling part of NEX Exchange Limited which will result in deconsolidation. The disposal is subject to approval from regulatory authorities as well as the finalisation of certain commercial terms and is expected to be completed in 2018. The carrying value of NEX Exchange Limited will be recovered principally through a sale transaction and as a future investment in associate, rather than through continuing use as a subsidiary, and therefore is classified as held-for-sale as at 31 March 2018. The sale is a single co-ordinated plan to partly dispose of a separate major line of business and therefore the results of NEX Exchange Limited are presented as discontinued operations for the year ended 31 March 2018.

The results of the IGBB business were presented as discontinued operations for the year ended 31 March 2017 as the sale was a single co-ordinated plan to dispose of a separate major line of business. On 30 December 2016, the Group completed the disposal of its IGBB business to Tullett Prebon plc, now renamed TP ICAP. In addition to the results of NEX Exchange Limited, the discontinued income statement for the year ended 31 March 2018 includes an adjustment to the IGBB gain on sale which arose due to an adjustment to the net assets of IGBB and the release of an unutilised provision held at 31 March 2017 which related to transaction costs for the sale of IGBB.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March 2018, held-for-sale assets relate to NEX Exchange Limited and consist of £5 million of cash and cash equivalents (2016/17: £nil) and £1 million of trade and other receivables (2016/17: £nil). There were no liabilities held-for-sale relating to NEX Exchange Limited (2016/17: £nil).

	Year ended 31 March 2018			Year ended 31 March 2017 (restated)		
	Trading £m	Acquisitions, disposals and similar items £m	Total £m	Trading £m	Acquisitions, disposals and similar items £m	Total £m
Revenue	**1**	**–**	**1**	589	–	589
Operating expenses	**(3)**	**(1)**	**(4)**	(508)	(29)	(537)
Other income	**–**	**–**	**–**	2	–	2
Operating (loss)/profit from discontinued operations	**(2)**	**(1)**	**(3)**	83	(29)	54
Net finance income	**–**	**–**	**–**	2	–	2
Share of profit of associates and joint ventures after tax	**–**	**–**	**–**	4	–	4
Gain on sale of discontinued operations	**–**	**4**	**4**	–	1,162	1,162
(Loss)/profit before tax from discontinued operations	**(2)**	**3**	**1**	89	1,133	1,222
Tax on ordinary activities from discontinued operations	**–**	**–**	**–**	(18)	7	(11)
(Loss)/profit for the year from discontinued operations	**(2)**	**3**	**1**	71	1,140	1,211
Attributable to:						
Owners of the Company	**(2)**	**3**	**1**	72	1,140	1,212
Non-controlling interests	**–**	**–**	**–**	(1)	–	(1)
	(2)	**3**	**1**	71	1,140	1,211

Discontinued operations for the year ended 31 March 2017 has been restated due to the change in accounting policy to no longer present an 'exceptional items' column and due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

£1 million of the gain on sale of discontinued operations for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to the net effect of a £3 million charge arising on discounting of a receivable balance and a £4 million credit arising on an adjustment to the carrying values of intangible assets arising from development expenditure and property and equipment.

5. Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. The Group also calculates trading EPS (basic and diluted) from the trading profit for the year. The Group believes that this is the most appropriate measurement for assessing NEX performance, as explained in the basis of preparation.

The diluted EPS is calculated by adjusting share capital in issue for the additional weighted average number of ordinary shares that are likely to be issued under various employee share award schemes as at the balance sheet date.

	Year ended 31 March 2018			Year ended 31 March 2017 (restated)		
Group	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Trading basic and diluted						
Trading basic (continuing operations)	**90**	**371**	**24.2**	93	371	25.1
Trading basic (discontinued operations)	**(2)**	**371**	**(0.5)**	72	371	19.4
Trading basic (continuing and discontinued operations)	**88**	**371**	**23.7**	165	371	44.5
Dilutive effect of share options	**–**	**11**	**(0.7)**	–	11	(1.3)
Trading diluted (continuing operations)	**90**	**382**	**23.5**	93	382	24.3
Trading diluted (discontinued operations)	**(2)**	**382**	**(0.5)**	72	382	18.9
Trading diluted (continuing and discontinued operations)	**88**	**382**	**23.0**	165	382	43.2

	Year ended 31 March 2018			Year ended 31 March 2017 (restated)		
Group	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
Basic and diluted						
Basic (continuing operations)	**111**	**371**	**29.9**	100	371	27.0
Basic (discontinued operations)	**1**	**371**	**0.3**	1,212	371	326.9
Basic (continuing and discontinued operations)	**112**	**371**	**30.2**	1,312	371	353.9
Dilutive effect of share options	**–**	**11**	**(0.9)**	–	11	(10.2)
Diluted (continuing operations)	**111**	**382**	**29.0**	100	382	26.2
Diluted (discontinued operations)	**1**	**382**	**0.3**	1,212	382	317.5
Diluted (continuing and discontinued operations)	**112**	**382**	**29.3**	1,312	382	343.7

Weighted average number of ordinary shares excludes shares held in the employee share trusts relating to employee share schemes on which dividends have been waived, being 8 million shares (2016/17: 7 million). Further information is contained in note 25.

Earnings per share for the year ended 31 March 2017 has been restated due to the change in accounting policy to no longer present an ‘exceptional items’ column, due to NEX Exchange Limited becoming a discontinued operation in the year and to be calculated using earnings attributable to owners of the Company, as opposed to profit for the year which was previously used, as this is the appropriate calculation. See note 2 for more information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Dividends payable

The Company recognises the final dividend payable only when it has been approved by the shareholders of the Company in a general meeting. The interim dividend is recognised when it has been approved by the directors of the Company.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2017 of 27.0p per ordinary share (2015/16: 27.0p)	**101**	100
Interim dividend for the year ended 31 March 2018 of 3.5p per ordinary share (2016/17: 11.5p)	**13**	42
Total dividend recognised in the year	**114**	142

The final dividend for the year ended 31 March 2017 was satisfied in full by a cash payment of £101 million. The interim dividend for the year ended 31 March 2018 was satisfied in full by a cash payment of £13 million. The interim dividend for the year ended 31 March 2018 was paid to the shareholders of NEX Group plc who were on the register at 22 December 2017. The shares were quoted ex-dividend from 21 December 2017.

The directors have proposed a final dividend of 7.65p per share (2016/17: 27.0p) for the year ended 31 March 2018. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £28 million. Therefore, subject to shareholders' approval of the proposed final dividend, the full-year dividend will be 11.15p per share (2016/17: 38.5p), which will be covered 2.1 times (2016/17: 1.2 times) by the trading EPS (basic) of 23.7p per share (2016/17: trading EPS (basic) of 44.5p per share) and 2.7 times (2016/17: 9.2 times) by EPS (basic) of 30.2p per share (2016/17: EPS (basic) of 353.9p per share). The right to receive dividends has been waived in respect of the shares held in the employee share trust.

7. Tax

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is also included in other comprehensive income or directly within equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted, by the end of the reporting period.

Deferred tax is recognised using the liability method, in respect of temporary differences between the carrying value of assets and liabilities for reporting purposes and the tax bases of the assets and liabilities. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures, associates and intangibles arising on consolidation, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the period in which such determination is made.

(a) Tax charged to the consolidated income statement in the year

Group	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Current tax		
Current year	**24**	29
Tax relating to prior year items	**7**	(5)
	31	24
Deferred tax		
Current year	**(18)**	(4)
Tax relating to prior year items	**–**	2
	(18)	(2)
Total tax charged to the consolidated income statement	**13**	22

The total tax charge in the consolidated income statement for discontinued operations is £nil (2016/17: £11 million).

The deferred tax credit of £18 million (2016/17: £4 million) relating to current year items is made up of a £27 million credit (2016/17: £nil) relating to the change in tax rate following the US tax reform and a £9 million charge (2016/17: £4 million credit) relating to other movements.

The tax charge for the year can be reconciled to the trading and total profit before tax in the income statement as follows:

	Year ended 31 March 2018		Year ended 31 March 2017	
Group	Tax on trading profit £m	Tax on profit £m	Tax on trading profit £m (restated)	Tax on profit £m
Continuing operations:				
Profit before tax	**127**	**125**	121	122
Profit before tax at the standard rate of Corporation Tax in the UK of 19% (2016/17: 20%)	**24**	**24**	24	24
Reconciling items:				
Expenses not deductible for tax purposes	**5**	**5**	5	5
Non-taxable income	**(8)**	**(8)**	(4)	(8)
Impact of differences in overseas tax rates	**14**	**11**	7	4
Movement in provisions	**(1)**	**(1)**	1	1
Tax on mandatory repatriation of unremitted earnings	**2**	**2**	–	–
Prior year adjustment to current and deferred tax	**1**	**7**	(4)	(3)
Deferred tax impact of change in tax rates	**(1)**	**(27)**	(1)	(1)
Total tax charged to the consolidated income statement	**36**	**13**	28	22
Effective tax rate	**28%**	**10%**	23%	18%

The reconciliation of tax on trading profit before tax has been restated for the year ended 31 March 2017 due to the change in accounting policy to no longer present an 'exceptional items' column and due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

The UK Finance Act 2016 included legislation that reduced the standard rate of Corporation Tax in the UK from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. UK deferred tax will therefore unwind at a rate of 19% for periods from 1 April 2018 to 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

On 22 December 2017, the US tax legislation commonly known as the Tax Cuts and Jobs Act (the Act) was enacted and included substantial changes to the taxation of corporations. This year the most notable impacts of the Act's provisions to the Group is a one-off £2 million tax charge related to mandatory deemed repatriation of profits to US entities which hold non-US subsidiaries as well as a reduction in the US Federal corporate income tax rate from 35% to 21%. The rate reduction gives rise to £27 million credit in relation to reducing US deferred tax liabilities, principally in relation to goodwill.

(b) Tax charged/(credited) to other comprehensive income and equity during the year

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Current tax		
Fair value movements on cash flow hedges	**1**	1
	1	1
Deferred tax		
Share-based payments	**–**	(1)
	–	(1)
Total tax recognised in the consolidated statement of comprehensive income	**1**	–
Total tax recognised in the consolidated statement of changes in equity	**–**	–

(c) Deferred tax balances recognised on the balance sheet

Group	As at 31 March 2018 £m	As at 31 March 2017 £m
Deferred tax assets	**8**	21
Deferred tax liabilities	**(57)**	(96)
Net balances	**(49)**	(75)

(d) Deferred tax – movement of Group balances before offset within countries

Group	Goodwill £m	Intangible assets arising on consolidation £m	Employee-related items £m	Deferred income and accrued expenses £m	Other £m	Total
Continuing operations:						
Net balances at 1 April 2017	**(81)**	**(5)**	**19**	**1**	**(9)**	**(75)**
Tax (charge)/credit	**(5)**	**1**	**(4)**	**(1)**	**–**	**(9)**
Tax credit/(charge) associated with US tax reform	**24**	**2**	**(3)**	**–**	**4**	**27**
FX adjustments	**8**	**(1)**	**–**	**–**	**1**	**8**
Net balances as at 31 March 2018	**(54)**	**(3)**	**12**	**–**	**(4)**	**(49)**

Group	Goodwill £m	Intangible assets arising on consolidation £m	Employee-related items £m	Deferred income and accrued expenses £m	Other £m	Total £m
Continuing operations:						
Net balances at 1 April 2016	(66)	(3)	12	3	–	(54)
Tax (charge)/credit	(6)	6	4	(1)	–	3
Tax credit in equity	–	–	1	–	–	1
FX adjustments	(9)	(1)	1	(1)	–	(10)
Other	–	(7)	1	–	(9)	(15)
Net balances as at 31 March 2017	(81)	(5)	19	1	(9)	(75)

Deferred tax liabilities for taxable temporary differences relating to goodwill have been recognised to the extent they do not arise from the initial recognition of goodwill. The amounts recognised in goodwill relate to historic US acquisitions where a current tax deduction for purchased goodwill is available and because that taxable temporary difference does not relate to the initial recognition of the goodwill, the resulting deferred tax liability has been recognised. The liability decreased during the year due to the reduction in the US tax rate and the amount would be expected to be recycled to the income statement in future were there an impairment or sale of the business.

No deferred tax liabilities have been recognised on temporary differences associated with unremitted earnings of subsidiaries as the Group is able to control the timing of distributions and overseas dividends are largely exempt from UK tax.

Deferred tax assets in respect of capital losses, trading and non-trading losses have not been recognised as their future recovery is uncertain or not currently anticipated. The deferred tax assets not recognised are as follows:

Group	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Capital losses	**22**	22
Trading losses	**37**	38
Non-trading losses	**42**	9
	101	69

The capital losses, trading and non-trading UK losses are available to carry forward indefinitely subject to applicable income arising in future years. Non-trading losses arising in the US have up to a 20-year carry forward time limit. In addition, £34 million (2016/2017: £34 million) of UK trading losses not recognised relate to operations coming within discontinued operations.

8. Employee information and expense

NEX operates several defined contribution pension plans throughout the Group, including both defined benefit and defined contribution schemes. Payments to defined contribution schemes are recognised as an expense in the consolidated income statement as they fall due. Any difference between the payments and the charge is recognised as a short-term asset or liability.

The Group awards share options and other share-based payments as part of its employee incentive schemes as well as other share-based payment transactions. The fair value of services received is measured by the fair value of the shares or share options awarded at the grant date and is charged to employee expenses over the period the service is received on a straight-line basis. A corresponding amount is recognised in equity. Employer national insurance contributions are accrued on share awards.

(a) Analysis of employee costs

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m (restated)
Continuing operations:		
Gross salaries (including bonuses)	**248**	235
Social security costs	**33**	18
Share-based payments (note 8(c))	**8**	4
Pension costs	**9**	8
Gross employee costs	**298**	265
Employee costs capitalised as internally generated intangible assets (note 13)	**(57)**	(45)
Net employee costs*	**241**	220

* Net employee costs of £241 million (2016/17: £220 million) includes £239 million (2016/17: £220 million) which is presented in the trading column and £2 million (2016/17: £nil) which is presented in the acquisitions, disposals and similar items column.

