COMPANY NUMBER: 06694512

NEX GROUP HOLDINGS PLC

GROUP AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2018

NEX GROUP HOLDINGS PLC

Directors' report for the year ended 31 March 2018 **Company No. 06694512**

The directors present their report and the audited consolidated financial statements for NEX Group Holdings plc ('NGHP' or 'the Company') and its subsidiary companies (together 'the Group' or 'the NGHP Group') for the year ended 31 March 2018. The Company is a public company limited by shares.

Principal activity, business review and future developments

The Company is a holding company and corporate treasury vehicle for NEX Group plc and its subsidiary companies (together 'the NEX Group').

The Company is incorporated and domiciled in England and Wales The registered office is 2 Broadgate, London, EC2M 7UR.

A review of business activities, future developments and a description of the principal risks and uncertainties facing the Group is given in the strategic report on page 3 to 5.

Dividends

For the year ended 31 March 2018, dividends of £nil (2016/17: £143 million) were paid in cash and there was a distribution in specie of £nil (2016/17 £1,512 million).

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. After reviewing the Group's annual budget, liquidity requirements, plans and financing arrangements, the directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns.

As at 31 March 2018, the Group had committed undrawn headroom under its revolving credit facility (RCF) of £350 million (2016/17: £300 million). During the year, the size of the RCF increased to £350m and the maturity date was extended by two years to 23 February 2021. Under the agreement for the RCF, the Group and the NEX Group are required to comply with certain covenants. As at the balance sheet date, the Group and the NEX Group complied with the terms of all its financial covenants and there are no indications for the directors to believe that the Group and the NEX Group will fail to comply with these covenants in the foreseeable future.

For the above reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

Disability policy

The Group's equal opportunity and diversity policy is governed by its ultimate parent, NEX Group plc, and is disclosed in full in the NEX Group plc 2018 Annual Report, which does not form part of this directors' report.

Post balance sheet events

On 18 May 2018, the NEX shareholders voted to approve an offer from CME London Limited and CME Group Inc to buy the NEX Group (the Offer).

In June 2018, Intercapital Capital Markets LLC (ICM) reached a settlement of consolidated class action suits that had been filed in 2014 against ICM and USD ISDAFIX setting banks alleging a conspiracy in violation of the antitrust laws among the banks and ICM to manipulate USD ISDAFIX. Pursuant to the settlement, which has received preliminary approval from the Court but remains subject to final approval, ICM has agreed to pay £8 million ($12 million) without admitting liability on the underlying allegations. ICM has a written commitment from its insurance carrier to indemnify it for the full settlement amount. This has been accounted for as an adjusting event after the reporting period, with the settlement payable recognised in provisions (note 14), insurance receivable recognised in trade and other receivables (note 16) and the settlement expense and insurance income recognised net in exceptional items (note 3).

In July 2018, ICM also reached an agreement in principle to resolve the Commodity Futures Trading Commission's (CFTC) investigation into ICM's role in the setting of USD ISDAFIX rates for £36 million ($50 million) The settlement is subject to final documentation of its terms by the parties and approval by the CFTC. This has been accounted for as an adjusting event after the reporting period and has been recognised in exceptional items (note 3) and provisions (note 14)

Independent auditors

Deloitte LLP (Deloitte) held office as external auditors of the Company and the Group for the year ended 31 March 2018 The NEX Group issued a competitive tender for the external audit contract in the year ended 31 March 2016 and this resulted in a recommendation from the NEX Group's Audit Committee that Deloitte LLP (Deloitte) be appointed as the Company's and Group's external auditors for the year ending 31 March 2018. At the NEX Group's 2017 annual general meeting, PricewaterhouseCoopers LLP (PwC) resigned as external auditors and a resolution was passed to appoint Deloitte as the NEX Group's new external auditors for the year ending 31 March 2018.

Disclosure of information to auditors

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 is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Directors

The directors of the Company, who held office during the year and up to the date of signing the financial statements, were:

A Aldridge	Appointed 30 May 2018
D Abrehart	
S Bridges	Resigned 30 May 2017
J Chamberlain	Resigned 30 May 2018
D Ireland	
K Pigaga	
S Wren	Appointed 29 June 2017

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and 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 prepared the Company and Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (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 Company and the Group and of the profit or loss of the Group for that year.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

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

Directors' statement pursuant to the Disclosure and Transparency Rules

The directors are also 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 Company and the Group. Each of the directors confirms that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs 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;
- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This report has been approved by the board of directors and signed on behalf of the board:

D Abrehart
Director

26 July 2018

The directors present their strategic report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

The strategic report first focuses on the trading performance of the Group and then discusses acquisitions, disposals and similar items and exceptional items, which are the reconciling items between trading and statutory amounts A reconciliation between statutory amounts and alternative performance measures is provided on pages 4 and 5

Business review

The Group is a financial technology business at the centre of the global financial markets The Group provides electronic trade execution platforms for the OTC markets. The Group delivers transaction lifecycle management and information services to help its clients optimise their capital, mitigate their risk and reduce their operational costs. The Group partners with emerging technology companies to bring greater efficiency, transparency and scale to the world's capital markets. Encouraging technological advancement to improve the markets, the Group invests in companies that challenge convention and the Group operates an exchange to help entrepreneurs raise capital on the public market.

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 results of NEX Exchange Limited are presented as discontinued operations for the year ended 31 March 2018. This business review focuses on the trading performance from continuing operations.

For the year ended 31 March 2018, the Group reported revenue of £591 million (2016/17 £541 million), an increase of 9% on the prior year. 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 repos. 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 £117 million (2016/17: £148 million), a decrease of 21% on the prior year, and a trading operating profit of £148 million (2016/17: £147 million), an increase of 1% 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 £19 million (13%). The Group's continuing operations reported a profit before tax (PBT) of £76 million (2016/17: £100 million), 24% down on the prior year, and a trading PBT of £109 million (2016/17: £99 million), 10% up on the prior year.

For the year ended 31 March 2018, NEX Markets' revenue increased by 4% to £326 million (2016/17: £313 million). 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 at 37% 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.

For the year ended 31 March 2018, NEX Optimisation's revenue increased by 8% to £260 million (2016/17: £240 million), 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.

The Group continues to make focused investments to drive product innovation in response to evolving market needs. Major areas of focus include products that provide clients with solutions to regulatory requirements and ones that are targeted at expanding the Group's client base. In addition, NEX Opportunities has continued to invest in new start-ups leveraging next generation technologies. During the year, the Group made an investment in Eris Exchange Holdings LLC and made further investments in existing investments Duco Technology Limited, Research Exchange Limited and Exotix Partners LLP

Acquisitions, disposals and similar items

Acquisitions, disposals and similar items from continuing operations was a net £3 million income (2016/17: £1 million income) before a tax credit of £23 million (2016/17: £6 million tax credit). There was £9 million of operating expenses which were offset by £14 million of other income The £9 million of operating expenses include an £4 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 £2 million other acquisition and disposal-related costs. The £14 million of other income includes 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

Exceptional items

Exceptional items from continuing operations was a £36 million expense (2016/17: £nil). Exceptional items from continuing operations comprise the settlement of a civil lawsuit net of insurance income and the settlement of a regulatory lawsuit, both in relation to the setting of USD ISDAFIX rates (note 3).

Discontinued operations

Discontinued operations include trading revenue of £1 million (2016/17: £562 million), trading operating loss of £2 million (2016/17 £84 million profit) and trading loss for the year of £2 million (2016/17 £72 million profit) The current year discontinued operations relate to the results of NEX Exchange Limited which became a discontinued operation during the year (note 4).

Acquisitions, disposals and similar items from discontinued operations resulted in an income of £3 million (2016/17:£1,134 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.

Outlook

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

Key performance indicators (KPIs)

The Group's operations are managed on a divisional basis, which are monitored using certain KPIs. The development, performance and position of the NEX Group, which includes the Group, are discussed in the NEX Group plc 2018 Annual Report which does not form part of this strategic report.

Risk management, principal risks and uncertainties

The Group is predominantly exposed to liquidity, counterparty credit, legal and regulatory, information security, business resiliency, cyber security and external change risks. The Group's risk management is consistent with that of the NEX Group, whereby the Group 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. The Group also strive to ensure that its 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.

A more detailed risk management report of the NEX Group, which includes the Group, can be found in the NEX Group 2018 Annual Report, which does not form part of this strategic report.

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs) that are not defined or specified under the requirements of IFRS. The Group 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' and 'exceptional items'. The definitions of 'acquisitions, disposals and similar items' and 'exceptional items' are provided in the basis of preparation Trading profit 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 NEX Group 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 items between trading amounts and statutory amounts are the 'acquisitions, disposals and similar items' and 'exceptional items' columns. 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' and 'exceptional items' for all relevant financial statement line items is provided in the table below.

