

Company Number: 9079903

NEX MARKETS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019



NEX MARKETS LIMITED
Strategic Report for the year ended 31 March 2019

Company Number: 9079903

The directors present their Strategic Report and the audited financial statements of NEX Markets Limited (the 'Company') for the year ended 31 March 2019.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is an investment holding company. The directors consider that the year-end financial position was satisfactory and do not anticipate any changes to the principal activities.

On 2 November 2018, NEX Group plc (now known NEX Group Limited) was acquired by CME Group after obtaining all regulatory clearances. The combined company will enable clients worldwide to trade futures, cash and over-the-counter (OTC) markets, optimise portfolios and analyse data to efficiently manage risk and capture opportunities. CME Group will retire the NEX name and brand but will continue to operate its individual Markets and Optimisation businesses as sub-brands. It is anticipated that CME Group will begin integrating NEX business operations annually by the end of 2021.

RESULTS

The results of the Company are set out in the profit and loss account on page 6.

The loss for the financial year of (£222,040,000) (2018: profit of £237,147,000) has been transferred to reserves.

The net assets of the Company are £541,578,000 (2018: £1,728,084,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to risk management process of CME Group Inc. Details of the principal risks and uncertainties relating to the Company's ultimate parent can be found in CME Group Inc's Annual Report.

KEY PERFORMANCE INDICATORS

The directors of CME Group Inc. manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

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

K Cronin
Director



17 December 2019

NEX MARKETS LIMITED

Directors' Report for the year ended 31 March 2019

Company Number: 9079903

The directors present their Directors' Report and the audited financial statements of the Company for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. It is anticipated that the Company will continue its present business activities next year.

The Company was incorporated on 10 June 2014 and is domiciled in England and Wales. The registered office is London Fruit and Wool Exchange, 1 Duval Square, London, E1 6PW.

FUTURE DEVELOPMENTS

The future developments of the Company are detailed in the Strategic Report.

GOING CONCERN

Following the completion of CME's acquisition of NEX Group Limited (formerly NEX Group plc) and its subsidiaries, there was a certain reorganisation of NEX Group Limited (formerly NEX Group plc) subsidiaries. As part of that reorganisation, Brokertec Holdings Inc. and its subsidiaries and EBS Holdings Inc. and its subsidiaries were distributed out of NEX Markets Limited. Post those distributions, NEX Markets Limited will continue to be a holding company for its remaining subsidiaries, which are expected to be profitable and cash generative in aggregate. The Company also has a net asset position as at the balance sheet date.

The directors are satisfied that the Company has adequate resources to continue to operate for at least twelve months from the date of signing of these financial statements and confirm that the Company is a going concern.

DIVIDENDS

Dividends in specie of £1,354,911,000 were paid during the year. Dividends of £215,233,000 were paid in the prior year.

DIRECTORS

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

E Glazer	(resigned 30 September 2019)
S Johnson	(resigned 4 December 2019)
J Cohen	(resigned 6 December 2019)
B Durkin	(appointed 6 December 2019)
J Pietrowicz	(appointed 6 December 2019)
K Cronin	(appointed 6 December 2019)

INDEPENDENT AUDITORS

During the financial year ended 31 March 2019, Deloitte LLP resigned as auditors of the Company and Ernst & Young LLP were appointed auditors on 20 May 2019 for the year ended 31 March 2019. Ernst & Young LLP are the CME Group Inc. auditors and, for consistency purposes, they were appointed as auditors for all legacy NEX companies.

DIRECTORS' INDEMNITIES

The Company has not made any qualifying third party indemnity provisions for the benefit of its directors during the year.

PROVISION OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.
- The directors have taken all the steps they ought to have taken as directors 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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

K. Cronin
Director



17 December 2019

NEX MARKETS LIMITED

Statement of Directors' Responsibilities

Company Number: 9079903

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEX MARKETS LIMITED

Independent Auditors' Report to the members of NEX Markets Limited

Opinion

We have audited the financial statements of NEX Markets Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by 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 directors' report have been prepared in accordance with applicable legal requirements.

NEX MARKETS LIMITED

Independent Auditors' Report to the members of NEX Markets Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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 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 company or to cease operations, or have no realistic alternative but to do so.