Employee costs for the year ended 31 March 2017 has been restated due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

(b) Number of employees analysed by operating segment

	Average		**Year end**	
	Year ended 31 March 2018	**Year ended 31 March 2017**	Year ended 31 March 2018	Year ended 31 March 2017
Continuing operations:				
NEX Markets	**716**	**694**	684	728
NEX Optimisation	**927**	**782**	916	906
Other	**303**	**341**	334	307
Total	**1,946**	**1,817**	1,934	1,941

The number of employees analysed by operating segment includes contingent workers.

Company

The Company does not have any employees.

(c) Share-based payments

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Deferred Share Bonus Plan (DSBP)	**5**	1
Performance Share Plan (PSP)	**2**	2
Long Term Incentive Plan (LTIP)	**1**	1
Total	**8**	4

The DSBP is a long-term incentive plan for the executive directors, GEMG members and certain other senior managers in the Group. These awards are delivered as a proportion of the annual bonus deferred into NEX Group plc shares for three years. The awards do not have performance conditions but are subject to certain service conditions, malus and clawback. There were 1,271,733 (2016/17: 1,042,672) DSBP shares granted during the year ended 31 March 2018, with a weighted average fair value of 651.84p (2016/17: 427.35p). The fair value was based on the NEX Group plc share price.

The PSP is a long-term incentive plan for the executive directors, GEMG members and certain other senior managers in the Group. Recipients are granted NEX Group plc shares with a maximum award potential of 300% of salary. These awards are subject to certain service and performance conditions, malus and clawback. There were 1,460,608 (2016/17: 1,540,667) PSP shares granted during the year ended 31 March 2018, with a weighted average fair value of 646.06p (2016/17: 424.89). The fair value was based on the NEX Group plc share price.

The LTIP is a long-term incentive plan previously awarded to GEMG members and certain other senior managers in the Group. The 2015 LTIP share awards consisted of basic awards, under which a certain percentage of the pre-tax bonus was deferred in NEX Group plc shares for three years with no performance conditions attached. Basic LTIP awards were last made to GEMG members in 2015 and to certain other senior managers in 2016. From 2017 LTIP basic awards were replaced with DSBP awards.

More information is provided in the remuneration report on pages 62 to 83.

(d) Key management remuneration

Key management consists of the members of the GEMG, including the executive directors of the board.

The aggregate short-term employee benefits for key management was £14 million (2016/17: £17 million). A charge of £5 million (2016/17: £3 million) was recognised in the consolidated income statement relating to share options held by key management. Retirement benefits accrued to three (2016/17: four) members of the GEMG under defined contribution schemes and during the year key management received £0.1 million (2016/17: £0.1 million) in post-employment benefits. A loan of £1 million (2016/17: £1 million) was provided to members of the GEMG.

A breakdown of the executive directors' remuneration is disclosed separately in the remuneration report.

9. Net finance expense

(a) Net finance expense

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Finance income		
Interest receivable and similar income	**1**	–
Total finance income	**1**	–
Finance costs		
Interest payable and similar charges	**(22)**	(27)
Other finance costs	**(5)**	(4)
Total finance costs	**(27)**	(31)
Net finance expense	**(26)**	(31)

(b) Interest rate risk exposure

Group

The Group has an exposure to fluctuations in interest rates on both its cash positions and borrowings which it manages through a combination of pound sterling, euro and yen debt drawn on fixed and floating rate terms. The Group's objective is to minimise its interest cost and the impact of interest rate volatility on the Group's consolidated income statement. In addition to debt, the Group's treasury policies also permit the use of derivatives including interest rate swaps, interest rate options, forward rate agreements and cross currency swaps to meet these objectives.

As at 31 March 2018, after considering the impact of the euros to pound sterling cross currency swaps, the interest rate profile of the Group's cash and debt was as summarised in the table below.

	Year ended 31 March 2018			Year ended 31 March 2017		
	Floating rates £m	Fixed rates £m	Total £m	Floating rates £m	Fixed rates £m	Total £m
Continuing operations:						
Pound sterling						
Cash	**127**	**–**	**127**	202	–	202
Debt	**–**	**(344)**	**(344)**	–	(330)	(330)
Dollars and currencies closely related to the dollar						
Cash	**97**	**–**	**97**	70	–	70
Other currencies						
Cash	**46**	**–**	**46**	49	–	49
Debt	**–**	**(167)**	**(167)**	–	(177)	(177)
Total						
Cash	**270**	**–**	**270**	321	–	321
Debt	**–**	**(511)**	**(511)**	–	(507)	(507)

The Group has no floating debt other than the RCF, which was undrawn as at 31 March 2018 (2016/17: undrawn). A 100 basis-points parallel increase in Libor and Libid rates would decrease net finance costs by £1 million (2016/17: £2 million) in relation to pound sterling cash and by £1 million (2016/17: £1 million) in relation to dollar cash. The Group considers 100 basis-points to be an appropriate sensitivity measure to disclose since firstly it represents a change that management views as reasonably possible and secondly it provides a useful base for determining other sensitivities since the Group expects changes would be reasonably linear.

Company

The Company is not exposed to interest rate movements since it does not hold variable rate cash or debt.

10. Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of issuance costs incurred. At subsequent reporting dates borrowings are held at amortised cost using the effective interest rate method, with changes in value recognised through the consolidated income statement. Issuance costs are recognised in the consolidated income statement over the period of the borrowings using the effective interest rate method.

(a) Long-term borrowings

	Fair value		Group		Company	
	As at 31 March 2018 £m	As at 31 March 2017 £m	**As at 31 March 2018 £m**	As at 31 March 2017 £m	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Five-year senior notes repayable FY2018/19	**–**	316	**–**	298	**–**	–
Retail bond repayable FY2018/19	**–**	131	**–**	125	**–**	–
Ten-year senior notes repayable FY2023/24	**15**	15	**13**	12	**13**	–
	15	462	**13**	435	**13**	–

The five-year senior notes and retail bond were presented under long-term borrowings as at 31 March 2017 but have been presented under short-term borrowings as at 31 March 2018 as their maturity dates are March 2019 and July 2018, respectively.

The retail bond and ten-year senior notes were transferred to the Company from ICAP plc on 7 July 2017.

The Group's £350 million RCF was undrawn as at 31 March 2018 (2016/17: undrawn) resulting in committed headroom of £350 million (2016/17: £300 million). During the year, the size of the RCF increased to £350 million and the maturity date was extended by two years to 23 February 2021. The RCF incorporates a $200 million swingline facility of which $75 million is available as a late day fronted facility. The weighted average effective interest rate for the year was 2.3% (2016/17: 2.1%).

The Group's bank facilities contain several customary financial and operational covenants. Included in these, the Company is required to remain as the ultimate holding company in the Group. The Group and Company remained in compliance with the terms of all its financial covenants throughout the year ended 31 March 2018.

The fair value measurements of the ten-year senior notes repayable 2023 use level 1 fair value measurement inputs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Committed facilities

Group	As at 31 March 2018 £m		As at 31 March 2017 £m	
	Drawn	Undrawn*	Drawn	Undrawn*
Less than one year	**498**	**–**	72	–
Between one and two years	**–**	**–**	423	–
Between two and five years	**–**	**350**	–	300
More than five years	**13**	**–**	12	–
	511	**350**	507	300

Company	As at 31 March 2018 £m		As at 31 March 2017 £m	
	Drawn	Undrawn*	Drawn	Undrawn*
Less than one year	**125**	**–**	–	–
More than five years	**13**	**–**	–	–
	138	**–**	–	–

* The undrawn balance has been classified based on the maturity date of the facility.

As at 31 March 2018, the Group's long-term issuer ratings were Baa3 by Moody's and BBB by Fitch. Following the announcement of the Offer both agencies have placed the Group on review for a potential upgrade.

(c) Short-term borrowings

	Fair value		Group		Company	
	As at 31 March 2018 £m	As at 31 March 2017 £m	As at 31 March 2018 £m	As at 31 March 2017 £m	As at 31 March 2018 £m	As at 31 March 2017 £m
Japanese yen loan	**67**	72	**67**	72	**–**	–
Five-year senior notes repayable FY2018/19	**316**	–	**306**	–	**–**	–
Retail bond repayable FY2018/19	**127**	–	**125**	–	**125**	–
	510	72	**498**	72	**125**	–

For several years, the Group has entered into a series of yen term loans with Tokyo Tanshi Co Limited, borrowing each for a term of up to six months. These loans have been refinanced either immediately on maturity or a few days thereafter with similar terms.

The five-year senior notes are presented on the balance sheet at amortised cost, net of fees. To enable the Group to manage the translational exposure, which arises because the notes are denominated in euros, and to meet its risk management objective of minimising both interest cost and the impact of interest volatility on its consolidated income statement, the Group entered into cross currency swaps to convert its obligations over the life of €250 million of the notes from euros to pound sterling at an FX rate of 1.21. These swap from a fixed effective euro interest rate of 3.20% to a fixed pound sterling interest rate of 4.39%. The swaps have been accounted for as a cash flow hedge and as at 31 March 2018 have a fair market value of £14 million asset (2016/17: £7 million asset) and they offset the effect of FX on the notes. The remaining €100 million of the notes remain in euros and have been designated as a net investment hedge of the Group's euro-denominated net assets.

Fair values of the five-year senior notes repayable 2019 and the retail bond repayable 2018 have been measured using level 1 fair value measurement inputs.

11. Cash

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which are subject to insignificant risk of change in fair value and are readily convertible into a known amount of cash with less than three months' maturity. Overdrafts are classified as short-term borrowings (note 10), not as cash and cash equivalents.

The Group holds money, and occasionally financial instruments, on behalf of clients (client monies) in accordance with local regulatory rules. Since the Group is not beneficially entitled to these amounts, they are excluded from the consolidated balance sheet along with the corresponding liabilities to clients.

Restricted funds comprise cash held with a CCP clearing house, or a financial institution providing NEX with access to a CCP, and funds set aside for regulatory purposes driven by margin requirements, but excluding client money. The funds represent cash for which the Group does not have immediate and direct access or for which regulatory requirements restrict the use of the cash. Such funds may be returned the next day as the trades at the CCP are settled.

(a) Reconciliation of Group profit before tax to net cash flow from operating activities

Group	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m (restated)
Profit before tax from continuing operations	**125**	122
Profit before tax from discontinued operations	**1**	1,222
Operating one-off items	**–**	23
Share of profit of associates after tax	**(5)**	(2)
Share of loss/(profit) of joint ventures after tax	**1**	(2)
Amortisation of intangible assets arising on consolidation (note 3)	**3**	20
Amortisation and impairment of intangible assets arising from development expenditure (note 13)	**38**	39
Depreciation and impairment of property and equipment (note 24)	**14**	16
Impairment of property and equipment (note 24)	**–**	2
Impairment of investment in joint ventures (note 21)	**5**	–
Impairment of available-for-sale investments (note 23)	**3**	–
Other acquisitions, disposals and similar items	**(12)**	–
Gain on equity interest (note 3)	**–**	(20)
Gain on disposal of discontinued operations (note 4)	**–**	(1,162)
Share-based payments (trading) (note 8)	**8**	7
Net finance expense (note 9)	**22**	26
Increase in trading provision	**2**	3
Operating cash flows before movements in working capital	**205**	294
Increase in trade and other receivables	**(27)**	(18)
(Decrease)/increase in trade and other payables	**(8)**	65
Timing differences on unsettled matched principal trades	**–**	80
Cash generated by operations before one-off items	**170**	421
Operating one-off items paid	**(15)**	(48)
Cash generated by operations	**155**	373
Interest received	**1**	2
Interest paid	**(25)**	(22)
Tax paid	**(41)**	(44)
Cash flow from operating activities	**90**	309

The reconciliation of Group profit before tax to net cash flow from operating activities has been restated due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The cash flow movement in trade and other receivables includes the net movement on matched principal transactions and deposits for securities borrowed/loaned.

The reconciliation of Group profit before tax to cash flow from operating activities includes discontinued operations.

(b) Reconciliation of liabilities arising from financing activities

Group	Year ended 31 March 2018			Year ended 31 March 2017		
	Long-term borrowings £m	Short-term borrowings £m	Total £m	Long-term borrowings £m	Short-term borrowings £m	Total £m
As at 1 April 2017	435	72	507	519	64	583
Cash movements:						
Repayment of borrowings	–	(144)	(144)	(108)	(43)	(151)
Funds received from borrowings, net of fees	–	139	139	–	51	51
Non-cash movements:						
Reclassification of borrowings	(431)	431	–	–	–	–
Exchange adjustments	9	–	9	24	–	24
As at 31 March 2018	13	498	511	435	72	507

Company	Year ended 31 March 2018			Year ended 31 March 2017		
	Long-term borrowings £m	Short-term borrowings £m	Total £m	Long-term borrowings £m	Short-term borrowings £m	Total £m
As at 1 April 2017	–	–	–	–	–	–
Cash movements	–	–	–	–	–	–
Non-cash movements:						
Borrowings transferred via intercompany	13	125	138	–	–	–
As at 31 March 2018	13	125	138	–	–	–

(c) Net debt

Net debt comprises cash and cash equivalents less gross debt. Restricted funds and cash held in the employee share trust are not included within net debt due to their availability constraints (note 11(f) and note 11(g)).

	Group		Company	
	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Gross debt (note 10)	(511)	(507)	(138)	–
Cash and cash equivalents	270	321	–	–
Net debt	(241)	(186)	(138)	–

(d) Total cash

	Group		Company	
	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m (restated)	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Cash and cash equivalents	**270**	321	**–**	–
Restricted funds	**18**	103	**–**	–
Cash held in the employee share trust	**20**	32	**–**	–
Total cash	**308**	456	**–**	–

Total cash for the year ended 31 March 2017 has been restated due to recognition of cash held in the employee share trust. See note 2 for more information.

(e) Client money

As at 31 March 2018, the Group held client money of £nil (2016/17: £26 million). This amount, together with the corresponding liabilities to clients, is not included in the Group's consolidated balance sheet.

(f) Restricted funds

Restricted funds comprise cash held at a CCP clearing house or a financial institution providing NEX with access to a CCP. The balance fluctuates based on business events around the year end and decreased during the year by £85 million to £18 million as at 31 March 2018 (2016/17: increased by £77 million to £103 million).