£m	Year ended 31 March 2018	Year ended 31 March 2017
Operating expenses:		
Operating expenses (statutory)	**(495)**	(415)
Amortisation of intangible assets arising on consolidation	**3**	20
Impairment of investment in joint ventures and available-for-sale investments	**4**	–
Other acquisition costs	**2**	1
Settlement of legal claim	**36**	–
Trading operating expenses	**(450)**	(394)
Other income:		
Other income (statutory)	**21**	22
Release of contingent consideration	**(16)**	–
Gain on equity interest	**–**	(20)
Other acquisition income	**2**	(2)
Trading other income	**7**	–

Net finance expense:		
Net finance expense (statutory)	**(43)**	(45)
Unwind of discount on contingent consideration	**2**	–
Trading net finance expense	**(41)**	(45)

Tax:		
Tax (statutory)	**(10)**	(11)
Tax credit on acquisitions, disposals and similar items	**(23)**	(6)
Trading tax	**(33)**	(17)

Before one-off items

The Group 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 relate to one-off items. A breakdown of one-off items for all relevant financial statement line items is provided in the table below

£m	Year ended 31 March 2018	Year ended 31 March 2017
Operating expenses:		
Trading operating expenses	**(450)**	(394)
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	**(437)**	(399)

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.

This report has been approved by the board of directors and signed on behalf of the board:

D Abrehart

D Abrehart
Director

26 July 2018

NEX GROUP HOLDINGS PLC

Independent auditors' report to the members of NEX Group Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements of NEX Group Holdings 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 Holdings 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 29.

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 capitalisaion, and • recognition of revenue relating to service and technology contracts.
Materiality	The materiality that we used for the Group financial statements was £5.64 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 £5 64 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 £2 99 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 Holdings 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 89% 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	**Changes to performance materiality** The following factors identified in the audit resulted in us reducing performance materiality to £2.99 million from our planning assumption of £4.11 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report 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 13); and

	• significant accounting estimates and judgements in the basis of preparation on page 22
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
Appropriateness of software capitalisation	
Relevant references in the financial statements	Please refer to: • intangible assets arising from development expenditure (note 12), and • significant accounting estimates and judgements in the basis of preparation on page 22

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. Management is in the process of undertaking a finance transformation programme in order to enhance consistency and the robustness and 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 basis of preparation on page 22
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

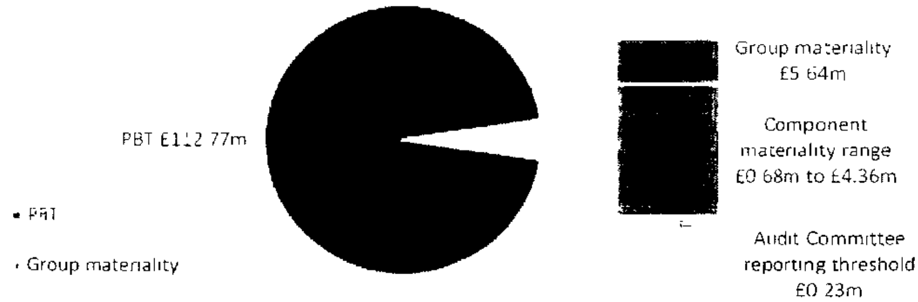
Our application of materiality

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	£5.64 million	£4.36 million
Basis for determining materiality	5% of profit before tax.	Parent company materiality equates to 1 5% of net assets, which is capped at 77% of group materiality.
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	Net assets is an appropriate basis as NEX Group Holdings plc is a holding company for the Group and therefore this measure would be significant for the users of the financial statements

	used to predict future share price and the ability to pay dividends.	



We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £225,000 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

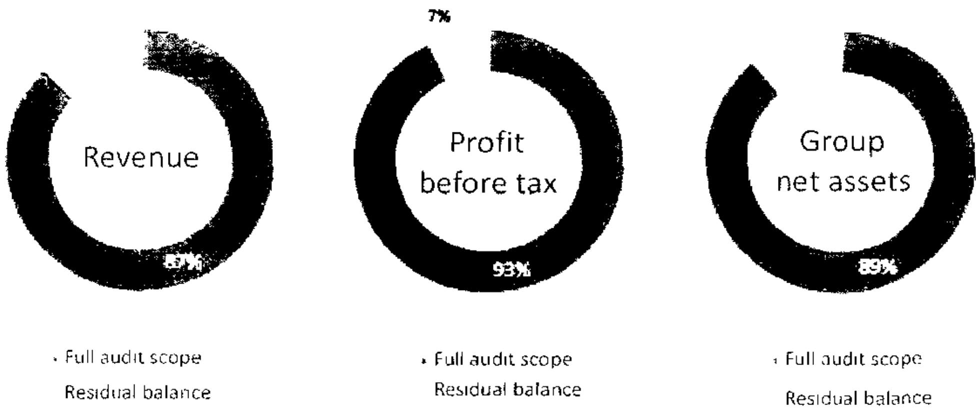
The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including Group-wide controls, reviewing predecessor audit files and assessing the risks of material misstatement at the Group level. Based on that assessment, we have identified eight financially significant components and have focused our audit work at 4 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 89% 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 £0.68 million to £4.36 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 auditor

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



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.

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.

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.	***We have nothing to report in respect of this matter.***

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 ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ending 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
26 July 2018

NEX GROUP HOLDINGS PLC
Financial statements

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CONSOLIDATED INCOME STATEMENT

		Year ended 31 March 2018				Year ended 31 March 2017 (restated)			
	Note	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	1	**591**	**–**	**–**	**591**	541	–	–	541
Operating expenses	3	**(450)**	**(9)**	**(36)**	**(495)**	(394)	(21)	–	(415)
Other income		**7**	**14**	**–**	**21**	–	22	–	22
Operating profit	1	**148**	**5**	**(36)**	**117**	147	1	–	148
Finance income	8	**1**	**–**	**–**	**1**	1	–	–	1
Finance costs	8	**(42)**	**(2)**	**–**	**(44)**	(46)	–	–	(46)
Share of profit/(loss) of associates after tax	21	**2**	**–**	**–**	**2**	(3)	–	–	(3)
Profit before tax from continuing operations		**109**	**3**	**(36)**	**76**	99	1	–	100
Tax	6	**(33)**	**23**	**–**	**(10)**	(17)	6	–	(11)
Profit for the year from continuing operations		**76**	**26**	**(36)**	**66**	82	7	–	89
(Loss)/profit for the year from discontinued operations	4	**(2)**	**3**	**–**	**1**	72	1,141	–	1,213
Profit for the year		**74**	**29**	**(36)**	**67**	154	1,148	–	1,302
Attributable to:									
Owners of the Company		**73**	**29**	**(36)**	**66**	155	1,148	–	1,303
Non-controlling interests		**1**	**–**	**–**	**1**	(1)	–	–	(1)
		74	**29**	**(36)**	**67**	154	1,148	–	1,302

The consolidated income statement for the year ended 31 March 2017 has been restated due to the reclassification of items from the 'exceptional items' column to the 'trading' 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

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit for the year	**67**	1,302
Other comprehensive income/(expense) 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	**(1)**	–
Unrealised movement in cash flow hedges	**4**	(10)
Realised movement in cash flow hedges	**1**	17
Exchange differences	**(106)**	143
Current tax recognised in other comprehensive income	**(1)**	(1)
Deferred tax recognised in other comprehensive income	**–**	1
Other comprehensive (loss)/income for the year, net of tax, from continuing operations	**(103)**	150
Other comprehensive income for the year, net of tax, from discontinued operations	**–**	34
Total comprehensive income for the year	**(36)**	1,486
Total comprehensive income attributable to:		
Owners of the Company	**(36)**	1,481
Non-controlling interests	**–**	5
	(36)	1,486

NEX GROUP HOLDINGS PLC

Financial statements continued

Company No. 06694512

CONSOLIDATED AND COMPANY BALANCE SHEET

		Group		Company	
	Note	**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	13	**936**	1,026	**–**	–
Intangible assets arising from development expenditure	12	**157**	127	**–**	–
Property and equipment	23	**36**	36	**–**	–
Investment in subsidiaries	19	**–**	–	**3,215**	3,232
Investment in joint ventures	20	**–**	1	**–**	–
Investment in associates	21	**34**	32	**10**	10
Deferred tax assets	6	**8**	21	**–**	–
Trade and other receivables	16	**34**	47	**24**	38
Available-for-sale investments	22	**17**	20	**2**	2
		1,222	1,310	**3,251**	3,282
Current assets					
Trade and other receivables	16	**528**	560	**681**	702
Cash and cash equivalents	10	**269**	321	**80**	159
Restricted funds	10	**18**	102	**–**	–
Tax receivable		**11**	–	**10**	22
Available-for-sale investments	22	**–**	1	**–**	–
Held for sale assets		**6**	–	**–**	–
		832	984	**771**	883
Total assets		**2,054**	2,294	**4,022**	4,165
Current liabilities					
Trade and other payables	17	**(553)**	(744)	**(893)**	(1,218)
Borrowings	9	**(373)**	(72)	**(373)**	(72)
Tax payable		**(24)**	(24)	**–**	–
Provisions	14	**(46)**	(10)	**–**	–
Held for sale liabilities		**–**	–	**–**	–
		(996)	(850)	**(1,266)**	(1,290)
Non-current liabilities					
Trade and other payables	17	**(623)**	(641)	**(580)**	(580)
Borrowings	9	**–**	(298)	**–**	(298)
Deferred tax liabilities	6	**(57)**	(96)	**–**	–
Retirement benefit obligations		**(4)**	(4)	**–**	–
Provisions	14	**(12)**	(12)	**–**	–
		(696)	(1,051)	**(580)**	(878)
Total liabilities		**(1,691)**	(1,901)	**(1,846)**	(2,168)
Net assets		**363**	393	**2,176**	1,997
Equity					
Capital and reserves					
Called up share capital	24	**233**	233	**233**	233
Other reserves	25	**260**	298	**1**	(1)
Translation		**309**	414	**–**	–
(Accumulated losses)/Retained earnings		**(464)**	(579)	**1,942**	1,765
Equity attributable to owners of the Company		**338**	366	**2,176**	1,997
Non-controlling interests		**25**	27	**–**	–
Total equity		**363**	393	**2,176**	1,997

The consolidated and Company balances sheets for the year ended 31 March 2017 have been restated due to a reclassification of a current other receivable to a non-current other receivable. 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 profit for the year ended 31 March 2018 of £177 million (2016/17: £893 million).