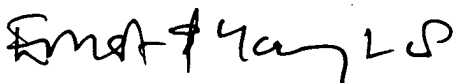
Auditor's responsibilities for the audit of the financial statements

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 <https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Simon Michaelson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

18 December 2019

Notes:

1. The maintenance and integrity of the NEX Markets Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEX MARKETS LIMITED

Profit and Loss Account for the year ended 31 March 2019

	<u>Note</u>	<u>Year ended</u> <u>31/03/2019</u> £'000	<u>Year ended</u> <u>31/03/2018</u> £'000
Impairment of investments in subsidiaries	7	(212,786)	(5)
Dividend income		-	227,233
Other operating (expense) / income		(9,337)	13,761
Operating (loss) / profit		(222,123)	240,989
Interest receivable and similar income	4	1,581	2,118
Interest payable and similar expenses	5	(3,642)	(3,633)
(Loss) / profit before taxation		(224,184)	239,474
Tax credit / (charge)	6	2,144	(2,327)
(Loss) / profit for the financial year		(222,040)	237,147

The loss of the Company for the financial year is derived from continuing operations.

The notes on pages 10 to 20 are an integral part of these financial statements.

NEX MARKETS LIMITED

Statement of Comprehensive Income for the year ended 31 March 2019

	<u>Year ended</u> <u>31/03/2019</u> £'000	<u>Year ended</u> <u>31/03/2018</u> £'000
(Loss)/ profit for the financial year	(222,040)	237,147
Total comprehensive (expense) / income for the year	<u><u>(222,040)</u></u>	<u><u>237,147</u></u>

The notes on pages 10 to 20 are an integral part of these financial statements.

NEX MARKETS LIMITED
Balance Sheet as at 31 March 2019

Company Number: 9079903

		<u>As at</u>	<u>As at</u>
	<u>Note</u>	<u>31/03/2019</u>	<u>31/03/2018</u>
		£'000	£'000
Non-current assets			
Investments in subsidiaries	7	467,204	1,710,357
		<u>467,204</u>	<u>1,710,357</u>
Current assets			
Debtors	8	146,807	146,941
Cash and cash equivalents	9	3	4
Tax receivable	6	2,144	-
		<u>148,954</u>	<u>146,945</u>
Total assets		<u>616,158</u>	<u>1,857,302</u>
Current liabilities			
Creditors	10	(74,580)	(126,891)
Tax payable		-	(2,327)
		<u>(74,580)</u>	<u>(129,218)</u>
Total liabilities		<u>(74,580)</u>	<u>(129,218)</u>
Net assets		<u>541,578</u>	<u>1,728,084</u>
Equity			
Share capital	11	4	3
Share premium	12	390,444	-
Retained earnings		151,130	1,728,081
Total equity		<u>541,578</u>	<u>1,728,084</u>

The notes on pages 10 to 20 are an integral part of these financial statements.

The financial statements on pages 6 to 20 were authorised by the board of directors on 17 December 2019 and were signed on its behalf by:

K Cronin
 Director



NEX MARKETS LIMITED

Statement of Changes in Equity for the year ended 31 March 2019

	<u>Share capital</u> <u>(note 11)</u> £'000	<u>Share premium</u> <u>(note 12)</u> £'000	<u>Retained earnings</u> £'000	<u>Total equity</u> £'000
As at 1 April 2017	3	-	1,706,167	1,706,170
Profit for the financial year and total comprehensive income for the year	-	-	237,147	237,147
Dividends paid in the year (note 13)	-	-	(215,233)	(215,233)
As at 31 March 2018 and as at 1 April 2018	3	-	1,728,081	1,728,084
Loss for the financial year and total comprehensive expense for the year	-	-	(222,040)	(222,040)
Dividends paid in specie (note 13)	-	-	(1,354,911)	(1,354,911)
Capital contribution*	1	390,444	-	390,445
As at 31 March 2019	4	390,444	151,130	541,578

Share capital

The balance classified as share capital includes the nominal value of the proceeds on issue of the Company's share capital, comprising £1 ordinary shares.

*On 2 November 2018, NEX Markets Limited issued 1,000 £1 ordinary shares to NEX Group Holdings Limited for total consideration of £390,445,405.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), the Companies Act 2006 (the Act) as applicable to companies using FRS 101 and under the historic cost convention as modified by the revaluation of certain financial instruments. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ('IFRS').

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Note 16 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with US GAAP may be obtained.