(g) Cash held in the employee share trust

As at 31 March 2018, the Group's employee share trust held money of £20 million (2016/17: £32 million). As at 31 March 2018, the cash held in the employee share trust was held on a one-year fixed term deposit, maturing in April 2018. This cash is held by the employee share trust to acquire shares in the Company in order to meet the obligations to beneficiaries of NEX share schemes.

12. Capital and liquidity planning and management

The Group does not seek to take proprietary market risk positions, so does not seek to expose its capital to market risk, and it does not undertake any form of maturity transformation so does not seek liquidity risk. Thus, the overall approach to the planning and management of the Group's capital and liquidity is to ensure the Group's solvency, i.e. its continued ability to conduct business, deliver returns to shareholders and support growth and strategic initiatives.

Liquidity

Group

The Group is exposed to liquidity risk because of trades executed as matched principal which result in margin and collateral requirements from clearing houses, clearing banks and because of regulatory rules stipulating the maintenance of certain liquidity buffers. Such requirements can arise up until settlement which is typically only for a one- to five-day period.

Liquidity risk occurs primarily in BrokerTec US LLC which is required to deposit margins from time to time with the FICC and its clearing bank. BrokerTec US LLC uses its funded cash together with access to the Group's $200 million swingline facility and RCF to manage its liquidity requirements.

The Group has a centralised approach to the provision of contingency funding for its trading entities. Through the GFC, the board periodically reviews the liquidity demands of the Group and the financial resources available to meet these demands. The GFC ensures that the Group, in totality and by subsidiary, has sufficient liquidity available to provide constant access, even in periods of market stress, to an appropriate level of cash, other forms of marketable securities and committed funding lines to enable it to finance its ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms.

As at 31 March 2018, the Group had gross debt of £511 million (2016/17: £507 million), the maturity analysis of which is set out in note 10, and cash and cash equivalents of £270 million (2016/17: £321 million) (see note 11(c)). Cash held at clearing houses, or a financial institution providing NEX with access to a CCP to which the Group has no immediate access in practice, is disclosed as restricted funds in the financial statements (note 11(f)).

The Group invests its cash balances in a range of capital protected instruments including money market deposits, AAA-rated liquidity funds and government bonds with the objective of optimising the return, while having regard to counterparty credit risk and liquidity. Except for some small, local cash management balances, surplus cash is invested with strong institutions holding investment grade ratings.

Company

The Company's policy is to ensure that it has constant access to an appropriate level of liquidity to enable it to finance its forecast ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms. If the Company has any cash, it is loaned intra-Group for further investment.

Capital management

The Group's capital strategy is to maintain an efficient and strong capital base which maximises the return to its shareholders, while also maintaining flexibility. The capital structure of the Group consists of debt (note 10) and equity, including share capital (note 25), other reserves (note 26) and retained earnings.

The Group seeks to ensure that it has sufficient regulatory capital in each of its regulated entities to meet local regulatory requirements. As none of the regulated companies in the Group take proprietary positions they do not have an inventory of assets so regulatory capital is mostly covered by cash and for the year ended 31 March 2018 all entities complied with their requirements.

In general, higher levels of market volatility can result in increased demand for the Group's services. As the capital requirements in the Group's regulated entities are, however, driven predominantly by the fixed cost base, the impact of changes in volumes on the capital requirement is significantly dampened. As such, absent a material acquisition, existing capital resources are viewed as sufficient to operate and to continue to invest in the development of the Group's businesses.

13. Intangible assets arising from development expenditure

Development expenditure on software is recognised as an intangible asset in accordance with the provisions of IAS 38 'Intangible Assets'. Capitalised expenditure is recognised initially at cost and is presented subsequently at cost less accumulated amortisation and provisions for impairment. Amortisation of these assets is charged to the consolidated income statement on a straight-line basis over the expected useful economic life of the asset of three to seven years. The Group reviews the useful economic lives of these assets on a regular basis.

Development costs are incurred and capitalised when a final development plan (including the specifics of the assets to be developed) is signed off by a committee with appropriate delegated authority (including business management boards). As part of the approval process, the committee considers the commercial viability and technological feasibility of bringing the asset into use. Where any costs are identified by an appropriately authorised management committee to be an enhancement to the original asset, these costs are capitalised and amortised over the remaining expected useful life of the asset.

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research costs are expensed in the consolidated income statement.

Costs that do not meet the capitalisation criteria, such as costs for undertaking feasibility studies, are recorded in the income statement. When a project is abandoned in the development phase, costs are charged to the income statement. Once an internally generated software asset is brought into use, any ongoing related costs are charged to the income statement to the extent that they relate to ongoing maintenance of the asset.

The Group has an internal threshold for capitalisation of £5,000 for individual assets and £125,000 for software-related projects. The key component of the development costs is compensation of employees. Each of the Group's businesses and the Group's infrastructure area have their own dedicated IT project development teams.

Amortisation and impairment of intangible assets arising from development expenditure is charged within operating expenses. Amortisation is charged against assets from the date at which the asset becomes available for use.

Group	2017/18 Development expenditure £m	2017/18 Assets under construction £m	2017/18 Total £m	2016/17 Development expenditure £m	2016/17 Assets under construction £m	2016/17 Total £m
Continuing operations:						
Cost						
As at 1 April	**208**	**58**	**266**	143	48	191
Additions*	**–**	**70**	**70**	–	59	59
Disposals	**(7)**	**–**	**(7)**	–	–	–
Reclassification	**69**	**(69)**	**–**	50	(50)	–
Transfer to held-for-sale	**(1)**	**–**	**(1)**	–	–	–
Exchange adjustments	**(16)**	**(1)**	**(17)**	15	1	16
As at 31 March	**253**	**58**	**311**	208	58	266
Accumulated amortisation and impairment						
As at 1 April	**139**	**–**	**139**	103	–	103
Charge for the year	**38**	**–**	**38**	29	–	29
Disposals	**(7)**	**–**	**(7)**	–	–	–
Transfer to held-for-sale	**(1)**	**–**	**(1)**	–	–	–
Other movements	**(6)**	**–**	**(6)**	–	–	–
Exchange adjustments	**(9)**	**–**	**(9)**	7	–	7
As at 31 March	**154**	**–**	**154**	139	–	139
Net book value						
As at 31 March	**99**	**58**	**157**	69	58	127

* Included within additions are £57 million (2016/17: £45 million) of employee costs (note 8(a)).

The additions and amortisation charge during the year is disclosed by operating segments in note 1.

The 2016/17 table has been updated to provide the split between development expenditure and assets under construction. The total column is unchanged from the prior year. The other movements of £6 million for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to adjustments to the carrying values of intangible assets arising from development expenditure.

14. Intangible assets arising on consolidation

Since 1 April 2004, intangible assets arising on consolidation include goodwill and other separately identifiable intangible assets such as client relationships and client contracts that arose on business combinations. The amortisation and any impairment is included in the consolidated income statement within the column 'Acquisitions, disposals and similar items'. The Group reviews the performance of the acquired businesses and reassesses the period over which the acquired intangible asset is likely to continue to generate cash flows that exceed the carrying value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries when the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the fair value of any previously held equity interest in the acquiree exceeds the amount of the identifiable net assets acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognised immediately in the income statement. Goodwill is initially recognised at cost and is subsequently held at cost less any provision for impairment.

Goodwill arises on the acquisition of investments in joint ventures when the cost of investment exceeds NEX's share of the net fair value of the joint venture's identifiable assets and liabilities. Goodwill arising on the acquisition of joint ventures is included in 'Investments in joint ventures' and is not tested separately for impairment. See note 21.

Goodwill arises on the acquisition of interests in associates when the cost of investment exceeds NEX's share of the net fair value of the associate's identifiable assets and liabilities. Goodwill arising on the acquisition of associates is included in 'Investments in associates' and is not tested separately for impairment. See note 22.

Where the Group makes an acquisition and the balances are reported as provisional at the year end, the Group has a measurement period of up to 12 months from the date of acquisition to finalise the provisional amounts where new information becomes available about facts and circumstances that existed at the balance sheet date, which could impact the value of goodwill and intangible assets arising on consolidation. The measurement period ends as soon as the information required is received.

On disposal of a subsidiary, joint venture or associate, the attributable goodwill is included in the calculation of the profit or loss on disposal.

(ii) Separately identifiable intangible assets

The Group has recognised separately identified intangible assets on acquisitions where appropriate. These generally include client contracts and client relationships. Intangible assets acquired by the Group are stated initially at fair value and are adjusted subsequently for amortisation and any impairment.

Amortisation and impairment of intangibles arising on consolidation are recognised in the 'Acquisitions, disposals and similar items' column of the consolidated income statement. Where an impairment has taken place, the asset is reviewed annually for any reversal of the impairment. Any reversals of impairment are credited to the consolidated income statement. All separately identifiable intangible assets have a finite life (excluding goodwill).

Amortisation of separately identifiable intangible assets is charged to the consolidated income statement on a straight-line basis over their estimated useful lives as follows:

Client relationships	2 – 10 years
Client contracts	Period of contract
Other intangible assets	Period of contract

A deferred tax liability is recognised against the asset for which the amortisation is non-tax deductible. The liability unwinds over the same period as the asset is amortised.

(iii) Impairment

Goodwill is not amortised but is tested for impairment annually and whenever there is an indicator of impairment. Goodwill and other intangible assets arising on consolidation are allocated to a cash generating unit (CGU) at acquisition for impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. The identification of CGUs is reviewed where there is a significant change to the Group's segmental reporting structure. Impairment testing is performed by comparing the recoverable amount of a CGU with its carrying amount. The carrying amount of a CGU is based on the assets and liabilities of each CGU, including attributable goodwill. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value in use (VIU). VIU is the present value of the expected future cash flows from a CGU.

Where the carrying value of the asset exceeds its VIU, an impairment charge is recognised immediately in the consolidated income statement, and the asset is stated at cost less accumulated impairment losses. For goodwill, impairment charges previously recognised are not reversed and impaired intangible assets are reviewed annually for reversal of previously recognised impairment.

This process requires the exercise of significant estimation by management; if the estimates made prove to be incorrect or performance does not meet expectations which affect the amount and timing of future cash flows, goodwill and intangible assets may become impaired in future periods.

(a) Intangible assets arising on consolidation

Group	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2017	**1,196**	**648**	**1,844**
Re-estimate	**(2)**	**–**	**(2)**
Exchange adjustments	**(84)**	**(1)**	**(85)**
As at 31 March 2018	**1,110**	**647**	**1,757**
Amortisation and impairment			
As at 1 April 2017	**188**	**630**	**818**
Amortisation charge for the year	**–**	**3**	**3**
As at 31 March 2018	**188**	**633**	**821**
Net book value			
As at 31 March 2018	**922**	**14**	**936**

Group	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2016	999	625	1,624
Additions	91	19	110
Exchange adjustments	106	4	110
As at 31 March 2017	1,196	648	1,844
Amortisation and impairment			
As at 1 April 2016	188	610	798
Amortisation charge for the year	–	20	20
As at 31 March 2017	188	630	818
Net book value			
As at 31 March 2017	1,008	18	1,026

The Group recognises £936 million of intangible assets arising on consolidation (2016/17: £1,026 million), with £922 million relating to goodwill (2016/17: £1,008 million) and £14 million relating to other intangible assets (2016/17: £18 million). The other intangible assets mainly represent client relationships and have varying remaining amortisation periods across CGUs.

The individual CGUs' goodwill, other intangible assets arising on consolidation and net assets were tested for impairment, which resulted in no impairment. Goodwill and other intangible assets arising on consolidation in relation to ENSO is most sensitive to the estimates made in the impairment test. See the judgments and estimates section within the basis of preparation for more information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Impairment testing of intangible assets arising on consolidation

Group		As at 31 March 2018			
CGU	Operating segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
Abide Financial	NEX Optimisation	**2**	**21**	**–**	**21**
BrokerTec	NEX Markets	**15**	**147**	**–**	**147**
EBS	NEX Markets	**39**	**365**	**–**	**365**
ENSO	NEX Optimisation	**9**	**68**	**14**	**82**
Reset	NEX Optimisation	**16**	**150**	**–**	**150**
TriOptima	NEX Optimisation	**7**	**63**	**–**	**63**
Traiana	NEX Optimisation	**12**	**108**	**–**	**108**
Total		**100**	**922**	**14**	**936**

Group		As at 31 March 2017			
CGU	Operating segment	% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
Abide Financial	NEX Optimisation	2	21	–	21
BrokerTec	NEX Markets	14	146	–	146
EBS	NEX Markets	40	411	–	411
ENSO	NEX Optimisation	9	78	17	95
Reset	NEX Optimisation	17	168	–	168
TriOptima	NEX Optimisation	6	62	–	62
Traiana	NEX Optimisation	12	122	1	123
Total		100	1,008	18	1,026

Impairment testing methodology

The recoverable amount of a CGU is determined using VIU calculations. The VIU calculations are based on discounting management's pre-tax cash flow projections for the CGU. The pre-tax discount rate used is the weighted average cost of capital (WACC) NEX allocates to investments in the businesses within which the CGU operates. A long-term growth rate estimate is used to extrapolate the cash flows in perpetuity because of the long-term nature of the businesses in the CGUs.

Group	Discount rate		Long-term growth rate	
Key assumptions	**2018 %**	2017 %	**2018 %**	2017 %
Abide Financial	**8.6**	8.5	**3.9**	3.9
BrokerTec	**8.2**	8.2	**4.1**	4.3
EBS	**8.2**	8.2	**3.9**	3.9
ENSO	**8.1**	8.1	**4.3**	4.4
Reset	**8.5**	8.2	**0.0**	0.0
TriOptima	**7.6**	7.6	**3.9**	4.2
Traiana	**8.1**	8.1	**4.3**	4.4

Discount rates

The Group's pre-tax WACC was 8.0% (2016/17: 8.0%). The Group's WACC is a function of the Group's cost of equity, derived using a Capital Asset Pricing Model (CAPM), and the Group's cost of debt. The cost of equity estimate depended on inputs in the CAPM reflecting several variables including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These inputs are based on the market's assessment of economic variables and management judgment, which are subject to scrutiny by the GFC and the Audit Committee (see page 50). All inputs to the CAPM were externally sourced. The CGU-specific WACCs were then derived by adjusting the Group WACC for business-specific risk factors.