The financial statements and accompanying notes on pages 22 to 70 were approved by the board of directors on 26 July 2018 and signed on behalf of the board

D R Abrehart

D Abrehart
Director

NEX GROUP HOLDINGS PLC

Financial statements continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	Share capital (note 24(a)) £m	Other reserves (note 25(a)) £m	Translation £m	(Accumulated losses)/ Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2017	**233**	**298**	**414**	**(579)**	**366**	**27**	**393**
Profit for the year	–	–	–	**66**	66	1	**67**
Other comprehensive income/(expense)							
Revaluation loss of available-for-sale investments (note 22, note 25(a))	–	**(1)**	–	–	**(1)**	–	**(1)**
Unrealised movement in cash flow hedges (note 25(a))	–	**4**	–	–	**4**	–	**4**
Realised movement in cash flow hedges (note 25(a))	–	**1**	–	–	**1**	–	**1**
Exchange differences	–	–	**(105)**	–	**(105)**	**(1)**	**(106)**
Income tax (note 6)	–	**(1)**	–	–	**(1)**	–	**(1)**
Total comprehensive income/(expense) for the year	–	**3**	**(105)**	**66**	**(36)**	–	**(36)**
Share-based payments in the year (note 7)	–	–	–	**8**	**8**	–	**8**
Reclassification of revaluation reserve	–	**(41)**	–	**41**	–	–	–
Other movements in non-controlling interests	–	–	–	–	–	**(2)**	**(2)**
Balance as at 31 March 2018	**233**	**260**	**309**	**(464)**	**338**	**25**	**363**

Year ended 31 March 2017	Share capital (note 24(a)) £m	Other reserves (note 25(a)) £m	Translation £m	(Accumulated losses)/ Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2016	233	297	255	(514)	271	41	312
Profit for the year	–	–	–	1,303	1,303	(1)	1,302
Other comprehensive income/(expense)							
Unrealised movement in cash flow hedges (note 25(a))	–	(10)	–	–	(10)	–	(10)
Realised movement in cash flow hedges (note 25(a))	–	17	–	–	17	–	17
Exchange differences	–	–	171	–	171	6	177
Income tax (note 6)	–	(1)	–	1	–	–	–
Total comprehensive income for the year	–	6	171	1,304	1,481	5	1,486
Share-based payments in the year (note 7)	–	–	–	11	11	–	11
Dividends paid in the year (note 5)	–	–	–	(142)	(142)	(1)	(143)
Merger reserve	–	334	–	–	334	–	334
Distribution of discontinued operations	–	(339)	(12)	(1,238)	(1,589)	(19)	(1,608)
Other movements in non-controlling interests	–	–	–	–	–	1	1
Balance as at 31 March 2017	233	298	414	(579)	366	27	393

NEX GROUP HOLDINGS PLC
Financial statements continued

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018	Share capital (note 24(a)) £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance as at 1 April 2017	**233**	**(1)**	**1,765**	**1,997**
Profit for the year	–	–	177	177
Hedging movement	–	2	–	2
Total comprehensive income for the year	**–**	**2**	**177**	**179**
Balance as at 31 March 2018	**233**	**1**	**1,942**	**2,176**

Year ended 31 March 2017	Share capital (note 24(a)) £m	Hedging reserve £m	Retained earnings £m	Total £m
Balance as at 1 April 2016	233	–	2,527	2,760
Profit for the year	–	–	893	893
Hedging movement	–	(1)	–	(1)
Total comprehensive income/(expense) for the year	–	(1)	893	892
Dividends paid in the year	–	–	(143)	(143)
Dividend-in-specie	–	–	(1,512)	(1,512)
Balance as at 31 March 2017	233	(1)	1,765	1,997

NEX GROUP HOLDINGS PLC

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CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

		Group		Company	
	Note	**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	10(a)	**(22)**	354	**(22)**	989
Cash flows from investing activities					
Dividends received from subsidiary		**–**	–	**–**	–
Dividends received from associates		**3**	3	**–**	–
Dividends received from joint ventures		**–**	1	**–**	–
Other equity dividends received		**–**	–	**–**	–
Payments to acquire property and equipment		**(18)**	(19)	**–**	–
Intangible development expenditure		**(70)**	(75)	**–**	–
Proceeds from disposal of interest in subsidiaries		**–**	–	**–**	1,512
Proceeds from disposal of available-for-salve investments		**2**	–	**–**	–
Acquisition of available-for-sale investments		**(3)**	(9)	**–**	–
Acquisition of interests in subsidiaries		**–**	(46)	**(57)**	(596)
Acquisition of associates and joint ventures		**(3)**	(5)	**–**	–
Movement in restricted funds		**84**	(50)	**–**	–
Monies received in satisfaction of completion receivable		**–**	330	**–**	–
Derecognition of cash held in discontinued operations		**–**	(384)	**–**	–
Net cash flows from investing activities		**(5)**	(254)	**(57)**	916
Cash flows from financing activities					
Dividends paid to non-controlling interest		**–**	(1)	**–**	–
Dividends paid to owners of the Company		**–**	(142)	**–**	(1,655)
Repayment of borrowings		**(139)**	(151)	**(139)**	(151)
Funds received from borrowings, net of fees		**139**	51	**139**	51
Net cash flows from financing activities		**–**	(243)	**–**	(1,755)
Net (decrease)/increase in cash and cash equivalents		**(27)**	(143)	**(79)**	150
Net cash and cash equivalents at the beginning of the year		**321**	403	**159**	9
FX adjustments		**(20)**	61	**–**	–
Net cash and cash equivalents at the end of the year*	10(c)	**274**	321	**80**	159

* Net cash and cash equivalents comprises cash and cash equivalents of £269 million (2015/16: £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 the Group with access to a CCP.

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.

NEX GROUP HOLDINGS PLC

Basis of preparation

BASIS OF PREPARATION

Preparation of financial statements

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with IFRSs, as issued by the International Accounting Standards Body (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) and their predecessor bodies, and as endorsed by the EU and the Companies Act 2006 applicable to companies reporting under IFRSs. In publishing the parent company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408(3) of the Companies Act 2006 not to present its individual income statement, individual statement of comprehensive income and related notes that form a part of these financial statements The financial statements are prepared in pound sterling, which is the functional currency of the Company, and are presented in millions. The Company is incorporated and domiciled in England and Wales

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; 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. 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 15) or provisions (note 14) 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 and exceptional items (note 3) under IAS 1 'Presentation of Financial Statements'. Management considers that the decision to present acquisitions, disposals and similar items and exceptional 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 12) 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 13) 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 12) 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.

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 coordinated 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 and exceptional items. Trading profit 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.

The column 'exceptional items' includes items which are both of a non-recurring nature and material and therefore are shown separately from trading items so that the underlying performance of the Group can be separately monitored.

Basis of consolidation

The Group's consolidated financial statements include the results and net assets of the Company, its subsidiaries (note 19) and the Group's share of joint ventures (note 20) and associates (note 21)

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 noncontrolling 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 10.

(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.

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.

NEX GROUP HOLDINGS PLC
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.

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

(b) Segmental results relating to the Group's total operations

	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
	Year ended 31 March 2018				
Continuing operations:					
Revenue per the NEX Group	**326**	**260**	**5**	**–**	**591**
Adjustment for non NGHP subsidiary companies					**–**
Revenue per the NGHP Group					**591**
Trading operating profit/(loss) per the NEX Group	**121**	**64**	**(39)**	**1**	**147**
Adjustment for non NGHP subsidiary companies					**1**
Trading operating profit/(loss) per the NGHP Group					**148**
Trading EBIT* per the NEX Group	**121**	**67**	**(38)**	**1**	**151**
Adjustment for non NGHP subsidiary companies					**(3)**
Adjustment for non NGHP associates and joint ventures					**2**
Trading EBIT* per the NGHP Group					**150**

	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
	Year ended 31 March 2017 (restated)				
Continuing operations:					
Revenue per the NEX Group	313	240	5	(17)	541
Adjustment for non NGHP subsidiary companies					–
Revenue per the NGHP Group					541
Trading operating profit/(loss) per the NEX Group	116	72	(21)	(15)	152
Adjustment for non NGHP subsidiary companies					(5)
Trading operating profit/(loss) per the NGHP Group					147
Trading EBIT* per the NEX Group	116	72	(21)	(15)	152
Adjustment for non NGHP subsidiary companies					(5)
Adjustment for non NGHP associates and joint ventures					(3)
Trading EBIT* per the NGHP Group					144

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

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

1. The consolidated and Company balance sheets as at 31 March 2017 have been restated due to 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 16) and financial assets and liabilities (note 18).