The following disclosure exemptions have been adopted:

- IFRS 7 'Financial Instruments: Disclosures';
- cash flow statements;
- capital management;
- statement of compliance with all IFRS;
- information when the Company has not applied a new IFRS that has been issued but is not yet effective;
- valuation techniques and inputs used for fair value measurement of assets and liabilities;
- key management compensation; and
- related party transactions entered into between two or more members of a group

The financial statements have been prepared on a going concern basis. For the Financial Statements as at 31 March 2019 the accounting policies have been applied consistently, other than where new policies have been adopted.

The Company has exercised its entitlement not to produce consolidated financial statements since consolidated financial statements have been prepared by its ultimate parent company, CME Group Inc.

b) Accounting developments

New standards, amendments and interpretations adopted

There are two new standards effective for the first time for the year ended 31 March 2019, but with no material impact on the Company: *IFRS 15: Revenue from Contracts with Customers* and *IFRS 9: Financial Instruments*.

IFRS 15 is not applicable to NEX Markets Limited as it is a holding company and does not generate revenues.

IFRS 9: Financial Instruments

The Company has applied IFRS 9: *Financial Instruments* from 1 April 2018, which replaced IAS 39: *Financial Instruments - Recognition and Measurement*. As permitted by IFRS 9, under the transition methods chosen, comparative information has not been restated. IFRS 9 has three core components: Classification and Measurement, Impairment and Hedge Accounting. Under IFRS 9 a standard forward looking model was introduced, while under the IAS 39 standard, applied for 2018 balances, an impairment loss was recognised if there was an objective evidence of impairment as a result of events that have occurred.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES (continued)

b) Accounting developments (continued)

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset.

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as “Solely payment of principal and interest” (SPPI) and a business model test.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

There are three principal classification categories for financial assets that are debt instruments:

- amortised cost (AC)
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES (continued)

b) Accounting developments (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The impact on the classification and measurement of the Company's financial assets at the date of initial adoption of IFRS 9, 1 April 2018, is summarised in the table below:

	31-Mar-18		01-Apr-18	
	IAS 39		IFRS 9	
	Amount £'000	Category	Amount £'000	Category
Current assets				
Cash and cash equivalents	4	L&R	4	AC
Trade and other receivables (excluding derivative financial instruments)	146,941	L&R	146,941	AC

AFS = Available For Sale

FVOCI = Fair Value Through Other Comprehensive Income

L&R = Loans and Receivables

AC = Amortised Cost

There has been no change in the accounting for financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Under IFRS 9, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model under IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES (continued)

b) Accounting developments (continued)

The Company will apply a 3 stage approach in determining a **significant increase in credit risk** and is used as basis for calculating expected credit losses:

Stage	Description	Accounting implication
Stage 1	No significant changes in credit quality of exposure since initial recognition	<ul style="list-style-type: none">• 12-month expected credit losses• Interest calculated on gross carrying amount
Stage 2	The credit risk of the exposure has increased significantly since initial recognition	<ul style="list-style-type: none">• Lifetime expected credit losses• Interest calculated on gross carrying amount
Stage 3	The credit risk of the exposure has increased significantly since initial recognition and the exposure is considered to be credit-impaired	<ul style="list-style-type: none">• Lifetime expected credit losses• Interest calculated on net carrying amount

The Company assumes that the credit risk of a financial asset has increased significantly when:

- there has been an increase in the lifetime probability of default or if the financial asset; or
- the financial assets are more than 30 days past due (backstop indicator)

The Company considers a financial asset to be in **default** when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or
- the borrower has defaulted on another balance within the Group or
- the financial asset is more than 90 days past due, with an exemption applied for trade receivables and intercompany receivables for which default is determined on a case by case basis. The Company considers factors such as historical information as a base from which to measure expected credit losses and applies current observable data to reflect the effects of the current conditions.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The Company will apply the **general approach** to all financial assets in scope for IFRS 9 impairment framework, with the exception of trade receivables, where the Company has applied the **simplified approach**, with a lifetime expected credit loss.

The **maximum period** considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset.

Impairment losses are presented under 'operating expenses', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations. 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 income statement.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES (continued)

b) Accounting developments (continued)

The Company has determined that the application of IFRS 9's impairment requirements at 1 April 2018 resulted in a transitional impairment allowance of £584,000, compared to a nil impairment allowance calculated under IAS 39 as at 31 March 2018. For the Company this was considered immaterial and therefore there is no impact on retained earnings as at 1 April 2018 on adoption of IFRS 9.