Nominal long-term growth rate

The growth rate reflects weighted average real GDP growth and inflation for the countries within which the CGUs operate. The rates are based on the International Monetary Fund's medium-term forecasts as they are deemed to be reliable estimates of likely future trends. The rates applied do not exceed the expected growth in the local economy or, for businesses which operate on a global scale, the global GDP.

Management's judgment in estimating the cash flows of a CGU

The cash flow projections for each CGU are based on plans approved by the board. For the 2017/18 annual impairment testing, management's cash flow projections for the three years ending 31 March 2021 were used, after which a terminal value is applied. The cash flow projections include estimates of market volume and market share as well as cost and price development.

15. Provisions

A provision is recognised where there is a present obligation, either legal or constructive, as a result of a past event for which it is probable there will be a transfer of economic benefits to settle the obligation. A provision is recognised only where a reliable estimate can be made of the value of the obligation. Disclosure is not made for provisions where that disclosure would be seriously prejudicial. Judgments applied in concluding that an item should be classified as a contingent liability as opposed to a provision are confirmed after consultation with external counsel and discussion with the Audit Committee.

Group	Restructuring £m	Regulatory matters £m	Other £m	Total £m
As at 1 April 2017	**5**	**2**	**16**	**23**
Amounts recognised in the income statement	**–**	**–**	**2**	**2**
Settled during the year	**(5)**	**–**	**(7)**	**(12)**
Reclassified from accruals	**1**	**–**	**–**	**1**
Exchange adjustments	**–**	**–**	**(1)**	**(1)**
As at 31 March 2018	**1**	**2**	**10**	**13**

Group	Restructuring £m	Regulatory matters £m	Other £m	Total £m
As at 1 April 2016	10	2	9	21
Amounts recognised in the income statement	(3)	–	23	20
Settled during the year	(3)	–	(18)	(21)
Reclassified from accruals	–	–	1	1
Exchange adjustments	1	–	1	2
As at 31 March 2017	5	2	16	23

Total provisions of £13 million (2016/17: £23 million) comprise £12 million (2016/17: £12 million) of non-current provisions and £1 million (2016/17: £11 million) of current provisions. The expected maturity profile of the contractual provisions, which in the current and prior year comprised restructuring provisions, is disclosed in note 18.

16. Contingent liabilities, contingent assets and contractual commitments

The Group's contingent liabilities include possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of NEX. Additionally, contingent liabilities also include present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of the outflow of the Group's economic resources is remote.

The Group's contingent assets include possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NEX. Unless the realisation of income is virtually certain, contingent assets are not recognised in the financial statements but are disclosed.

Judgments applied in concluding the appropriateness of contingent liabilities and assets disclosure are confirmed after discussion with the Audit Committee and, where appropriate, consultation with external counsel.

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. No assets are held under finance leases.

(a) Contingent liabilities

The Company and its subsidiaries continue to co-operate with the government agencies in Europe and the US relating to their investigations into the setting of yen Libor. ICAP plc was dismissed from initial US civil litigation against various yen Libor and euroyen Tibor setting banks. However, the plaintiff in that litigation was given permission by the court to add ICAP Europe Limited (IEL) (which was sold to TP ICAP) as a defendant, and an amended complaint doing so was filed on 29 February 2016. IEL filed a motion to dismiss the amended complaint on 16 May 2016. On 10 March 2017, the court granted IEL's motion, and IEL has been dismissed from the lawsuit. It is unclear whether plaintiffs will appeal the court's decision. Discovery is proceeding in the case against the remaining defendants.

On 24 July 2015, a new litigation was filed on behalf of two additional plaintiffs in the same court based on similar allegations. The new litigation includes claims against ICAP plc and IEL, both of which filed motions to dismiss for lack of personal jurisdiction, and joined in co-defendants' motion to dismiss for failure to state a claim. On 10 March 2017, the court granted ICAP plc's and IEL's motions, thus dismissing both parties from the lawsuit. On 3 April 2017, plaintiffs filed a notice to commence the appeal process, and the appeal was placed on an expedited appeal calendar. However, plaintiffs then sought to remand the case back to the district court in order move forward with settlements they had already reached with two of the bank defendants. On 13 June 2017, the appellate court remanded the case back to the trial court. The plaintiffs are in the process of pursuing next steps related to various settlements, including a fairness hearing to be scheduled. Once the settlement process is complete, plaintiffs may re-file their appeal against the remaining defendants. It is not practicable to predict the ultimate outcome of these litigations and it is not possible to provide an estimate of any potential financial impact on the Group, but there is a possible obligation.

Plaintiffs in the Euribor civil litigation named ICAP plc and IEL on 13 August 2015 as parties to that pre-existing litigation. ICAP plc and IEL joined the other defendants in filing motions to dismiss for lack of personal jurisdiction and for failure to state a claim. On 21 February 2017, the court granted ICAP plc's and IEL's motions to dismiss in the Euribor case. Plaintiffs subsequently filed a motion for leave to amend their complaint, which the court denied. Barring an appeal or other application by plaintiffs, both parties remain out of the case. It is not practicable to predict the ultimate outcome of these litigations and it is not possible to provide an estimate of any potential financial impact on the Group, but there is a possible obligation.

On 6 November 2017, plaintiffs in a pending US class action litigation concerning Swiss franc Libor filed a second amended complaint which added 12 new broker-related defendants, including NEX Group plc, Intercapital Capital Markets LLC (ICM, a NEX company), IEL and ICAP Securities USA LLC (both of which were sold to TP ICAP), TP ICAP, and additional Tullett Prebon entities. Motions to dismiss the second amended complaint, including our motion, were filed on 6 April 2018. Plaintiffs' opposition will be due on 4 June 2018, and defendants' reply brief will be due 3 July 2018. We intend to defend this litigation vigorously. It is not practicable to predict the ultimate outcome of the litigation and it is not possible to provide a reliable estimate of any potential financial impact on the Group, but there is a possible obligation.

On 15 December 2017, an entity called the Stichting Elco Foundation, which purports to protect the interests of various EU entities, including investment firms, credit institutions, and insurance companies, filed a writ initiating litigation in Amsterdam against ICAP plc (a NEX company), IEL (which was sold to TP ICAP), and three banks for alleged manipulation of various interbank offering rates. Defendants' first appearance with the court was entered on 25 April 2018. The date for a statement of defences for all parties, which in our case we anticipate will a motion to dismiss, is 6 June 2018. We intend to vigorously defend the litigation. It is not possible at this time to predict the outcome of this litigation or to provide an estimate of any potential liability or financial impact on the Group, but there is a possible obligation.

The Group continues to co-operate with inquiries by the US government agencies into the setting of USD ISDAFIX rates. In 2014, civil lawsuits were filed in the US against USD ISDAFIX setting banks, where a subsidiary of the Company was originally named, but was subsequently replaced by ICM, as a defendant. Those suits have now been consolidated into a single action, which is in the class certification stage. ICM intends to defend these litigation claims vigorously. It is not practicable to predict the ultimate outcome of these inquiries or the litigation and it is not possible to provide a reliable estimate of any potential financial impact on the Group, but there is a possible obligation.

Beginning 25 November 2015, ICM was named as a defendant, along with a number of banks and Tradeweb Markets LLC, in ten civil lawsuits relating to the interest rates swaps market. Eight of the lawsuits are class actions by alleged investors in the market, and the other two are single plaintiff cases brought by failed competitors. All of the suits make allegations that defendants together colluded to prevent buy-side clients from accessing the interest rates swaps market on electronic, exchange-like platforms, including the boycott of any platform offering all-to-all trading. The actions generally assert claims of violation of antitrust laws and unjust enrichment. The cases have been consolidated and are being managed by the United States District Court for the Southern District of New York. All defendants filed motions to dismiss the complaints for failure to state a claim on 4 November 2016. Plaintiffs then filed an amended complaint which, among other things, added ICAP SEF (US) LLC and ICAP Global Derivatives Limited (both of which were sold to TP ICAP) as defendants. All defendants filed new motions to dismiss on 29 January 2017. On 28 July 2017, the court issued a decision dismissing all claims as to ICM, as well as the two TP ICAP entities. The court also dismissed claims against Tradeweb and HSBC. While certain of the claims were dismissed against the other banks, the balance of the lawsuit is proceeding as to the banks. While there is no present indication that plaintiffs will seek to appeal the dismissal of the aforementioned entities from the suit, or otherwise seek to re-join them in the litigation, it is not possible to predict the outcome of these litigations or to provide an estimate of any potential liability or financial impact on the Group, but there is a possible obligation.

On 16 August 2016, ICAP plc and ICAP Australia Pty Limited (which was sold to TP ICAP), along with a number of banks and two Tullett Prebon entities, were named as defendants in a purported class action filed in the United States District Court for the Southern District of New York alleging antitrust, Commodity Exchange Act, and common law claims arising out of the alleged manipulation of the Australian Bank Bill Swap Reference Rate (BBSW), which plaintiffs contend harmed a class of individuals and entities that traded in the U.S. in instruments priced, benchmarked and/or settled based on BBSW between 1 January 2003 and some indeterminate later time. ICAP plc and ICAP Australia Pty Limited accepted service while preserving the right to challenge the court's exercise of personal jurisdiction over the entities. Both defendants, along with other defendants in the case, filed motions to dismiss on 24 February 2017. The court heard oral argument on the motions on 23 January 2018 and permitted additional post-argument briefing. The parties are now awaiting decision from the court. It is not possible to predict the outcome of this litigation or to provide an estimate of any potential liability or financial impact on the Group, but there is a possible obligation.

From time to time the Group is engaged in litigation in relation to a variety of matters, and is also required to provide information to regulators and other government agencies as part of informal and formal inquiries or market reviews.

For the sake of clarity, some of the matters described herein may not be the direct responsibility of the Company but may be its responsibility under indemnification and/or breach of warranty provisions agreed to by the Company with TP ICAP. The sale by ICAP plc of IGBB to Tullett Prebon entailed customary warranties given by ICAP plc in the sale and purchase agreement and repeated at completion of the transaction. Warranty claims are subject to customary limitations, including a de minimis and aggregate claims threshold, a cap, and time limits for bringing a claim. In addition to such warranties, ICAP plc also provided Tullett Prebon with indemnities for, among other things, certain known regulatory, litigation and employment claims. It is not possible to predict whether any of the matters described herein will give rise to liabilities under the warranties and/or indemnities given in connection with the transaction, but there is a possible obligation.

(b) Contractual commitments

Operating lease commitments

At the end of the financial year, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as summarised in the table below.

Group	As at 31 March 2018 £m	As at 31 March 2017 £m
Within one year	**20**	18
Between one and five years	**59**	45
After five years	**164**	5
	243	68

Operating lease commitments relate to the rental of premises for office space in the UK, US, Asia Pacific and Sweden. The operating lease commitments include onerous lease provisions before estimated receipts under non-cancellable subleases. The increase in the year is due to the fact that in 2017 NEX signed a 15-year lease for an office in New York and a 20-year lease for an office in London.

Guarantees

In the normal course of business certain Group companies enter into guarantees and indemnities to cover property guarantees, seller indemnities, the use of third-party services/software and Group subsidiaries' liabilities in order to quality for audit exemption under section 479A to 479C of the Companies Act 2006. It is not possible to quantify the extent of any potential liabilities, but there are none currently expected to have a material impact on the Group's consolidated results or net assets. As at 31 March 2018, the Group has given £319 million (2016/17: £199 million) of guarantees to counterparties. Of the £319 million (2016/17: £199 million), £86 million (2016/17: £87 million) relates to guarantees of Group subsidiaries' liabilities in order to qualify for audit exemption and £138 million (2016/17: £nil) relates to intercompany guarantees of external borrowings. Guarantees as at 31 March 2017 have been restated due to a correction.

17. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently reviewed for recoverability. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the future cash flows. The carrying amount of the asset is reduced using a provision for doubtful debt, and the amount of the loss is recognised in the consolidated income statement within 'operating expenses'. When a trade receivable is determined to be uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Operating expenses' in the consolidated income statement.

Loans and receivables are non-derivative financial instruments which have a fixed or determinable value. They are recognised at amortised cost, less any provisions for impairment in their value.

Fair value through profit or loss assets are designated as such where they meet the conditions of IAS 39 'Financial Instruments: Recognition and Measurement'. They are recognised initially at fair value and any subsequent changes in fair value are recognised directly in the consolidated income statement. These assets are usually held for short-term gain, or are financial instruments not designated as hedges. The accounting policy for derivative financial instruments is included in note 27.

Matched principal transactions are those where the Group acts in a non-advisory capacity as principal in the commitment to purchase and sell securities and other financial instruments through two or more transactions between our clients. Substantially all matched principal receivables and payables (note 18) settle within a short period of time, usually within three days of the trade date. The Group judges that an accounting policy of recognition at settlement date is most appropriate for matched principal receivables and payables.

Financial instruments not held at fair value are impaired where there is objective evidence that the value may be impaired. The amount of the impairment is calculated as the difference between the carrying value and the present value of any expected future cash flows, with any impairment being recognised in the consolidated income statement. Subsequent recovery of amounts previously impaired are credited to the consolidated income statement.

(a) Non-current and current receivables

	Group		Company	
	As at 31 March 2018 £m	As at 31 March 2017 £m (restated)	**As at 31 March 2018 £m**	As at 31 March 2017 £m (restated)
Non-current receivables				
Deposits	**3**	3	**–**	–
Derivative financial instruments	**1**	8	**–**	–
Other receivables	**30**	36	**–**	–
	34	47	**–**	–
Current receivables				
Matched principal trade receivables	**4**	–	**–**	–
Other trade receivables	**76**	76	**–**	–
Amounts owed by subsidiaries	**–**	–	**217**	240
Amounts owed by associates	**4**	3	**–**	–
Amounts owed by other related parties	**2**	1	**–**	–
Derivative financial instruments	**20**	6	**–**	–
Other receivables	**40**	40	**–**	–
Prepayments	**16**	18	**–**	–
	162	144	**217**	240

The consolidated balance sheet for the year ended 31 March 2017 has been restated due to a reclassification of a current other receivable to a non-current other receivable. The Company balance sheet for the year ended 31 March 2017 has been restated due to the recognition of an amount owed by the employee share trust. See note 2 for more information.