Other restatements

2. The consolidated income statement for the year ended 31 March 2017 has been restated due to the reclassification of items from the 'exceptional items' column to the 'trading' column. The classification was changed because the Group no longer considers those items to be exceptional items. 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) and tax (note 6) for the year ended 31 March 2017.

3 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), tax (note 6), employee information and expense (note 7) and cash (note 10).

4. 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 10). There is no impact on total cash flows for the year ended 31 March 2017

5. 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.

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

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

Continuing income statement

	Group			
	FY17 previously reported			
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	543	–	–	543
Operating expenses	(403)	(21)	5	(419)
Other income	–	22	–	22
Operating profit	**140**	**1**	**5**	**146**
Finance income	1	–	–	1
Finance costs	(46)	–	–	(46)
Share of profit of associates after tax	(3)	–	–	(3)
Profit before tax from continuing operations	**92**	**1**	**5**	**98**
Tax	(17)	6	–	(11)
Profit for the year from continuing operations	**75**	**7**	**5**	**87**
Profit for the year from discontinued operations	74	1	1,140	1,215
Profit for the year	**149**	**8**	**1,145**	**1,302**

	Group			
	Restatement 2			Restatement 3
	Trading £m	Acquisition and disposal costs £m	Exceptional items £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)**	**–**

	Group			
	FY17 restated			
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	541	–	–	541
Operating expenses	(394)	(21)	–	(415)
Other income	–	22	–	22
Operating profit	**147**	**1**	**–**	**148**
Finance income	1	–	–	1
Finance costs	(46)	–	–	(46)
Share of profit of associates after tax	(3)	–	–	(3)
Profit before tax from continuing operations	**99**	**1**	**–**	**100**
Tax	(17)	6	–	(11)
Profit for the year from continuing operations	**82**	**7**	**–**	**89**
Profit for the year from discontinued operations	72	1,141	–	1,213
Profit for the year	**154**	**1,148**	**–**	**1,302**

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

Discontinued income statement

	Group			
	FY17 previously reported			
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	560	–	–	560
Operating expenses	(476)	(1)	(28)	(505)
Other income	2	1	–	3
Operating profit	**86**	**–**	**(28)**	**58**
Net finance income	1	–	–	1
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**	**–**	**1,134**	**1,225**
Tax	(17)	1	6	(10)
Profit for the year from discontinued operations	**74**	**1**	**1,140**	**1,215**

	Group			
	Restatement 2			Restatement 3
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Trading £m
Revenue	–	–	–	2
Operating expenses	–	(28)	28	(4)
Operating profit	**–**	**(28)**	**28**	**(2)**
Gain on sale 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)**

	Group			
	FY17 restated			
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
Revenue	562	–	–	562
Operating expenses	(480)	(29)	–	(509)
Other income	2	1	–	3
Operating profit	**84**	**(28)**	**–**	**56**
Net finance income	1	–	–	1
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	**89**	**1,134**	**–**	**1,223**
Tax	(17)	7	–	(10)
Profit for the year from discontinued operations	**72**	**1,141**	**–**	**1,213**

NEX GROUP HOLDINGS PLC
Notes to the financial statements continued

Consolidated balance sheet

	Group		
	FY17 previously reported £m	Restatement 1 £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 subsidiaries	–	–	–
Investment in joint ventures	1	–	1
Investment in associates	32	–	32
Deferred tax assets	21	–	21
Trade and other receivables	17	30	47
Available-for-sale investments	20	–	20
	1,280	**30**	**1,310**
Current assets			
Trade and other receivables	590	(30)	560
Cash and cash equivalents	321	–	321
Restricted funds	102	–	102
Available-for-sale investments	1	–	1
Held for sale assets	–	–	–
	1,014	**(30)**	**984**
Total assets	**2,294**	–	**2,294**
Current liabilities			
Trade and other payables	(744)	–	(744)
Borrowings	(72)	–	(72)
Tax payable	(24)	–	(24)
Provisions	(10)	–	(10)
Held for sale liabilities	–	–	–
	(850)		**(850)**
Non-current liabilities			
Trade and other payables	(641)	–	(641)
Borrowings	(298)	–	(298)
Deferred tax liabilities	(96)	–	(96)
Retirement benefit obligations	(4)	–	(4)
Provisions	(12)	–	(12)
	(1,051)	–	**(1,051)**
Total liabilities	**(1,901)**	–	**(1,901)**
Net assets	**393**	–	**393**
Equity			
Capital and reserves			
Called up share capital	233	–	233
Other reserves	298	–	298
Translation	414	–	414
(Accumulated losses)/Retained earnings	(579)	–	(579)
Equity attributable to owners of the Company	**366**	–	**366**
Non-controlling interests	27	–	27
Total equity	**393**	–	**393**

NEX GROUP HOLDINGS PLC
Notes to the financial statements continued

Company balance sheet

	Company		
	FY17 previously reported £m	Restatement 1 £m	FY17 restated £m
Non-current assets			
Intangible assets arising on consolidation	–	–	–
Intangible assets arising from development expenditure	–	–	–
Property and equipment	–	–	–
Investment in subsidiaries	3,232	–	3,232
Investment in joint ventures	–	–	–
Investment in associates	10	–	10
Deferred tax assets	–	–	–
Trade and other receivables	8	30	38
Available-for-sale investments	2	–	2
	3,252	**30**	**3,282**
Current assets			
Trade and other receivables	754	(30)	724
Cash and cash equivalents	159	–	159
Restricted funds	–	–	–
Available-for-sale investments	–	–	–
Held for sale assets	–	–	–
	913	**(30)**	**883**
Total assets	**4,165**	**–**	**4,165**
Current liabilities			
Trade and other payables	(1,218)	–	(1,218)
Borrowings	(72)	–	(72)
Tax payable	–	–	–
Provisions	–	–	–
Held for sale liabilities	–	–	–
	(1,290)	**–**	**(1,290)**
Non-current liabilities			
Trade and other payables	(580)	–	(580)
Borrowings	(298)	–	(298)
Deferred tax liabilities	–	–	–
Retirement benefit obligations	–	–	–
Provisions	–	–	–
	(878)	**–**	**(878)**
Total liabilities	**(2,168)**	**–**	**(2,168)**
Net assets	**1,997**	**–**	**1,997**
Equity			
Capital and reserves			
Called up share capital	233	–	233
Other reserves	(1)	–	(1)
Translation	–	–	–
(Accumulated losses)/Retained earnings	1,765	–	1,765
Equity attributable to owners of the Company	**1,997**	**–**	**1,997**
Non-controlling interests	–	–	–
Total equity	**1,997**	**–**	**1,997**

NEX GROUP HOLDINGS PLC
Notes to the financial statements continued

Consolidated statement of cash flow

	Group		
	FY17 previously reported £m	Restatement 4 £m	FY17 restated £m
Cash flows from operating activities	**354**	**–**	**354**
Cash flows from investing activities			
Dividends received from subsidiary	–	–	–
Dividends received from associates	3	–	3
Dividends received from joint ventures	1	–	1
Other equity dividends received	–	–	–
Payments to acquire property and equipment	(19)	–	(19)
Intangible development expenditure	(75)	–	(75)
Proceeds from disposal of interest in subsidiaries	–	–	–
Acquisition of available-for-sale investments	(9)	–	(9)
Acquisition of interests in subsidiaries	(46)	–	(46)
Acquisition of associates and joint ventures	(5)	–	(5)
Movement in restricted funds	–	(50)	(50)
Monies received in satisfaction of completion receivable	330	–	330
Derecognition of cash held in discontinued operations	(384)	–	(384)
Net cash flows from investing activities	**(204)**	**(50)**	**(254)**
Cash flows from financing activities			
Dividends paid to non-controlling interest	(1)	–	(1)
Dividends paid to owners of the Company	(142)	–	(142)
Repayment of borrowings	(151)	–	(151)
Funds received from borrowings, net of fees	51	–	51
Movement in restricted funds	(50)	50	–
Net cash flows from financing activities	**(293)**	**50**	**(243)**
Net (decrease)/increase in cash and cash equivalents	**(143)**	**–**	**(143)**
Net cash and cash equivalents at the beginning of the year	403	–	403
FX adjustments	61	–	61
Net cash and cash equivalents at the end of the year*	**321**	**–**	**321**

NEX GROUP HOLDINGS PLC
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 7)	**239**	218
IT costs*	**111**	84
Professional and legal fees (including auditors' remuneration)	**27**	22
Depreciation and impairment of property and equipment (excluding IT)	**2**	1
Operating lease rentals – minimum lease payments	**19**	15
Exchange adjustments	**3**	4
Onerous lease provisions release	**–**	(7)
Regulatory matters (net of insurance claims)	**3**	2
Other	**46**	55
Trading operating expenses	**450**	394
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	**4**	–
Other acquisition and disposal costs	**2**	1
Acquisitions, disposals and similar items	**9**	21
Exceptional items:		
Settlement of legal claim	**36**	–
Exceptional items	**36**	–
Operating expenses (statutory)	**495**	415

* IT costs include £50 million (2016/17: £38 million) of depreciation and amortisation charges. The remaining £61 million (2016/17: £46 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.