Other current receivables as at 31 March 2018 is net of £3 million which relates to periods for the year ended 31 March 2017 and earlier due to a correction on historic foreign exchange swap balances. Non-current other receivables as at 31 March 2018 is net of £3 million which relates to periods for the year ended 31 March 2017 and earlier due to the discounting of a receivable balance.

(b) Credit risk management

Group

The Group is exposed to credit risk in the event of non-performance by counterparties in respect of its matched principal, exchange-traded and corporate treasury operations. The Group does not bear any significant concentration risk to either counterparts or markets.

The credit risk in respect of the NEX Markets (excluding the matched principal business) and the NEX Optimisation businesses is limited to the collection of outstanding transaction fees and this is managed proactively by the Group's accounts receivable function with oversight from the independent credit risk function.

The matched principal business involves the Group acting as a counterparty on trades which are undertaken on a delivery versus payment basis. The Group manages its credit risk in these transactions through appropriate policies and procedures to mitigate this risk including on-boarding requirements, setting appropriate credit limits for all counterparts which are closely monitored by the credit risk team to restrict any potential loss through counterparty default. The Group's matched principal counterparty exposure at any given point throughout the year is split evenly between investment grade counterparts (rated BBB-/Baa3 or above) and sub-investment grade counterparts (rated BB+/Ba1 or lower).

The credit risk on core cash, cash equivalents and derivative financial instruments is monitored daily. All financial institutions that are transacted with for borrowings and deposits are approved by the GFC and internal limits are assigned to each one based on a combination of factors including external credit ratings. Most of cash and cash equivalents are deposited with investment grade rated financial institutions.

Company

The Company is exposed to credit risk in the event of non-performance by counterparties. This risk is considered minimal as all counterparties are Group companies and the risk of non-payment is viewed as low.

(c) Impairment of other trade receivables

Other trade receivables represent amounts receivable in respect of agency business and information services. All receivables are individually assessed for impairment at the reporting date. Management judgment is applied in determining whether there is objective evidence that a loss event has occurred and, if so, the measurement of the impairment allowance. In determining whether there is objective evidence that a loss event has occurred, judgment is exercised in evaluating all relevant information on indicators of impairment, which is not restricted to the consideration of whether payments are contractually past due but includes broader consideration of factors indicating deterioration in the financial condition and outlook of clients affecting their ability to pay. For those receivables where objective evidence of impairment exists, management determines the size of the allowance required based on a range of factors including probability of default and, if defaulted, expectation of recovery. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the reversal is recognised in the income statement. As at 31 March 2018, £nil of other trade receivables are impaired (2016/17: £nil). There have been no new impairments during the year.

Past due but not impaired trade and other receivables are those in respect of which the debtor has failed to make a payment or a partial payment in accordance with the contractual terms of the invoice, but there is no major concern over the credit worthiness of the counterparty, therefore they are not impaired. In the prior reporting periods, receivables past a 'normal settlement date' were considered past due and were reported on that basis. The table below summarises the other trade receivables that were past due but not impaired.

Group	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Not overdue or less than 30 days overdue	**59**	46
Over 30 days, but less than 90 days overdue	**12**	24
Over 90 days, but less than 180 days overdue	**3**	4
Over 180 days overdue	**2**	2
	76	76

(d) Trade receivables by currency

The table below shows the concentration of the Group's trade receivables by currency.

Trade receivables as at 31 March 2018

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Matched principal trade receivables	**–**	**4**	**–**	**–**	**–**	**4**
Other trade receivables	**10**	**56**	**8**	**1**	**1**	**76**
	10	**60**	**8**	**1**	**1**	**80**

Trade receivables as at 31 March 2017

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Other trade receivables	6	61	7	1	1	76
	6	61	7	1	1	76

18. Trade and other payables

Accounts payable are recognised initially at fair value based on the amounts exchanged and subsequently held at amortised cost. The accounting policies for matched principal transactions are included within the trade and other receivables note (note 17). Details of the accounting policy relating to derivative financial instruments is included in note 27.

(a) Non-current and current payables

	Group		Company	
	As at 31 March 2018 £m	As at 31 March 2017 £m	**As at 31 March 2018 £m**	As at 31 March 2017 £m (restated)
Non-current payables				
Contingent consideration	**12**	27	**–**	–
Deferred consideration	**14**	15	**–**	–
Other payables	**15**	18	**–**	–
Deferred income	**2**	1	**–**	–
	43	61	**–**	–
Current payables				
Matched principal trade payables	**5**	1	**–**	–
Other trade payables	**10**	16	**–**	–
Amounts owed to subsidiaries	**–**	–	**–**	46
Amounts owed to related parties	**–**	1	**–**	–
Amounts owed to associates	**1**	–	**–**	–
Derivative financial instruments	**3**	11	**–**	–
Accruals	**97**	119	**1**	–
Other tax and social security	**18**	12	**–**	–
Deferred income	**23**	29	**–**	–
Other payables	**6**	8	**–**	–
	163	197	**1**	46

The Company balance sheet for the year ended 31 March 2017 has been restated due to the recognition of an amount owed to a subsidiary. See note 2 for more information.

Other tax and social security as at 31 March 2018 includes £3 million which relates to periods for the year ended 31 March 2017 and earlier due to the accrual of employer national insurance contributions on share awards.

As at 31 March 2018 the fair value of trade and other payables is not materially different from their book values.

The estimate of contingent consideration involves the use of budgets of the entities to which the contingent consideration relates and management's estimation of the probability of the budgets being met. This involves inherent uncertainty because management needs to forecast uptake for often new disruptive technologies where uncertain competition, regulation, delivery of product and demand from clients can impact the timing and price of services provided. This estimate may need to be revised as circumstances change.

(b) Maturity of financial liabilities included within trade and other payables and provisions

The table below shows the maturity profile of the Group's financial liabilities included within trade and other payables based on the contractual amount payable on the date of repayment.

Maturity of financial liabilities included within trade and other payables and provisions as at 31 March 2018

Group	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Matched principal trade payables	5	–	–	–	5
Other trade payables	10	–	–	–	10
Derivative financial instruments	2	1	–	–	3
Amounts owed to associates	1	–	–	–	1
Other payables	6	–	15	–	21
Contingent consideration	–	–	12	–	12
Deferred consideration	–	–	14	–	14
Provisions (note 15)	1	–	–	–	1
Accruals	87	10	–	–	97
	112	11	41	–	164

Maturity of financial liabilities included within trade and other payables and provisions as at 31 March 2017

Group	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Matched principal trade payables	1	–	–	–	1
Other trade payables	15	1	–	–	16
Derivative financial instruments	4	7	–	–	11
Amounts owed to related parties	1	–	–	–	1
Other payables	6	2	18	–	26
Contingent consideration	–	–	27	–	27
Deferred consideration	–	–	15	–	15
Provisions (note 15)	–	4	1	–	5
Accruals	49	70	–	–	119
	76	84	61	–	221

The gross amounts payable have been disclosed above, rather than their net present value. Based on their short-term nature there is no material difference between the net present value and gross amount of the balances disclosed above.

19. Financial assets and liabilities

Group

(a) Financial assets

The carrying value less impairment of current trade receivables and payables is assumed to approximate their fair values due to their short-term nature. As at 31 March 2018 and 2017, the fair values of financial assets are not materially different from their book values.

Classification of financial assets as at 31 March 2018

	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 11)	–	–	270	270
Restricted funds (note 11)	–	–	18	18
Cash held in the employee share trust (note 11)	–	–	20	20
Available-for-sale investments (note 23)	–	17	–	17
Matched principal trade receivables	–	–	4	4
Deposits	–	–	3	3
Other trade receivables	–	–	76	76
Amounts owed from other related parties	–	–	2	2
Amounts owed from associates	–	–	4	4
Derivative financial instruments	21	–	–	21
Other receivables	–	–	70	70
	21	17	467	505

Classification of financial assets as at 31 March 2017

(restated)	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 11)	–	–	321	321
Restricted funds (note 11)	–	–	103	103
Cash held in the employee share trust (note 11)	–	–	32	32
Available-for-sale investments (note 23)	–	21	–	21
Deposits	–	–	3	3
Other trade receivables	–	–	76	76
Amounts owed from other related parties	–	–	1	1
Amounts owed from associates	–	–	3	3
Derivative financial instruments	14	–	–	14
Other receivables	–	–	76	76
	14	21	615	650

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 27).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial assets can be reconciled to the balance sheet as shown in the table below.

	As at 31 March 2018 £m	As at 31 March 2017 £m (restated)
Current receivables (note 17)	**162**	144
Non-current receivables (note 17)	**34**	47
Available-for-sale investments (note 23)	**17**	21
Cash and cash equivalents including restricted funds and cash held in the employee share trust (note 11)	**308**	456
Excluded:		
Prepayments (note 17)	**(16)**	(18)
	505	650

Financial assets for the year ended 31 March 2017 has been restated due to recognition of cash held in the employee share trust and due to a reclassification of a current other receivable to a non-current other receivable. See note 2 for more information.

Prepayments are not defined as financial assets under IAS 39.

(b) Financial liabilities

As at 31 March 2018 and 2017, the fair values of financial liabilities are not materially different from their book values except for the fair value of the retail bond repayable in 2018 and five-year senior notes repayable 2019 (note 10).

Classification of financial liabilities

	As at 31 March 2018			As at 31 March 2017		
	Fair value through profit and loss £m	**Amortised cost £m**	**Total £m**	Fair value through profit and loss £m	Amortised cost £m	Total £m
Matched principal trade payables	**–**	**5**	**5**	–	1	1
Other trade payables	**–**	**10**	**10**	–	16	16
Derivative financial instruments	**3**	**–**	**3**	11	–	11
Amounts owed to associates	**–**	**1**	**1**	–	–	–
Amounts owed to related parties	**–**	**–**	**–**	–	1	1
Other payables	**–**	**21**	**21**	–	26	26
Contingent consideration	**–**	**12**	**12**	–	27	27
Deferred consideration	**–**	**14**	**14**	–	15	15
Accruals	**–**	**97**	**97**	–	119	119
Borrowings and overdrafts (note 10)	**–**	**511**	**511**	–	507	507
Provisions (note 15)*	**–**	**1**	**1**	–	5	5
	3	**672**	**675**	11	717	728

* Excludes non-contractual provisions.

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 27).

Financial liabilities can be reconciled to the balance sheet as shown in the table below.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Current payables (note 18)	**163**	197
Non-current payables (note 18)	**43**	61
Borrowings and overdrafts (note 10)	**511**	507
Provisions (note 15)*	**1**	5
Excluded:		
Other tax and social security (note 18)	**(18)**	(12)
Deferred income (note 18)	**(25)**	(30)
	675	728

* Excludes non-contractual provisions.

Other tax and social security, deferred income and provisions other than restructuring provisions are not classified as financial liabilities under IAS 39.

Company

(c) Financial assets and liabilities

All the Company's financial assets are classified as loans and receivables and the financial liabilities are held at amortised cost. The fair value of these assets and liabilities is not materially different from their book values.

20. Principal subsidiaries

An entity is regarded as a subsidiary if the Group has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis to secure a contribution to the Group's activities.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interest issued by the Group in exchange for control of the acquiree.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Investment in subsidiaries – Company

The Company's immediate subsidiary company is ICAP plc, which is incorporated in the UK, registered in England and Wales and is 100% owned by the Company. As at 31 March 2018 the book value of this investment was £1,490 million (2016/17: £1,490 million). There were no impairment charges recognised during the year.

All the Company's other subsidiaries are indirectly owned. A complete list of subsidiaries, joint ventures and associates is given in note 30. The Company's principal subsidiaries, their country of incorporation and the Group's ownership are listed below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

		As at 31 March 2018 (% held)	As at 31 March 2017 (% held)
England and Wales	Abide Financial Limited	**93.1**	84.7
	BrokerTec Europe Limited	**100**	100
	EBS Group Limited	**100**	100
	ICAP plc	**100**	100
	NEX Data Services Limited	**100**	100
	NEX Exchange Limited	**100**	100
	NEX Group Holdings plc	**100**	100
	NEX SEF Limited	**100**	100
	NEX Services Limited	**100**	100
Israel	EBS Financial Technologies Ltd.	**100**	100
	Traiana Technologies Ltd.	**86.7**	86.7
Singapore	NEX Services Pte. Ltd.	**100**	100
	Reset Private Limited	**100**	100
Sweden	TriOptima AB	**100**	100
Switzerland	EBS Service Company Limited	**100**	100
United States	BrokerTec Americas LLC	**100**	100
	ENSO Financial Management LLP	**100**	100
	NEX Services North America LLC	**100**	100
	Traiana, Inc.	**86.7**	86.7

The percentage held represents the percentage of issued ordinary share capital held (all classes) and represents the voting rights of the Company. All principal subsidiaries have a 31 March year end. All companies operate in their country of incorporation. BrokerTec Europe Limited, EBS Group Limited, Reset Private Limited and BrokerTec Americas LLC also operate from branches outside their countries of incorporation.

The accumulated non-controlling interests of the Traiana entities as at 31 March 2018 is £23 million (2016/17: £24 million).

21. Investment in joint ventures

A joint venture is an entity in which the Group has an interest and, in the opinion of the directors, exercises joint control over its operating and financial policies. An interest exists where an investment is held on a long-term basis to secure a contribution to the Group's activities.

Investments in joint ventures are recognised using the equity method. Under this method, such investments are initially stated at cost, including attributable goodwill, and are adjusted thereafter for the post-acquisition change in the Group's share of net assets.

Investments in joint ventures are reviewed for indicators of impairment under IAS 39 'Financial Instruments: Recognition and Measurement'. Whenever application of IAS 39 indicates that an investment may be impaired, the carrying amount of the investment, including attributed goodwill, is tested for impairment as a single asset under IAS 36, by comparing the carrying amount with its recoverable amount (the higher of VIU and fair value less costs to sale).

(a) Movements in investments in joint ventures

	2017/18 £m	2016/17 £m
As at 1 April	**7**	6
Share of loss for the year	**(1)**	–
Impairment expense	**(5)**	–
Exchange adjustments	**(1)**	1
As at 31 March	**–**	7

£3 million of the impairment expense for the year ended 31 March 2018 (2016/17: £nil) relates to impairments in TFS-ICAP Limited and TFS-ICAP LLC. The remaining £2 million of the impairment expense for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to an equity accounting correction.

(b) Summary financial information of joint ventures

The Group's share of joint ventures' assets, liabilities and profit is given below.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Assets	**7**	7
Liabilities	**(4)**	(4)

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Revenue	**8**	10
Operating expenses	**(9)**	(10)
Profit before tax	**(1)**	–
Share of loss of joint ventures after tax	**(1)**	–

(c) Country of incorporation

The Group's joint ventures and their country of incorporation are listed below.

		As at 31 March 2018 (% held)	As at 31 March 2017 (% held)	Principal activity
England and Wales	TFS-ICAP Currency Options Limited	**23.0**	23.0	Broking
	TFS-ICAP Holdings Limited	**45.0**	45.0	Broking
	TFS-ICAP Limited	**23.0**	23.0	Broking
Germany	Tradition Financial Services GmbH	**22.5**	22.5	Broking
United States	TFS-ICAP Holdings LLC	**45.0**	45.0	Broking
	TFS-ICAP LLC	**23.0**	23.0	Broking

All joint ventures have a 31 December year end. The difference in the joint ventures' year ends to the Group's year end is not considered to have a material impact on their results.

22. Investment in associates

The Group classifies investments in entities over which it has significant influence, but not control, and that are neither subsidiaries nor joint ventures, as associates.

Investments in associates are recognised using the equity method. Under this method, such investments are initially stated at cost, including attributable goodwill, and are adjusted thereafter for the post-acquisition change in the Group's share of net assets.

Investments in associates are reviewed for indicators of impairment under IAS 39 'Financial Instruments: Recognition and Measurement'. Whenever application of IAS 39 indicates that an investment may be impaired, the carrying amount of the investment, including attributed goodwill, is tested for impairment as a single asset under IAS 36, by comparing the carrying-amount with its recoverable amount (higher of VIU and fair value less costs to sell).

(a) Movements in investments in associates

	2017/18 £m	2016/17 £m
As at 1 April	**42**	52
Additions	**6**	5
Transfer to subsidiary	**–**	(19)
Share of profit for the year	**5**	–
Dividends received	**(3)**	–
Exchange adjustments	**(2)**	4
As at 31 March	**48**	42

During the year, the Group invested £6 million in existing associates Duco Technology Limited and Research Exchange Limited, which are both NEX Optimisation associates.

£2 million of the share of profit for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to an equity accounting correction.

(b) Summary financial information for associates

The Group's share of associates' assets (excluding goodwill), liabilities and profit is given below.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Assets	**46**	42
Liabilities	**(25)**	(20)

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Revenue	**41**	31
Operating expenses	**(35)**	(30)
Profit before tax	**6**	1
Tax	**(1)**	(1)
Share of profit of associates after tax	**5**	–

(c) Country of incorporation

The Group's associates and their country of incorporation are listed below.

		As at 31 March 2018 (% held)	As at 31 March 2017 (% held)	Principal activity
Cayman Islands	BSN Holdings Limited	**25.1**	25.1	Broking
China	Shanghai CFETS-NEX International Money Broking Co., Limited	**33.0**	33.0	Broking
England	BSN Capital Partners Limited	**25.1**	25.1	Broking
	Duco Technology Limited	**41.2**	44.4	Optimisation
	Research Exchange Limited	**28.3**	19.4	Optimisation
Hong Kong	Capital Shipbrokers Limited	**50.0**	50.0	Broking
Singapore	Howe Robinson Partners Pte. Limited	**35.0**	35.0	Broking
United States	AcadiaSoft, Inc.	**25.0**	25.0	Optimisation
	BSN Capital Partners LLC	**25.1**	25.1	Broking
	CLS Aggregation Services LLC	**42.5**	42.5	Optimisation
	OpenGamma, Inc.	**27.3**	27.3	Optimisation

BSN Capital Partners Limited, Shanghai CFETS-NEX International Money Broking Co., Ltd, CLS Aggregation Services LLC and OpenGamma, Inc. have 31 December year ends. Research Exchange Limited has a 30 September year end. The difference in these associates' year ends from the Group's year end is not considered to have a material impact on their results. All other associates have a 31 March year end.

23. Available-for-sale investments

The Group classifies investments in entities which are not subsidiaries, joint ventures or associates, as available-for-sale investments.

Available-for-sale financial assets are debt and equity non-derivative financial assets and are initially recognised at fair value.

Available-for-sale investments in equity assets that do not have a quoted market price in an active market whose fair value can be reliably measured, for instance using a recent funding round, are subsequently recorded at that fair value. Available-for-sale investments in equity assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are subsequently recorded at cost less impairment. If there is objective evidence that an impairment loss has been incurred on such financial assets, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All other available-for-sale financial assets are fair valued subsequently at each period end. Any subsequent changes in fair value are recognised directly in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative unrealised loss that had been recognised in other comprehensive income is transferred to the consolidated income statement.

Impairment losses recognised in the consolidated income statement for an investment in an available-for-sale equity instrument are not reversed through the consolidated income statement. Dividends on available-for-sale equity investments are recognised in the consolidated income statement when the right to receive payment is established. When an available-for-sale financial asset is derecognised, any cumulative unrealised gain or loss recognised previously in other comprehensive income is transferred to the consolidated income statement.

These assets are generally expected to be held for the long term and are included in non-current assets. Assets such as shares or seats in exchanges, cash-related instruments, and long-term equity investments that do not qualify as associates or joint ventures, are classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Group	2017/18 £m	2016/17 £m
As at 1 April	**21**	9
Additions	**3**	12
Disposals	**(2)**	–
Impairment expense	**(3)**	–
Fair value revaluation	**(1)**	–
Exchange adjustments	**(1)**	–
As at 31 March	**17**	21

Total available-for-sale investments of £17 million (2016/17: £21 million) comprise £17 million (2016/17: £20 million) of non-current available-for-sale investments and £nil (2016/17: £1 million) of current available-for-sale investments.

Additions of £3 million relate to Exotix Partners LLP and a NEX Opportunities investment in a digital asset trading platform.

Group	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Non-current available-for-sale investments:		
Held at fair value	**3**	2
Held at cost less impairment	**14**	18
Total	**17**	20
Current available-for-sale investments:		
Held at fair value	**–**	1
Total	**–**	1

£2 million (2016/17: £3 million) of the fair value was determined using level 1 inputs, being the quoted prices of the investments. £1 million (2016/17: £nil) of the fair value was determined using level 2 inputs, being the fair value of a recent funding round.

Group	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Listed investments	**2**	3
Unlisted investments	**15**	18
Total available-for-sale investments	**17**	21

Available-for-sale investments are denominated in the currencies shown in the table below.

Group	Pound sterling £m	Dollar £m	Euro £m	Total £m
As at 31 March 2018	**2**	**13**	**2**	**17**
As at 31 March 2017	7	11	3	21

24. Property and equipment

Property and equipment is recognised initially at cost including the original purchase price of the asset and the costs attributable to bringing the asset into its intended use. Property and equipment is subsequently presented at initial cost less accumulated depreciation and any provisions for impairment in its value. It is depreciated on a straight-line basis over its expected useful economic life as follows:

Short leasehold property improvements	Period of lease
Furniture, fixtures and equipment	3 – 5 years

The Group reviews its depreciation rates regularly to take account of any changes in circumstances. These rates are determined on consideration of factors such as the expected rate of technological development and anticipated usage levels.

When a leasehold property becomes surplus to the Group's foreseeable business requirements, a provision is made on a discounted basis for the expected future net cost of the property.

	2017/18				2016/17			
Group	**Short leasehold property improvements £m**	**Furniture, fixtures and equipment £m**	**Assets under construction £m**	**Total £m**	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Assets under construction £m	Total £m
Continuing operations:								
Cost								
As at 1 April	**11**	**71**	**5**	**87**	3	53	5	61
Additions	**–**	**–**	**18**	**18**	–	–	18	18
Reclassification	**4**	**14**	**(18)**	**–**	7	11	(18)	–
Disposals	**–**	**–**	**–**	**–**	–	(3)	–	(3)
Other movements	**16**	**41**	**–**	**57**	–	–	–	–
Exchange adjustments	**(2)**	**(10)**	**–**	**(12)**	1	10	–	11
As at 31 March	**29**	**116**	**5**	**150**	11	71	5	87
Accumulated depreciation								
As at 1 April	**6**	**45**	**–**	**51**	1	30	–	31
Charge for the year	**2**	**12**	**–**	**14**	2	9	–	11
Impairment	**–**	**–**	**–**	**–**	2	–	–	2
Disposals	**–**	**–**	**–**	**–**	–	(3)	–	(3)
Other movements	**15**	**44**	**–**	**59**	–	–	–	–
Exchange adjustments	**(1)**	**(9)**	**–**	**(10)**	1	9	–	10
As at 31 March	**22**	**92**	**–**	**114**	6	45	–	51
Net book value								
As at 31 March	**7**	**24**	**5**	**36**	5	26	5	36

The 2016/17 table has been updated to provide the split between furniture, fixtures and equipment and assets under construction. The total column is unchanged from the prior year. The other movements of net £2 million for the year ended 31 March 2018 relates to periods for the year ended 31 March 2017 and earlier due to adjustments to the carrying values of property and equipment.

25. Share capital

Ordinary shares are recognised in equity as share capital at their nominal value.

Company shares and other assets held in trust relating to the Group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the Company's shares are disclosed as changes in the consolidated shareholders' equity. The assets and liabilities of the trusts, as far as not held directly in connection with the Group's employee share schemes, are consolidated in full into the Group's consolidated financial statements.

Treasury Shares are recognised in equity and are measured at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and original cost being taken to retained earnings.

(a) Issued share capital

Group	2017/18		2016/17	
Allotted, called up and fully paid	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
As at 1 April	**380**	**66**	665	66
Share consolidation	**–**	**–**	(285)	–
As at 31 March	**380**	**66**	380	66

Company	2017/18		2016/17	
Allotted, called up and fully paid	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
As at 1 April	**380**	**66**	–	–
Capital reorganisation	**–**	**–**	665	66
Share consolidation	**–**	**–**	(285)	–
As at 31 March	**380**	**66**	380	66

The share capital of the Group is represented by the share capital of the parent company, NEX Group plc.

The Company's and Group's number of ordinary shares in issue as at 31 March 2018 was 379,735,432 (2016/17: 379,735,432), with nil (2016/17: nil) held as treasury shares.

(b) Potential issues of share capital

Certain employees hold 1,820,406 (2016/17: 1,248,168) share options over the Company's shares, of which 140,296 (2016/17: 674,046) were exercisable as at 31 March 2018. These options were granted between 2015/16 and 2017/18 (2016/17: between 2012/13 and 2015/16) and the exercise price ranges from 452.0p to 553.0p (2016/17: 272.0p to 452.0p). During the year ended 31 March 2018, 1,806,557 (2016/17: nil) shares were granted, 410,330 (2016/17: 1,180,188) shares lapsed and 823,989 (2016/17: 1,116,559) shares were exercised. Shares were exercised on a regular basis throughout the year and the weighted average share price during the year was 644.25p (2016/17: 571.74p).

Share awards granted during the year were valued at the grant date fair value of the NEX Group plc share price. For SAYE options granted during the year, the Black-Scholes model was used to determine the fair value of those options using inputs including weighted average share price, exercise price, expected volatility, option life and the risk-free interest rate.

As at 31 March 2018, a total of 11,682,519 (2016/17: 10,127,054) share awards and options remained unvested or unexercised, of which 1,820,406 (2016/17: 1,248,168) were share options. The NEX Trust held 7,695,900 (2016/17: 7,457,286) shares as at 31 March 2018. To satisfy the vesting and exercise of the total share awards and options outstanding, after taking into consideration the shares held in the NEX Trust, the maximum potential number of shares to be issued was 3,986,619 (2016/17: 2,669,768).

The purchase of shares held in the NEX Trust is funded by a loan from the Company, which is reported as amounts owed by subsidiaries, and the proceeds from the sale of TP ICAP shares at the time of the disposal of IGBB.

(c) Shares held in trust for employee share schemes

The Company has an employee share trust in respect of the SEEPP, BSMP, Traiana Plan, LTIP, DSBP, PSP and SAYE, which is funded by the Company and has the power to acquire shares in the open market to meet the Company's future obligations under these schemes. As at 31 March 2018, the employee share trust owned 7,695,900 (2016/17: 7,457,286) ordinary shares in the Company with a market value of £75 million (2016/17: £43 million).

	Number of shares millions	
Company	**2017/18**	2016/17
As at 1 April	**7**	3
Exercised by employees during the year	**(2)**	(3)
Purchased by the employee share trust	**3**	–
Transferred from treasury shares	**–**	7
As at 31 March	**8**	7

(d) Treasury shares

During the year the Company did not purchase any of its own shares (2016/17: nil) and did not transfer any shares to employees (2016/17: 655,909) or to the employee share trust (2016/17: 6,764,975). As at 31 March 2018, the number of shares held as treasury shares was nil (2016/17: nil).

	Number of shares millions	
Company	**2017/18**	2016/17
As at 1 April	**–**	8
Transferred to employees	**–**	(1)
Transferred to the employee share trust	**–**	(7)
As at 31 March	**–**	–

26. Reserves

(a) Analysis of consolidated other reserves

Group	**Merger reserve £m**	**Capital redemption reserve £m**	**Hedging reserve £m**	**Revaluation reserve £m**	**Total other reserves £m**
As at 1 April 2017	**–**	**–**	**(3)**	**52**	**49**
Revaluation loss of available-for-sale investments	**–**	**–**	**–**	**(1)**	**(1)**
Unrealised movement in cash flow hedges	**–**	**–**	**4**	**–**	**4**
Realised movement in cash flow hedges	**–**	**–**	**1**	**–**	**1**
Income tax (note 7)	**–**	**–**	**(1)**	**–**	**(1)**
Reclassification of revaluation reserve	**–**	**–**	**–**	**(50)**	**(50)**
As at 31 March 2018	**–**	**–**	**1**	**1**	**2**

Group	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2016	28	1	(9)	57	77
Unrealised movement in cash flow hedges	–	–	(10)	–	(10)
Realised movement in cash flow hedges	–	–	17	–	17
Income tax (note 7)	–	–	(1)	–	(1)
Capital reorganisation	–	(1)	–	–	(1)
Distribution of discontinued operations	(28)	–	–	(5)	(33)
As at 31 March 2017	–	–	(3)	52	49

The hedging reserve arises from fair value movements of derivative financial instruments that are designated as cash flow hedges on the balance sheet. The revaluation reserve represents revaluations of available-for-sale investments.