Exceptional items comprise the settlement of a civil lawsuit and regulatory lawsuit, both in relation to the setting of USD ISDAFIX rates.

In June 2018, Intercapital Capital Markets LLC (ICM) reached a settlement of consolidated class action suits that had been filed in 2014 against ICM and USD ISDAFIX settling banks alleging a conspiracy in violation of the antitrust laws among the banks and ICM to manipulate USD ISDAFIX. Pursuant to the settlement, which has received preliminary approval from the Court but remains subject to final approval, ICM has agreed to pay £8 million ($12 million) without admitting liability on the underlying allegations. ICM has a written commitment from its insurance carrier to indemnify it for the full settlement amount. This has been accounted for as an adjusting event after the reporting period, with the settlement payable recognised in provisions (note 14), insurance receivable recognised in trade and other receivables (note 16) and the settlement expense and insurance income recognised net in exceptional items (note 3).

In July 2018, ICM also reached an agreement in principle to resolve the Commodity Futures Trading Commission's (CFTC) investigation into ICM's role in the setting of USD ISDAFIX rates for £36 million ($50 million). The settlement is subject to final documentation of its terms by the parties and approval by the CFTC. This has been accounted for as an adjusting event after the reporting period.

Trading operating expenses for the year ended 31 March 2017 has been restated due to the reclassification of items from the 'exceptional items' column to the 'trading' 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.

(b) Auditor's remuneration

The fee paid to Deloitte LLP (Deloitte) for the statutory audit of the Company for the year ended 31 March 2018 was £10,000. The fee paid to PricewaterhouseCoopers LLP (PwC) for the statutory audit of the Company for the year ended 31 March 2017 was £40,000. Fees paid to the Company's auditors and their associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of NEX Group disclose these fees on a consolidated basis.

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

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 plc (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.

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	562	–	562
Operating expenses	(3)	(1)	(4)	(480)	(29)	(509)
Other income	–	–	–	2	1	3
Operating profit from discontinued operations	**(2)**	**(1)**	**(3)**	84	(28)	56
Net finance income	–	–	–	1	–	1
Share of profit of associates and joint ventures after tax	–	–	–	4	–	4
Gain on distribution of discontinued operations	–	4	4	–	1,162	1,162
Profit before tax from discontinued operations	**(2)**	**3**	**1**	89	1,134	1,223
Tax on ordinary activities from discontinued operations	–	–	–	(17)	7	(10)
Profit for the year from discontinued operations	**(2)**	**3**	**1**	72	1,141	1,213
Attributable to:						
Owners of the Company	(2)	3	1	73	1,141	1,214
Non-controlling interests	–	–	–	(1)	–	(1)
	(2)	3	1	72	1,141	1,213

Discontinued operations for the year ended 31 March 2017 has been restated due to the reclassification of items from the 'exceptional items' column to the 'trading' 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. Dividends payable

For the year ended 31 March 2018, total dividends of £nil million (2016/17 £1,655 million) were proposed by the board with a payment of £nil (2016/17: £143 million) and a dividend-in-specie of £nil (2016/17. £1,512 million). This equates to a total dividend per share for the year ended 31 March 2018 of nil pence (2016/17. 710 pence)

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

6. 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 (restated)
Continuing operations:		
Current tax		
Current year	21	22
Tax relating to prior year items	7	(6)
	28	16
Deferred tax		
Current year	9	(4)
Tax relating to prior year items	–	(1)
Change in tax rate associated with US tax reform	(27)	–
	(18)	(5)
Total tax charged to the consolidated income statement	10	11

The total tax charge in the consolidated income statement for discontinued operations is £nil (2016/17: £10 million).

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	109	78	99	100
Profit before tax at the standard rate of Corporation Tax in the UK of 19% (2016/17: 20%)	21	14	20	20
Reconciling items:				
Expenses not deductible for tax purposes	6	12	5	5
Non-taxable income	(8)	(8)	(4)	(8)
Impact of overseas tax rates	14	11	3	–
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	(8)	(7)
Deferred tax impact of change in tax rates	(1)	(27)	–	–
Total tax charged to the consolidated income statement	33	10	17	11
Effective tax rate	30%	13%	17%	11%

The reconciliation of tax on trading profit before tax has been restated for the year ended 31 March 2017 due to the reclassification of items from the 'exceptional items' column to the 'trading' column and due to NEX Exchange Limited becoming a discontinued operation in the year. See note 2 for more information

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

6. Tax continued

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.

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 US 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 a £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	Year ended 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 £m
Continuing operations:						
Net balances at 1 April 2017	(80)	(6)	19	1	(9)	(75)
Tax (charge)/credit	(5)	1	(4)	(1)	–	(9)
Movement (to)/from equity	24	2	(3)	–	4	27
FX adjustments	7	–	–	–	1	8
Net balances as at 31 March 2018	(54)	(3)	12	–	(4)	(49)

NEX GROUP HOLDINGS PLC
Notes to the financial statements continued

6. Tax continued

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)	(4)	12	1	1	(56)
Tax (charge)/credit	(6)	6	3	–	2	5
Tax credit to equity	–	–	1	–	–	1
FX adjustments	(8)	(1)	1	–	–	(8)
Other	–	(7)	2	–	(12)	(17)
Net balances as at 31 March 2017	(80)	(6)	19	1	(9)	(75)

A deferred tax liability for taxable temporary differences relating to goodwill has been recognised to the extent it does 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. Because the 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.

(e) Unrecognised deferred tax

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	Year ended 31 March 2018 £m	As at 31 March 2017 £m
Capital losses	**6**	6
Trading losses	**37**	38
Non-trading losses	**42**	9
	85	53

The capital losses, trading losses 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

For the Company, a deferred tax asset has not been recognised in respect of non-trading UK losses of £36 million These losses are available to be carried forward indefinitely.

7. Employee information and expense

The Group operates several pension plans, 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

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

7. Employee information and expense continued

(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**	233
Social security costs	**33**	18
Share-based payments	**8**	4
Pension costs	**9**	8
Gross employee costs	**298**	263
Employee costs capitalised as internally generated intangible assets (note 13)	**(57)**	(45)
Net employee costs*	**241**	218

* Net employee costs of £241 million (2016/17: £218 million) includes £239 million (2016/17: £218 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.

Details of the Group's share based payments are disclosed in the NEX Group plc 2018 Annual Report, which does not form part of these financial statements.

(b) Number of employees analysed by operating segment

	Average		Year end	
	Year ended 31 March 2018	Year ended 31 March 2017	As at 31 March 2018	As at 31 March 2017
Continuing operations:				
NEX Markets	**716**	694	**684**	728
NEX Optimisation	**927**	782	**916**	906
NEX Group and 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.

(c) Key management remuneration

Key management consists of the members of the Global Executive Management Group (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.

Company

The Company does not have any employees. During the year, no remuneration was earned by the directors for the provision of services to the Company. The directors of the Company are also employees of the Group and their remuneration costs were borne by a fellow subsidiary of the Group.

8. 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 other income	1	1
Total finance income	1	1
Finance costs		
Interest payable and similar charges	(13)	(20)
Interest payable to affiliates	(24)	(23)
Other finance costs	(7)	(3)
Total finance costs	(44)	(46)
Net finance expense	(43)	(45)

(b) Interest rate risk exposure

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.

9. 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	–	298
	–	316	–	298	–	298

The five-year senior note was presented under long-term borrowings as at 31 March 2017 but have been presented under short-term borrowings as at 31 March 2018 as its maturity date is in March 2019.

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, NEX Group plc is required to remain as the ultimate holding company in the NEX Group The Group and Company remained in compliance with the terms of all its financial covenants throughout the year ended 31 March 2018.

9. Borrowings continued

(b) Committed facilities

Group	Group as at 31 March 2018 £m Drawn	Group as at 31 March 2018 £m Undrawn*	Group as at 31 March 2017 £m Drawn	Group as at 31 March 2017 £m Undrawn*
Less than one year	67	–	72	–
Between one and two years	–	–	–	–
Between two and five years	–	350	298	300
	67	350	370	300

* 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	67	72
Five-year senior notes repayable FY2018/19	316	–	306	–	306	–
	383	72	373	72	373	72

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.

The fair value of the five-year senior notes repayable 2019 has been measured using level 1 fair value measurement inputs.

10. 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 9), 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.