The reclassification of revaluation reserve for the year ended 31 March 2018 is due to amounts held in the revaluation reserve that relate to historic investments that have been reclassified to retained earnings.

The analysis of consolidated other reserves for the year ended 31 March 2017 has been updated to provide the split between unrealised and realised movement in cash flow hedges. The total of these two rows is unchanged from the prior year.

(b) Company reserves
The Company has retained earnings of £1,503 million (2016/17: £1,618 million) of which £nil (2016/17: £nil) is not distributable.

27. Currency and interest risk management

The Group uses various financial instruments as hedges to reduce exposure to FX and interest rate movements. These can include forward FX contracts, currency options and cross currency swaps. All derivative financial instruments are initially recognised on the balance sheet at their fair value, adjusted for transaction costs. Where derivative financial instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in the consolidated income statement, along with transaction costs. Where they do qualify, gains and losses are recognised according to the nature of the hedge relationship and the item being hedged. Hedges are either classified as fair value hedges, cash flow hedges or net investment hedges.

The fair values of the Group's derivative financial instruments are determined using appropriate valuation techniques from observable data, including discounted cash flow analysis, as no active markets with quoted prices exist for the instruments held by the Group.

To qualify for hedge accounting, the terms of the hedge must be documented clearly at inception and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is tested throughout the life of the hedge and, if at any point it is concluded that the relationship can no longer be expected to remain highly effective in achieving its objective, the accounting for the hedge relationship is terminated.

Fair value hedges: financial instruments are classified as fair value hedges when they hedge an exposure to changes in the fair value of a recognised asset or liability that is attributable to a risk that could affect the consolidated income statement. The hedging instrument is recorded at fair value on the balance sheet, with changes in its fair value being taken through the consolidated income statement. For periods in which the hedge is shown to be effective, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in the consolidated income statement. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement. The Group did not use fair value hedges in the current or prior year.

Cash flow hedges: financial instruments are classified as cash flow hedges when they hedge the Group's exposure to changes in the cash flows attributable to an asset or liability or a highly probable forecast transaction. Gains or losses on designated cash flow hedges are recognised directly in other comprehensive income, to the extent that they are determined to be effective. Any remaining ineffective portion of the gain or loss is recognised immediately in the consolidated income statement. On recognition of the hedged asset or liability, any gains or losses relating to the hedging instrument that had previously been recognised directly in other comprehensive income are included in the initial measurement of the fair value of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there and is recognised in the consolidated income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred immediately to the consolidated income statement.

Net investment hedges: changes in the value of foreign-denominated investments due to currency movements are recognised directly in other comprehensive income. The accounting treatment for a net investment hedging instrument, whether it is a derivative financial instrument or a recognised asset or liability on the balance sheet, is consistent with the treatment for a cash flow hedge. Gains and losses accumulated in other comprehensive income are included in the consolidated income statement on the ultimate disposal of the foreign-denominated investment. The gain or loss relating to any ineffective portion is recognised in the consolidated income statement.

Group

The Group presents its consolidated financial statements in pound sterling and conducts business in several other currencies, principally the dollar. Consequently, the Group is exposed to FX risk due to exchange rate movements which affect the Group's transactional revenue and the translation of the earnings and net assets of its non-pound sterling operations.

(a) Transactional exposures

The Group's policy is for all subsidiaries to hedge their material non-functional currency transactional exposures through a combination of forward FX contracts and options for up to two years forward. Under this policy, a minimum of 75% of the forecast exposures are hedged for the first six months, 50% for the following six months and 25% for the next six months. Most of these exposures relate to dollar sales arising in pound sterling functional currency companies.

The table below sets out the Group's outstanding forward FX contracts as at 31 March 2018 which are designated as cash flow hedges.

Group	Half year to 30 September 2018			Half year to 31 March 2019			Half year to 30 September 2019		
Currency pair	Hedged amount m	Transaction rate	Fair value £m	Hedged amount m	Transaction rate	Fair value £m	Hedged amount m	Transaction rate	Fair value £m
NEX Markets									
Sell $, buy £	$66	1.32	3	$44	1.36	1	$22	1.38	1
Buy ILS*, sell £	ILS 43	4.65	(1)	ILS 29	4.64	–	ILS 14	4.70	–
Sell €, buy £	€9	1.13	–	€6	1.12	–	€3	1.10	–
NEX Optimisation									
Other currency pairs	£21	Various	(1)	£12	Various	–	£6	Various	–
Total			1			1			1

* Israeli shekel.

(b) Balance sheet translational exposures

The Group is exposed to balance sheet translational exposures at the local entity level where the local consolidated balance sheet may contain monetary assets or liabilities denominated in a currency other than the entity's functional currency. Where material, it is the Group's policy to hedge 100% of these exposures using a mix of foreign currency swaps and forward FX contracts.

Balance sheet translational exposures also arise on consolidation because of the retranslation of the balance sheet of the Group's non-pound sterling operations, principally dollar and euro, into pound sterling, the Group's presentational currency. The Group's general policy is not to actively manage these exposures, as active management using instruments with a shorter tenure than the underlying net asset can give rise to a net cash outflow. However, from time to time it will use forward FX contracts, cross currency swaps or non-pound sterling denominated borrowings to mitigate these exposures.

As at 31 March 2018 the Group has $nil (2016/17: $235 million) of forward FX contracts, €100 million (2016/17: €100 million) of the 2019 five-year senior notes and the €15 million (2016/17: €15 million) 2023 ten-year senior notes, designated as hedging instruments against the underlying dollar and euro exposures respectively. As at 31 March 2018 these exposures were $1.2 billion (2016/17: $1.2 billion) and €0.1 billion (2016/17: €0.1 billion) including intangible assets arising on consolidation, but before $nil (2016/17: $0.2 billion) and €0.1 billion (2016/17: €0.1 billion) of hedging.

The table below shows the actual impact on the Group's equity of year on year movements in the dollar and euro exchange rates for transactional and translational exposures. The table below also discloses the anticipated impact on the Group's equity of a 10-cent weakening in the dollar and euro in terms of transactional and translational exposure. The Group considers 10-cent to be an appropriate sensitivity measure to disclose since firstly it represents a change that management views as reasonably possible and secondly it provides a useful base for determining other sensitivities since the Group expects changes would be reasonably linear.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2017/18			2016/17		
Group	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Actual impact of year on year movement in exchange rate	**(86)**	**3**	**(83)**	128	9	137
10-cent weakening	**(68)**	**(3)**	**(71)**	(70)	(8)	(78)

(c) Derivative financial instruments

Among other methods, the Group uses derivative financial instruments to implement its FX policy. These include the use of forward FX contracts to hedge a portion of its transactional dollar and euro exposures and cross currency interest rate swaps to hedge the FX and interest rate risks on its senior notes. Where these are designated and documented as cash flow hedges in the context of IAS 39 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in other comprehensive income and transferred to the consolidated income statement on derecognition of the underlying item being hedged. The table below presents the carrying value of the Group's derivative financial instruments.

	As at 31 March 2018		As at 31 March 2017	
Group	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	**5**	**(2)**	3	(7)
Forward FX contracts – net investment hedges	**–**	**–**	2	–
Forward FX contracts – other	**2**	**(1)**	1	(4)
Cross currency swaps – cash flow hedges	**14**	**–**	8	–
	21	**(3)**	14	(11)

No amounts (2016/17: £nil) were recognised in the consolidated income statement in the year because of ineffective hedges. Fair value hierarchy for the derivative financial instruments is shown below.

	As at 31 March 2018			As at 31 March 2017		
Group	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative assets	**–**	**21**	**–**	–	14	–
Derivative liabilities	**–**	**(3)**	**–**	–	(11)	–

In deriving fair value of all derivative instruments as at 31 March 2018, the fair value of observable market data on similar instruments was used, for example the fair value of derivatives with similar tenor, currency, credit risk and security. There were no significant inputs used that were unobservable.

Company

(d) Balance sheet translational exposures

The Company is exposed to balance sheet translational exposures where the balance sheet contains financial assets or liabilities denominated in a currency other than pound sterling. While it is the Group's policy to hedge 100% of these exposures at Group level, at a Company level these exposures can affect the Company's profit after tax.

As at 31 March 2018, the Company had £13 million of financial assets or liabilities denominated in foreign currencies which related to its ten-year senior notes (2016/17: £nil).

(e) FX exposure

The table below shows the actual impact on the Group's trading operating profit, which is a key metric of the Group, of the movement during the year of the dollar and euro exchange rates in terms of translational exposure.

	Year ended 31 March 2018			Year ended 31 March 2017		
Group	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Trading operating profit	**(1)**	**3**	**2**	15	7	22
Other	**–**	**–**	**–**	–	–	–
Operating profit	**(1)**	**3**	**2**	15	7	22

The Group does not hedge the translation of those profits or losses earned by its non-pound sterling functional currency companies. The principal exchange rates which affected the Group, expressed in currency per pound sterling, are shown below.

	Closing rate		Average rate	
	As at 31 March 2018	As at 31 March 2017	**Year ended 31 March 2018**	Year ended 31 March 2017
Dollar	**1.40**	1.25	**1.33**	1.31
Euro	**1.14**	1.17	**1.14**	1.20

The table below shows the impact on the Group's trading operating profit, which is a key metric of the Group, of a 10-cent appreciation in the dollar and euro in terms of translational exposure. The Group considers 10-cent to be an appropriate sensitivity measure to disclose since firstly it represents a change that management views as reasonably possible and secondly it provides a useful base for determining other sensitivities since the Group expects changes would be reasonably linear.

	Year ended 31 March 2018			Year ended 31 March 2017		
Group	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Trading operating profit	**7**	**7**	**14**	10	5	15
Other	**–**	**–**	**–**	–	–	–
Operating profit	**7**	**7**	**14**	10	5	15

28. Related party transactions

Group

(a) AcadiaSoft, Inc. (AcadiaSoft)

TriOptima has a service share agreement with AcadiaSoft, an associate company. During the year ended 31 March 2018, the Group recognised income of £4 million (2016/17: £1 million) in relation to this arrangement. As at 31 March 2018, the outstanding balance due from AcadiaSoft to the Group was £nil (2016/17: £nil).

(b) BSN Holdings Limited and BSN Capital Partners Limited (BSN)

The Group provides BSN, an associate company, with office space and facility services and also has a preferred brokerage agreement with BSN. During the year ended 31 March 2018, the Group received income of £4 million (2016/17: £3 million) in relation to these arrangements. As at 31 March 2018, the outstanding balance due to the Group from BSN was £4 million (2016/17: £4 million).

(c) Capital Shipbrokers Limited (Capital Shipbrokers)

The Group is responsible for the debtor management of Capital Shipbrokers, an associate company. As at 31 March 2018, the outstanding balance due from the Group to Capital Shipbrokers was £0.1 million (2016/17: £1 million).

(d) CLS Aggregation Services LLC (CLSAS)

The Group re-charged CLSAS, an associate company, £1 million (2016/17: £3 million) as compensation for technical services during the year. As at 31 March 2018 the total outstanding balance due to the Group was £0.2 million (2016/17: £0.4 million).

(e) Duco Technology Limited (Duco)
The Group provided Duco, an associate company, with convertible loans which converted to shares in Duco during the year. During the year ended 31 March 2018, the Group recognised finance income and a gain on conversion of these loans totalling £0.6 million (2016/17: £nil). Duco also provided the Group with reconciliation services totalling £0.3 million in the year (2016/17: £0.1 million). As at 31 March 2018, the outstanding balance due from Duco to the Group was £nil (2016/17: £1 million).

(f) Exotix Holdings Limited, Exotix (1) Ltd, Exotix Partners LLP and Exotix Investment Partners LLP (Exotix)
As part of the disposal of Exotix to the Group headed by IPGL (a company controlled by Michael Spencer, the Group Chief Executive Officer) in 2007, the Group loaned employees of Exotix, £1.5 million to enable them to purchase a shareholding. During the year ended 31 March 2018, the Group provided Exotix with another loan for £0.5 million and the Group collected revenue of £nil (2016/17: £6 million) on behalf of Exotix. As at 31 March 2018, there was a balance due from Exotix to the Group of £2 million (2016/17: £1 million).

(g) Howe Robinson Partners Pte. Limited (Howe Robinson)
The Group collects revenue for Howe Robinson, an associate company. The Group received £1 million during the year (2016/17: £2 million). The Group also provides Howe Robinson with a loan. As at 31 March 2018, the outstanding balance due from Howe Robinson to the Group was £3 million (2016/17: £1 million).

(h) Research Exchange Limited (RSRCHX)
The Group provided RSRCHX with a convertible loan in the year ended 31 March 2018. As at 31 March 2018, the outstanding balance due from RSRCHX to the Group was £2 million (2016/17: £nil).

Throughout the year, NEX also had board representation and transactions with other related parties. None of these transactions were material or had material balances outstanding as at 31 March 2018. Transactions with key management personnel are disclosed in note 8.

Company
NEX Group plc is the Group's ultimate parent company and is incorporated and domiciled in the UK.

Amounts owed to the Company from subsidiaries are disclosed in note 17 and amounts owed by the Company to subsidiaries are disclosed in note 18.

29. Post balance sheet events
On 18 May 2018, the NEX shareholders voted to approve the Offer from CME.

30. Group subsidiaries and related undertakings

In accordance with section 409 of the Companies Act, a full list of related undertakings, the country of incorporation, the registered office address and the effective percentage of equity owned is disclosed below, as at 31 March 2018.

Subsidiaries

Unless otherwise stated the subsidiary undertakings below are wholly owned and the share capital disclosed comprises ordinary shares or common stock (or the local equivalent thereof) which are indirectly held by NEX Group plc. These undertakings are controlled by the Group and their results are fully consolidated into the Group's financial statements.

Wholly-Owned Subsidiaries	Note
United Kingdom	
2 Broadgate, London EC2M 7UR	
Astley & Pearce Limited	
BrokerTec Europe Limited	
BrokerTec Investments	
Capital Shipbrokers LLP	1
Capital Shipbroking Limited	
EBS Dealing Resources International Limited	
EBS Group Limited	
EBS Investments	
EBS No. 2 Limited	
Garban Broking Services Limited	
Garban Harlow Resources Limited	
Godsell, Astley & Pearce (Foreign Exchange) Limited	
Godsell Astley & Pearce (Holdings) Limited	
Harlow Ueda Savage Limited	
ICAP plc	2
Intercapital Limited	
Intercapital No. 1 Limited	
Intercapital No. 2 Limited	
Intercapital No. 3 Limited	
Midhurst Chartering Limited	
Municipal Brokers Limited	
NEX Data Services Limited	
NEX Exchange Limited	
NEX Finance Limited	
NEX Group Holdings plc	
NEX International Investments Limited	
NEX Markets Limited	
NEX Optimisation Limited	
NEX SEF Limited	
NEX Services Limited	
TriOptima UK Limited	
15 Canada Square, Canary Wharf, London E14 5GL	
Garban Broking Holdings (Europe) Limited	3, 4, 5
30 Finsbury Square, London EC2P 2YU	
ReMatch Holdings Limited	3
ReMatch Limited	3

Wholly-Owned Subsidiaries	Note
Argentina	
Avda. Leandro N. Alem 855, Piso 16, Buenos Aires	
Intercapital Argentina S.A.	
Intercapital Lat Am Services S.A.	
China	
Unit 368, Division 302, No. 211 North Fute Road, Shanghai, Pilot Free Trade Zone 200120	
EBS (Shanghai) Information Technology Co., Ltd.	6
Germany	
Barckhausstraße 1, 60325 Frankfurt am Main	
Intercapital (Germany) GmbH	
Hong Kong	
6th Floor, Alexandra House, 18 Chater Road, Central	
Intercapital (Hong Kong) Limited	
Nexstep HK 2 Limited	
Nexstep HK 3 Limited	
Israel	
Floors 11 and 12, 132 Menachem Begin Road, Round Tower, Azrieli Center, Tel Aviv 6701101	
EBS Financial Technologies Ltd.	
Japan	
Toho Twin Tower Building, 3rd Floor, 1-5-2 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006	
EBS Dealing Resources Japan Limited	
4-10 Nihonbashi-Muromachi, 4-chome, Chuo-ku, Tokyo 103-0022	
TriOptima Japan K.K.	
Luxembourg	
17 Boulevard du Prince Henri, L-1724 Luxembourg	
Euclid Opportunities S.A.	
Singapore	
10 Marina Boulevard, #21-01, Marina Bay Financial Centre, Singapore 018983	
Intercapital No. 1 Pte. Ltd.	
Intercapital No. 2 Pte. Ltd.	
NEX Services Pte. Ltd.	
Reset Holdings Private Limited	
Reset Private Limited	4, 5
TriOptima Asia Pacific Pte. Limited	

NOTES TO THE FINANCIAL STATEMENTS (continued)

Wholly-Owned Subsidiaries	Note
Sweden	
Mäster Samuelsgatan 17, 111 44 Stockholm	
TriOptima AB	
Switzerland	
Lavaterstrasse 40, CH-8002 Zurich	
EBS Service Company Limited	
United States	
The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801	
BrokerTec Americas LLC	7
BrokerTec Holdings Inc.	
EBS Dealing Resources, Inc.	
EBS Holdco Inc.	
EBS No. 4 LLC	7
Enso Financial Management LLP	1
Euclid Investment Holdings Inc.	
Intercapital Capital Markets LLC	7
Molten Markets, Inc.	
NEX Group Investments Inc.	
NEX Investments LLC	7
NEX Services North America LLC	7
TriOptima North America LLC	7
CT Corporation System, 111 Eighth Avenue, New York NY 10011	
Intercapital Securities, Inc.	

Subsidiaries where the effective interest is less than 100%	Percentage	Note
United Kingdom		
2 Broadgate, London EC2M 7UR		
Abide Financial DRSP Limited	93.1	
Abide Financial Limited	93.1	8
Abide Financial Repository Limited	93.1	
Enso (UK) Limited	85.9	
Traiana Limited	86.7	
Italy		
Via Giuseppe Marcora 11, 20121 Milan		
e-MID SIM S.p.A.	93.1	
Israel		
Floors 25 and 28, 132 Menachem Begin Road, Square Tower, Azrieli Center, Tel Aviv 6701101		
Traiana Technologies Ltd.	86.7	
Jersey		
PO Box 384, 6 Hilgrove Street, St Helier JE4 9ZH		
Enso LP	85.9	1, 9
Sweden		
Mäster Samuelsgatan 17, 111 44 Stockholm		
NEX Abide Trade Repository AB	93.1	
United States		
The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801		
Traiana, Inc.	86.7	6

Other related undertakings

Unless otherwise stated, the undertakings below are recognised using the equity method of accounting and the share capital disclosed comprises ordinary shares or common stock (or the local equivalent thereof) which are held by subsidiaries of the Group.

Other related undertakings	Percentage	Note
United Kingdom		
2 Broadgate, London EC2M 7UR		
BSN Capital Partners Limited	25.1	
15 St John Street, London EC1M 4AA		
Duco Technology Limited	41.2	10
Watson House, 54 Baker Street, London W1U 7BU		
Exotix Holdings Limited	21.8	11
Citypoint Level 28, One Ropemaker Street, London EC2Y 9AW		
Exotix Investment Partners LLP	20.5	1, 11
3–11 Eyre Street Hill, London EC1R 5ET		
Research Exchange Limited	28.3	12
Beaufort House, 15 St. Botolph Street, London EC3A 7QX		
TFS-ICAP Currency Options Limited	23.0	
TFS-ICAP Holdings Limited	45.0	
TFS-ICAP Limited	23.0	
Cayman Islands		
c/o Genesis Trust & Corporate Services Limited, Elgin Avenue, George Town, Grand Cayman KY1 1106		
BSN Holdings Limited	25.1	5
China		
Unit 2601-02, 05-08 Azia Center, No. 1233 Lu Jiazui Ring Road, Pilot Free Trade Zone, Pudon, Shanghai 200120		
Shanghai CFETS-NEX International Money Broking Co., Ltd.	33.0	6
Germany		
Carl-Ulrich-Strasse 2-6, 63263 Neu-Isenburg		
Tradition Financial Services GmbH	22.5	13
Hong Kong		
Punfet Building, 701 Nathan Road, Kowloon		
Capital Shipbrokers Limited	50.0	3, 14

Other related undertakings	Percentage	Note
Singapore		
8 Shenton Way, #13-01, AXA Tower, Singapore 068811		
Howe Robinson Partners Pte. Limited	35.0	
United States		
The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801		
AcadiaSoft, Inc.	25.0	15
CLS Aggregation Services LLC	42.5	7
15th Floor, 4 Times Square, New York NY 10036		
BSN Capital Partners LLC	25.1	7
Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware DE 19808		
OpenGamma, Inc.	27.3	16
c/o Cogency Global Inc., 850 New Burton Road, Suite 201, Dover, Delaware DE 19904		
TFS-ICAP Holdings LLC	45.0	7
c/o Tradition Americas LLC, 5th Floor, 255 Greenwich Street, New York NY 10007		
TFS-ICAP LLC	23.0	7

Note
1. Partnership interest.
2. Directly held by NEX Group plc.
3. In liquidation.
4. A ordinary shares or A ordinary common stock.
5. B ordinary shares or B ordinary common stock.
6. Registered capital.
7. Membership interest.
8. A ordinary shares (50%), D ordinary shares and E ordinary shares.
9. Class A units.
10. A ordinary shares (64%) and preferred shares (26.5%).
11. Not consolidated or recognised using the equity method of accounting.
12. Series A shares.
13. 33% nominal holding, 22.5% voting and economic interest.
14. A ordinary shares (50%) and B ordinary shares (45%).
15. Series B convertible preferred stock (11.1%) and Series D convertible preferred stock (37.4%).
16. Series C preferred stock (75.5%) and series D preferred stock (29.5%).

DEFINITIONS

DEFINITIONS

In the Annual Report, the following words shall have the following meanings:

Act
the Companies Act 2006

AFS
Available For Sale

AGM
annual general meeting

APA
Approved Publication Arrangement

APAC
Asia Pacific

APM
alternative performance measure

ARM
Approved Reporting Mechanism

AWS
Amazon Web Services

Basel III
an international regulatory framework, developed by the Basel Committee on Banking Supervisions, to strengthen the regulation, supervision and risk management of the banking sector

BMR
EU Benchmarks Regulation

board
the board of directors of NEX Group plc

Brexit
the prospective withdrawal of the United Kingdom from the European Union

BSMP
Bonus Share Matching Plan

CCP
central counterparty

CDS
credit default swaps

CFETS
China Foreign Exchange Trade System

CGU
cash generating unit

CME
CME Group Inc, an American financial market company operating an options and futures exchange

CNH
represents the exchange rate of renminbi that trades offshore in Hong Kong

Code
FRC's UK Corporate Governance Code published in April 2016

Companies Act
Companies Act 2006 (as amended)

Company or NEX
NEX Group plc, a public limited company incorporated in England and Wales with registered number 10013770, whose registered office is at 2 Broadgate, London EC2M 7UR

CRD
Capital Requirements Directive

Defra
Department for Environment, Food and Rural Affairs

Deloitte
Deloitte LLP

Dodd-Frank
The Dodd-Frank Wall Street Reform and Consumer Protection Act

dollar or $
unless otherwise specified all references to dollars or $ dollar symbol are to the currency of the US

DSBP
Deferred Share Bonus Plan

e-MID
e-MID SIM S.p.A.

EMEA
Europe, the Middle East and Africa

EMIR
European Market Infrastructure Regulation

EPS
earnings per share

ESMA
European Securities and Markets Authority

ETR
effective tax rate

EU
European Union

EY CertifyPoint
an accredited, independent certification institute

FCA
Financial Conduct Authority

FICC
Fixed Income Clearing Corporation

Fitch
Fitch Ratings Limited

FRC
Financial Reporting Council

FTSE 100
index comprised of the 100 largest companies listed on the London Stock Exchange in terms of their market capitalisation

FTSE 250
index comprised of medium-capitalised companies listed on the London Stock Exchange not included in the FTSE 100 index

FTSE All-Share
the aggregation of the FTSE 100, FTSE 250 and FTSE Small Cap indices

FX
foreign exchange

Garban
Garban plc

GDP
gross domestic product

GDPR
General Data Protection Regulation (EU) 2016/679, a regulation in EU law on data protection and privacy

GEMG
Global Executive Management Group

GFC
Group Finance Committee

GHG
greenhouse gas

GOC
Global Operating Committee

Group
the Company and its subsidiary undertakings

IAS
International Accounting Standards

IASB
International Accounting Standards Body

ICAAP
Internal Capital Adequacy Assessment Process

ICAP
ICAP Global Broking and Information Business, acquired by Tullett Prebon plc (now TP ICAP) on 30 December 2016

IEL
ICAP Europe Limited

IFRS
International Financial Reporting Standards

IGBB
ICAP's global hybrid voice broking and information business, including ICAP's associated technology and broking platforms (including i-Swap and Fusion) and certain of ICAP's joint ventures and associates

INFBV
INCAP Finance BV

Infinity
a cloud-hosted platform operated by Traiana which makes certain microservices available to other NEX Optimisation businesses and selected third parties

Intercapital
Intercapital Limited (formerly Intercapital plc)

IPGL
IPGL (Holdings) Limited

ISCI
Industry Standard Common Identifier

ISDA
International Swaps and Derivatives Association

ISO
International Organization for Standardization

IT
information technology

Libid
London interbank bid rate

Libor
London interbank offered rate

Lintstock
Lintstock Limited, a London-based corporate advisory firm

LTIP
Long-Term Incentive Plan

Merger
the merger of Garban and Intercapital on 9 September 1999

MiFID
Markets in Financial Instruments Directive

Moody's
Moody's Investors Services

Nasdaq
a National Securities exchange

NDF
non-deliverable forward

NEX Group shares
NEX Group plc ordinary shares of 17.5p each

NEX Regulatory Reporting
a business within NEX Optimisation formerly known as Abide Financial

NEX Trust
NEX Group Employee Share Trust

n/m
not measurable

non-bank
encompassing the professional trading community including hedge funds, trading houses and corporates

Offer
the recommended offer for NEX Group plc by CME London Limited and CME Group Inc

OTC
over-the-counter markets in which instruments are traded directly between participants by telephone and/or electronically rather than via an exchange

Peatland Code
a voluntary standard for UK peatland projects wishing to market the climate benefit of peatland restoration

PSP
Performance Share Plan

RCF
revolving credit facility

REMIT
Regulation on Wholesale Energy Market Integrity and Transparency

RTS 22
MiFID RTS 22. Commission Delegated Regulation (EU) 2017/590 of 28 July 2016 supplementing MiFIR with regard to regulatory technical standards for the reporting of transactions to competent authorities.

RTS 24
MiFID RTS 24. Commission Delegated Regulation (EU) 2017/580 of 24 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments.

SAYE
Sharesave Plan

Scheme Document
the circular dated 25 April 2018 detailing the Scheme of Arrangement under Part 26 of the Companies Act 2006 between NEX Group plc and holders of NEX Scheme Shares, available to download from www.nex.com/offer

SEEPP
Senior Executive Equity Participation Plan

SEF
swap execution facility

Statutory Audit Services Order
the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

Tibor
Tokyo interbank offered rate

TP ICAP
TP ICAP plc (formerly Tullett Prebon plc), a public limited company registered in England and Wales with registered number 05807599, whose registered office is at Tower 42, Level 37, 25 Old Broad Street, London EC2N 1HQ

VIU
Value in use

WACC
weighted average cost of capital

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

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