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

10. Cash continued

(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	**78**	100
Profit before tax from discontinued operations (note 4)	**1**	1,223
Operating one-off items	**–**	23
Share of profit of associates after tax	**(2)**	1
Share of loss/(profit) of joint ventures after tax	**–**	(2)
Amortisation of intangible assets arising on consolidation (note 3)	**3**	20
Amortisation of intangible assets arising from development expenditure (note 12)	**38**	39
Depreciation of property and equipment (note 23)	**14**	16
Impairment of property and equipment (note 23)	**–**	2
Impairment of investment in joint ventures (note 20)	**1**	–
Impairment of available-for-sale investments (note 22)	**3**	–
Other acquisitions, disposals and similar items	**(16)**	(1)
Gain on equity interest (note 3)	**–**	(20)
Gain on distribution of discontinued operations (note 4)	**–**	(1,162)
Share-based payments (trading)	**8**	7
Net finance expense (note 8)	**37**	41
Increase of trading provision	**46**	3
Operating cash flows before movements in working capital	**209**	290
Decrease/(increase) in trade and other receivables	**20**	(63)
(Decrease)/increase in trade and other payables	**(156)**	293
Timing differences on unsettled matched principal trades	**–**	(63)
Cash generated by operations before one-off items	**73**	457
Operating one-off items paid	**(15)**	(48)
Cash generated by operations	**58**	409
Interest received	**1**	2
Interest paid	**(40)**	(14)
Tax paid	**(41)**	(43)
Cash flow from operating activities	**(22)**	354

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.

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	**298**	**72**	**370**	384	64	448
Cash movements						
Repayment of borrowings	**–**	**(139)**	**(139)**	(108)	(43)	(151)
Funds received from borrowings, net of fees	**–**	**139**	**139**	–	51	51
Non-cash movements:						
Reclassification of borrowings	**(306)**	**306**	**–**	–	–	–
Exchange adjustment	**8**	**(5)**	**3**	22	–	22
As at 31 March	**–**	**373**	**373**	298	72	370

10. Cash continued

Company	Year ended 31 March 2018 Long-term borrowings £m	Year ended 31 March 2018 Short-term borrowings £m	Year ended 31 March 2018 Total £m	Year ended 31 March 2017 Long-term borrowings £m	Year ended 31 March 2017 Short-term borrowings £m	Year ended 31 March 2017 Total £m
As at 1 April	298	72	370	384	64	448
Cash movements:						
Repayment of borrowings	–	(139)	(139)	(108)	(43)	(151)
Funds received from borrowings, net of fees	–	139	139	–	51	51
Non-cash movements:						
Reclassification of borrowings	(306)	306	–	–	–	–
Exchange adjustment	8	(5)	3	22	–	22
As at 31 March	–	373	373	298	72	370

(c) Net debt

Net debt comprises cash and cash equivalents less gross debt. Restricted funds is not included within net debt due to its availability constraints (note 10(f)).

	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
Gross debt (note 9)	**(373)**	(370)	**(373)**	(370)
Cash and cash equivalents	**269**	321	**80**	159
Net debt	**(104)**	(49)	**(293)**	(211)

(d) Total cash

	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
Cash and cash equivalents	**269**	321	**80**	159
Restricted funds	**18**	102	**–**	–
Total cash	**287**	423	**80**	159

(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 £84 million to £18 million as at 31 March 2018 (2016/17: increased by £78 million to £102 million).

11. 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 £373 million (2016/17: £370 million), the maturity analysis of which is set out in note 9, and cash and cash equivalents of £269 million (2016/17: £321 million) (see note 10(c)). Cash held at clearing houses, or a financial institution providing the Group 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 10(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.

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 9) and equity, including share capital (note 24), other reserves (note 25) 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

12. 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.

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

12. **Intangible assets arising from development expenditure** continued

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 £m			2016/17 £m		
	Development expenditure £m	Assets under construction £m	Total £m	Development expenditure £m	Assets under construction £m	Total £m
Cost						
As at 1 April	**224**	**58**	**282**	159	48	207
Additions*	**–**	**70**	**70**	–	59	59
Disposals	**(7)**	**–**	**(7)**	–	–	–
Reclassification	**69**	**(69)**	**–**	50	(50)	–
Other movements	**(16)**	**–**	**(16)**	–	–	–
Transfer to held for sale	**(1)**	**–**	**(1)**	–	–	–
Exchange adjustments	**(16)**	**(1)**	**(17)**	15	1	16
As at 31 March	**253**	**58**	**311**	224	58	282
Accumulated amortisation and impairment						
As at 1 April	**155**	**–**	**155**	119	–	119
Amortisation charge for the year	**38**	**–**	**38**	29	–	29
Disposals	**(7)**	**–**	**(7)**	–	–	–
Other movements	**(22)**	**–**	**(22)**	–	–	–
Transfer to held for sale	**(1)**	**–**	**(1)**	–	–	–
Exchange adjustments	**(9)**	**–**	**(9)**	7	–	7
As at 31 March	**154**	**–**	**154**	155	–	155
Net book value						
As at 31 March	**99**	**58**	**157**	69	58	127

* Included within additions are £57 million (2015/16: £45 million) of employee costs (note 7(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 net £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.

13. 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

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 20

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 21.

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

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

13. Intangible assets arising on consolidation continued

(a) Intangible assets arising on consolidation

Group	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2017	**1,162**	**643**	**1,805**
Re-estimate	**(2)**	**–**	**(2)**
Exchange adjustments	**(84)**	**(1)**	**(85)**
As at 31 March 2018	**1,076**	**642**	**1,718**
Amortisation and impairment			
As at 1 April 2017	**154**	**625**	**779**
Amortisation charge for the year	**–**	**3**	**3**
As at 31 March 2018	**154**	**628**	**782**
Net book value			
As at 31 March 2018	**922**	**14**	**936**

Group	Goodwill £m	Other £m	Total £m
Cost			
As at 1 April 2016	965	620	1,585
Additions	91	19	110
Exchange adjustments	106	4	110
As at 31 March 2017	1,162	643	1,805
Amortisation and impairment			
As at 1 April 2016	154	605	759
Amortisation charge for the year	–	20	20
As at 31 March 2017	154	625	779
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.

(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**

13. Intangible assets arising on consolidation continued

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. 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 judgement 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

14. 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	Legal £m	Other £m	Total £m
As at 1 April 2017	5	2	–	15	22
Amounts recognised in the income statement	–	36	8	2	46
Settled during the year	(5)	–	–	(7)	(12)
Reclassified from accruals	1	–	–	–	1
As at 31 March 2018	1	38	8	10	57

Group	Restructuring £m	Regulatory matters £m	Legal £m	Other £m	Total £m
As at 1 April 2016	10	2	–	9	21
Amounts recognised in the income statement	(3)	–	–	22	19
Settled during the year	(3)	–	–	(18)	(21)
Reclassified from accruals	–	–	–	1	1
Exchange adjustments	1	–	–	1	2
As at 31 March 2017	5	2	–	15	22

Amounts recognised in the income statement during the year include the settlement of a civil lawsuit and regulatory lawsuit, both in relation to the setting of USD ISDAFIX rates (note 3).

Total provisions of £57 million (2016/17: £22 million) comprise £12 million (2016/17: £12 million) of non-current provisions and £45 million (2016/17: £10 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 17.

15. Contingent liabilities, contractual commitments and guarantees

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

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

From time to time the Company, or its subsidiaries, are engaged in litigation in relation to a variety of matters, and are also required to provide information to regulators and other government agencies as part of informal and formal inquiries or market reviews

Details of regulatory and other matters that have a provision recognised for them are detailed in note 14.

(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.

16. 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 26.

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 16) 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

16. Trade and other receivables continued

(a) Non-current and current receivables

	Group		Company	
Group	**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	**1**	8
Other receivables	**30**	36	**23**	30
	34	47	**24**	38
Current receivables				
Matched principal trade receivables	**4**	–	**–**	–
Other trade receivables	**77**	76	**–**	–
Impairment of other trade receivables	**–**	–	**–**	–
Amounts owed by affiliates	**357**	416	**348**	353
Amounts owed by subsidiaries	**–**	–	**306**	327
Amounts owed by associates	**4**	3	**4**	4
Amounts owed by other related parties	**2**	1	**–**	–
Derivative financial instruments	**20**	6	**20**	6
Other receivables	**48**	40	**–**	12
Prepayments	**16**	18	**3**	–
	528	560	**681**	702

The consolidated and Company balance sheets as at 31 March 2017 have been restated due to a reclassification of a current other receivable to a non-current other receivable See note 2 for more information.

Other current receivables as at 31 March 2018 includes the insurance receivable of £8 million (2016/17. £nil) in relation to a civil lawsuit for the setting of USD ISDAFIX rates (note 3).

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

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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

16. Trade and other receivables continued

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 (restated)
Not overdue or less than 30 days overdue	60	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
	77	76

(d) Trade receivables by currency

The table below shows the concentration of the Group's continuing 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	58	7	1	1	77
	10	62	7	1	1	81

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

17. 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 16). Details of the accounting policy relating to derivative financial instruments is included in note 26.

(a) Non-current and current payables

Group	Group As at 31 March 2018 £m	Group As at 31 March 2017 £m	Company As at 31 March 2018 £m	Company As at 31 March 2017 £m
Non-current payables				
Contingent consideration	12	27	–	–
Amounts owed to affiliates	580	580	580	580
Deferred consideration	14	15	–	–
Other payables	15	18	–	–
Deferred income	2	1	–	–
	623	641	580	580
Current payables				
Matched principal trade payables	5	1	–	–
Other trade payables	10	16	–	–
Amounts owed to affiliates	392	550	391	550
Amounts owed to subsidiaries	–	–	407	648
Amounts owed to associates	1	–	–	–
Amounts owed to related parties	–	1	–	–
Derivative financial instruments	3	11	3	11
Accruals	95	117	2	9
Other tax and social security	18	12	–	–
Deferred income	24	29	–	–
Other payables	5	7	–	–
	553	744	803	1,218

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 affiliates	392	–	–	580	972
Amounts owed to associates	1	–	–	–	1
Other payables	5	–	15	–	20
Contingent consideration	–	–	12	–	12
Deferred consideration	–	–	14	–	14
Provisions (note 14)	1	–	–	–	1
Accruals	86	9	–	–	95
	502	10	41	580	1,133

17. Trade and other continued

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 affiliates	550	–	580	–	1,130
Amounts owed to related parties	1	–	–	–	1
Other payables	6	2	17	–	25
Contingent consideration	–	–	27	–	27
Deferred consideration	–	–	15	–	15
Provisions (note 14)	–	4	1	–	5
Accruals	49	68	–	–	117
	626	82	640	–	1,348

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

Company

Maturity of financial liabilities included within trade and other payables and provisions as at 31 March 2018

Company	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Accruals	–	2	–	–	2
Derivative financial instruments	1	2	–	–	3
Amounts owed to Group companies	888	–	580	–	1,468
	889	4	580	–	1,473

Maturity of financial liabilities included within trade and other payables and provisions as at 31 March 2017

Company	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Accruals	–	9	–	–	9
Derivative financial instruments	3	8	–	–	11
Amounts owed to Group companies	1,198	–	580	–	1,778
	1,201	17	580	–	1,798

18. 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

Group	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 10)	–	–	269	269
Restricted funds (note 10)	–	–	18	18
Available-for-sale investments (note 23)	–	17	–	17
Matched principal trade receivables	–	–	4	4
Deposits	–	–	3	3
Other trade receivables	–	–	77	77
Amounts owed from other related parties	–	–	2	2
Amounts owed from affiliates	–	–	357	357
Amounts owed from associates	–	–	4	4
Derivative financial instruments	21	–	–	21
Other receivables	–	–	78	78
	21	17	812	850

18. Financial assets and liabilities continued

Classification of financial assets as at 31 March 2017

Group (restated)	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 10)	–	–	321	321
Restricted funds (note 10)	–	–	102	102
Available-for-sale investments (note 22)	–	21	–	21
Deposits	–	–	3	3
Other trade receivables	–	–	76	76
Amounts owed from other related parties	–	–	1	1
Amounts owed from affiliates	–	–	416	416
Amounts owed from associates	–	–	3	3
Derivative financial instruments	14	–	–	14
Other receivables	–	–	76	76
	14	21	998	1,033

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 26).

Financial assets can be reconciled to the balance sheet as follows:

Group	As at 31 March 2018 £m	As at 31 March 2017 £m (restated)
Current receivables (note 16)	528	560
Non-current receivables (note 16)	34	47
Available-for-sale financial investments (note 22)	17	21
Cash and cash equivalents including restricted funds (note 10)	287	423
Excluded:		
Prepayments (note 16)	(16)	(18)
	850	1,033

Financial assets for the year ended 31 March 2017 has been restated due to the 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 five-year senior notes repayable 2019 (note 9).

Classification of financial liabilities

	As at 31 March 2018			As at 31 March 2017		
Group	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 affiliates	–	972	972	–	1,130	1,130
Amounts owed to associates	–	1	1	–	–	–
Amounts owed to related parties	–	–	–	–	1	1
Other payables	–	20	20	–	25	25
Contingent consideration	–	12	12	–	27	27
Deferred consideration	–	14	14	–	15	15
Accruals	–	96	96	–	117	117
Borrowings and overdrafts (note 9)	–	373	373	–	370	370
Provisions (note 14)*	–	1	1	–	5	5
	3	1,503	1,506	11	1,707	1,718

* Excludes non-contractual provisions

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 26).

18. Financial assets and liabilities continued

Financial liabilities can be reconciled to the balance sheet as shown in the table below.

Group	As at 31 March 2018 £m	As at 31 March 2017 £m
Current payables (note 17)	**563**	744
Non-current payables (note 17)	**623**	641
Borrowings and overdrafts (note 9)	**373**	370
Provisions (note 14)*	**1**	5
Excluded:		
Other tax and social security (note 17)	**(18)**	(12)
Deferred income (note 17)	**(26)**	(30)
	1,506	1,718

* 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

The Company's financial assets and liabilities are analysed in the table below.

Classification of financial assets as at 31 March 2018

Company	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 10)	**–**	**–**	**80**	**80**
Available-for-sale investments (note 22)	**–**	**2**	**–**	**2**
Amounts owed by Group companies	**–**	**–**	**658**	**658**
Derivative financial instruments	**21**	**–**	**–**	**21**
Other receivables	**–**	**–**	**23**	**23**
	21	**2**	**761**	**784**

Classification of financial assets as at 31 March 2017

Company	Fair value through profit and loss £m	Available-for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 10)	–	–	159	159
Available-for-sale investments (note 22)	–	2	–	2
Amounts owed by Group companies	–	–	684	684
Derivative financial instruments	14	–	–	14
Other receivables	–	–	42	42
	14	2	885	901

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 26).
Tax receivable is not considered to be a financial asset.

Company	As at 31 March 2018 £m	As at 31 March 2017 £m
Current receivables (note 16)	**681**	702
Non-current receivables (note 16)	**24**	38
Available-for-sale financial investments (note 22)	**2**	2
Cash and cash equivalents including restricted funds (note 10)	**80**	159
Excluded:		
Prepayments (note 16)	**(3)**	–
	784	901

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

18. Financial assets and liabilities continued

Classification of financial liabilities

Company	As at 31 March 2018 Fair value through profit and loss £m	Amortised cost £m	Total £m	As at 31 March 2017 Fair value through profit and loss £m	Amortised cost £m	Total £m
Borrowings (note 9)	–	373	373	–	370	370
Accruals	–	2	2	–	9	9
Derivative financial instruments	3	–	3	11	–	11
Amounts owed to Group companies	–	1,468	1,468	–	1,778	1,778
	3	1,843	1,846	11	2,157	2,168

Fair value through profit and loss includes derivatives that are designated in hedging relationships (note 26).

The fair value of the financial assets and financial liabilities is not materially different from their book values.

19. 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.

(a) Investment in subsidiaries – Company

	2017/2018 £m	2016/2017 £m
As at 1 April	3,233	4,406
Additions	57	596
Disposal	–	(1,233)
Impairment	(75)	(536)
As at 31 March	3,215	3,233

(b) Principal subsidiaries

A complete list of subsidiaries, joint ventures and associates is given in note 29. The Company's principal subsidiaries, their country of incorporation and the Group's ownership are listed below.

		% held
England and Wales	Abide Financial Limited	93.1
	BrokerTec Europe Limited	100
	EBS Group Limited	100
	NEX Data Services Limited	100
	NEX Exchange Limited	100
	NEX SEF Limited	100
	NEX Services Limited	100
Israel	EBS Financial Technologies Ltd.	100
	Traiana Technologies Ltd.	86.7
Singapore	NEX Services Pte Limited	100
	Reset Private Limited	100
Sweden	TriOptima AB	100
Switzerland	EBS Service Company Limited	100
United States	BrokerTec Americas LLC	100
	ENSO Financial Management LLP	100
	NEX Services North America LLC	100
	Traiana, Inc.	86 7

19. Principal subsidiaries continued

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).

(c) UK subsidiaries exempt from audit requirements

The following UK subsidiaries of the Company have taken advantage of the exemption allowed from the requirements for the audit of their individual financial statements for the year ended 31 March 2018 under section 479A to section 479C of the Companies Act 2006. The exemption is on the basis of the Company providing a guarantee of those companies' liabilities as at 31 March 2018.

	Registered number	Liabilities as at 31 March 2018 under guarantee or as guaranteed £	Liabilities as at 31 March 2017 under guarantee or as guaranteed £
Capital Shipbrokers LLP	OC318682	**251,157**	133,244
ENSO (UK) Limited	08565508	**3,045,521**	–
Godsell Astley and Pearce (Holdings) Limited	01438662	**1,037,398**	–
Intercapital No. 1 Limited	06173794	**3,955,207**	60,429,251
Intercapital No. 2 Limited	02774629	**2,175,980**	2,477,628
Intercapital No. 3 Limited	02062368	**20,909,173**	22,726,369
Midhurst Chartering Limited	07817554	**279,770**	396,618
		31,643,206	86,163,110

Total liabilities guaranteed of £31,643,206 (2016/17: £86,163,110) includes £30,276,318 (2016/17: £84,327,014) due to entities in the NEX Group and £1,366,888 (2016/17: £1,836,096) due to third parties outside the NEX Group. The above liabilities guaranteed are included in the guarantees made by the Group as disclosed in note 15.

20. 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	**1**	1
Impairment expense	**(1)**	–
As at 31 March	**–**	1

The impairment expense of £1 million (2016/17. £nil) for the year ended 31 March 2018 relates to TFS-ICAP LLC

(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	**1**	1
Liabilities	**(1)**	–

20. Investment in joint ventures continued

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations:		
Revenue	1	2
Operating expenses	(1)	(2)
Share of profit of joint ventures after tax	–	–

(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
United States	TFS-ICAP Holdings Inc	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.

21. 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	32	45
Additions	6	5
Share of profit/(loss) for the year	2	(3)
Dividends received	(3)	–
Transfer to subsidiary	–	(19)
Exchange adjustments	(3)	4
As at 31 March	34	32

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 for continuing operations is given below.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Assets	29	28
Liabilities	(17)	(17)

21. Investment in associates continued

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Continuing operations		
Revenue	**28**	21
Operating expenses	**(26)**	(24)
Profit before tax	**2**	(3)
Share of profit of associates after tax	**2**	(3)

(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
England and Wales	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, 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.

22. 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.

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

22. Available-for-sale investments continued

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	As at 31 March 2018 £m	As at 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	As at 31 March 2018 £m	As at 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.

	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

23. 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.

23. Property and equipment continued

Group	2017/18 Short leasehold property improvements £m	2017/18 Furniture, fixtures and equipment £m	2017/18 Assets under construction £m	2017/18 Total £m	2016/17 Short leasehold property improvements £m	2016/17 Furniture, fixtures and equipment £m	2016/17 Assets under construction £m	2016/17 Total £m
Cost								
As at 1 April	9	64	5	78	1	46	5	52
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	27	109	5	141	9	64	5	78
Accumulated depreciation								
As at 1 April	5	37	–	42	–	22	–	22
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	21	84	–	105	5	37	–	42
Net book value								
As at 31 March	6	25	5	36	4	27	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.

24. Share capital

Ordinary shares are recognised in equity as share capital at their nominal value.

(a) Issued share capital

Group and Company – allotted, called up and fully paid	2017/18 Number of shares millions	2017/18 Nominal value £m	2016/17 Number of shares millions	2016/17 Nominal value £m
As at 1 April 2016 and at 31 March 2017	233	233	233	233

As at 31 March 2018 and 2017 there were 233,478,001 shares in issue.

25. Reserves

(a) Analysis of consolidated other reserves

Group	Merger reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2017	259	(3)	42	298
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	–	(1)	–	(1)
Reclassification of revaluation reserve	–	–	(41)	(41)
As at 31 March 2018	259	1	–	260

Group	Merger reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2016	259	(9)	47	297
Unrealised movement in cash flow hedges	–	(10)	–	(10)
Realised movement in cash flow hedges	–	17	–	17
Income tax	–	(1)	–	(1)
Merger reserve	334	–	–	334
Distribution of discontinued operations	(334)	–	(5)	(339)
As at 31 March 2017	259	(3)	42	298

25. Reserves continued

The merger reserve was created upon the Group reconstruction in 2008. 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 £1,942 million (2016/17: £1,765 million) of which £649 million (2016/17: £647 million) is not distributable.

26. Currency 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.

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

26. Currency risk management continued

Currency pair	Half year to 30 September 2018			Half year to 31 March 2019			Half year to 30 September 2019		
	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

(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.

	2017/18			2016/17		
	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	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	**6**	**(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

26. Currency risk management continued

	As at 31 March 2018			As at 31 March 2017		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
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.

(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.

	For the year ended 31 March 2018			For the 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 as at 31 March 2018	Closing rate as at 31 March 2017	Average rate year ended 31 March 2018	Average rate 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

27. Related party transactions

Group

(a) Related party transactions with the NEX Group

The Group had the following transactions with related parties who are members of the NEX Group

	Year ended 31 March 2018		Year ended 31 March 2017	
	Interest charges £m	Management services (received)/ provided £m	Interest charges £m	Management services (received)/ provided £m
Parent company	(7)	–	(7)	–
Affiliate companies	(17)	–	(16)	(3)

27. Related party transactions continued

The Group had the following receivable/(payable) balances with related parties who are members of the NEX Group.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Parent company	**223**	230
Affiliate companies	**(805)**	(944)
	(582)	(714)

The majority of the Groups' UK companies are party to a netting agreement. All balances are unsecured.

(b) Other related party transactions

(i) 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).

(ii) 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).

(iii) 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).

(iv) 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).

(v) 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).

(vi) 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).

(vii) 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).

(viii) 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, the Group 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 7.

Company

(c) Parent company

The Company's immediate parent is ICAP plc, which is incorporated and domiciled in England and Wales. The Company's ultimate parent is NEX Group plc, which is incorporated and domiciled in England and Wales. NEX Group plc heads the largest group of companies of which the Company is a member that prepares consolidated financial statements in accordance with IFRSs Copies of the consolidated financial statements of NEX Group plc can be obtained from the Company Secretary, NEX Group plc, 2 Broadgate, London, EC2M 7UR or from the NEX website at www.nex.com. The Company heads the smallest group of companies which produce consolidated financial statements

27. Related party transactions continued

(d) Related party transactions with the NEX Group

The Company had the following transactions with related parties who are members of the NEX Group.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Parent company	**1**	33
Affiliate companies	**26**	29

Amounts owed to the Company from subsidiaries are disclosed in note 16 and amounts owed by the Company to subsidiaries are disclosed in note 17.

28. Post balance sheet events

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

In June 2018, Intercapital Capital Markets LLC (ICM) reached a settlement of consolidated class action suits that had been filed in 2014 against ICM and USD ISDAFIX settling banks alleging a conspiracy in violation of the antitrust laws among the banks and ICM to manipulate USD ISDAFIX. Pursuant to the settlement, which has received preliminary approval from the Court but remains subject to final approval, ICM has agreed to pay £8 million ($12 million) without admitting liability on the underlying allegations. ICM has a written commitment from its insurance carrier to indemnify it for the full settlement amount. This has been accounted for as an adjusting event after the reporting period, with the settlement payable recognised in provisions (note 14), insurance receivable recognised in trade and other receivables (note 16) and the settlement expense and insurance income recognised net in exceptional items (note 3).

In July 2018, ICM also reached an agreement in principle to resolve the Commodity Futures Trading Commission's (CFTC) investigation into ICM's role in the setting of USD ISDAFIX rates for £36 million ($50 million). The settlement is subject to final documentation of its terms by the parties and approval by the CFTC. This has been accounted for as an adjusting event after the reporting period and has been recognised in exceptional items (note 3) and provisions (note 14)

29. 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 Holdings 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	
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	
Godsell Astley & Pearce (Holdings) Limited	
Intercapital No. 1 Limited	
Intercapital No 2 Limited	
Intercapital No 3 Limited	
Midhurst Chartering Limited	
NEX Data Services Limited	
NEX Exchange Limited	
NEX Finance Limited	
NEX International Investments Limited	
NEX Markets Limited	
NEX Optimisation Limited	
NEX SEF Limited	

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

Wholly-Owned Subsidiaries	Note
NEX Services Limited	
TriOptima UK Limited	
30 Finsbury Square, London EC2P 2YU	
ReMatch Holdings Limited	3
ReMatch Limited	3
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	
8th 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	
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	

NEX GROUP HOLDINGS PLC

Notes to the financial statements continued

Wholly-Owned Subsidiaries	Note
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

Subsidiaries where the effective interest	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

Other related undertakings	Percentage	Note
Cayman Islands		
c/o Genesis Trust & Corporate Services Limited, Elgin Avenue, George Town, Grand Cayman KY1 1106		
BSN Holdings Limited	25.1	6
Hong Kong		
Punfet Building, 701 Nathan Road, Kowloon		
Capital Shipbrokers Limited	50.0	3, 14
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%)

NEX GROUP HOLDINGS PLC
Definitions

In the Group and Company financial statements 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 measures

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

CFTC
Commodity Futures Trading Commission

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 NGHP
NEX Group Holdings plc, a public limited company incorporated in England and Wales with registered number 06694512, 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

ETR
effective tax rate

EU
European Union

ESMA
European Securities and Markets Authority

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

GOC
Global Operating Committee

Group or NGHP 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 TP ICAP plc on 30 December 2016

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

ICM
Intercapital Capital Markets LLC, a subsidiary of NGHP

Infinity
a cloud-hosted Traiana platform which makes certain Traiana services available to other NEX Optimisation businesses as well as 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
NEX Group plc (formerly ICAP Newco plc), a public limited company incorporated in England and Wales with registered number 10013770, whose registered office is at 2 Broadgate, London EC2M 7UR

NEX Group
NEX Group plc and its subsidiary undertakings

Definitions continued

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

non-bank
encompassing the professional trading community including hedge funds, trading houses and corporates

n/m
not measurable

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

WACC
weighted average cost of capital