Hedge accounting

Hedge accounting is currently not applicable for the Company. The Group has taken the accounting policy choice available under IFRS 9 to continue to account for all hedges under IAS 39.

c) Dividend income

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

d) Interest receivable and similar income

The Company generates interest income through its revolving credit facility. Interest income is recognized using the effective interest method.

e) Interest payable and similar expenses

All borrowing costs are expensed as interest expense in the profit and loss account using the applicable effective interest rate.

f) Tax

Tax on the profit comprises current tax as well as adjustments in respect of prior periods. Tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted by the balance sheet date.

Calculations of current 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 a reassessment of the liability is made.

g) Investments in subsidiaries

Investments in subsidiaries are recorded at historical cost less provision for any impairments in their values, and are assessed for impairment on an annual basis. Where there is an evidence of impairment, recoverable amounts of the subsidiaries are calculated with reference to the higher of its fair value less costs to sale and its value in use. The excess of carrying value over the recoverable amount is then taken to profit and loss as an impairment charge and the investment in subsidiary is then recorded at historic cost less impairments.

A subsidiary is an entity over which the Company has control. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

h) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and on-demand deposits which are subject to insignificant risk of change in value and are readily convertible into a known amount of cash with less than three months maturity.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES (continued)

i) Foreign currencies

i) *Functional and presentational currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in British pounds (£), which is the Company's functional and presentational currency.

(ii) *Transactions and balances*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are taken directly to profit and loss account. Non-monetary assets and liabilities 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.

j) Financial liabilities

i) *Recognition*

Financial liabilities consist of creditors classified as "other financial liabilities". Financial liabilities are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

ii) *De-recognition*

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

k) Share capital

Ordinary shares are classified as equity.

Dividends are recognised as deductions from retained earnings in the period in which they are declared.

l) Dividends in specie

Dividends in specie received and paid in the period are based on the fair value of the assets distributed as this represents the best estimate to settle the obligation.

2. KEY ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities.

As at 31 March 2019 the only such judgements are related to the impairment review of investments (note 7).

3. DIRECTORS' REMUNERATION

The directors are remunerated by other group companies and provide their services to the Company on a free basis, it being impractical to allocate their remuneration. Hence, no fees (2018: nil) were paid to the directors in respect of services to the Company during the year.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>Year ended</u> <u>31/03/2019</u>	<u>Year ended</u> <u>31/03/2018</u>
	£'000	£'000
Interest income from related companies	1,581	2,118
	<u>1,581</u>	<u>2,118</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	<u>Year ended</u> <u>31/03/2019</u>	<u>Year ended</u> <u>31/03/2018</u>
	£'000	£'000
Interest payable to related companies	3,642	3,633
	<u>3,642</u>	<u>3,633</u>

6. TAX (CREDIT) / CHARGE ON PROFIT

	<u>Year ended</u> <u>31/03/2019</u>	<u>Year ended</u> <u>31/03/2018</u>
	£'000	£'000
a) Analysis of (credit) / charge for the year		
Current tax:		
UK Corporation tax	(2,144)	2,327
Tax (credit) / charge for the year	<u>(2,144)</u>	<u>2,327</u>
b) Factors affecting the tax (credit) / charge for the year		
(Loss) / profit before taxation	<u>(224,184)</u>	<u>239,474</u>
(Loss) / profit before taxation multiplied by standard rate of Corporation tax of 19%:	(42,595)	45,500
Effects of:		
Non-taxable income	-	(43,174)
Expenses not deductible for tax purposes	40,451	1
	<u>40,451</u>	<u>(43,173)</u>
Tax (credit) / charge for the year	<u>(2,144)</u>	<u>2,327</u>
Effective tax rate	1%	1%

The standard rate of Corporation Tax in the UK changed from 20% to 19% with effect from 1 April 2017 and following the enactment of Finance Act 2016 on 15 September 2016 will fall to 17% from 1 April 2020. Given that this rate was enacted at the time of the balance sheet date, the closing deferred tax balances have been calculated with reference to this rate.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

7. INVESTMENTS IN SUBSIDIARIES

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
As at beginning of year	1,710,357	1,709,362
Additions	324,544	1,000
Impairment of investments	(212,786)	(5)
Transfers through dividends in specie	(1,354,911)	-
As at end of year	<u>467,204</u>	<u>1,710,357</u>

On 2 November 2018, the following transactions occurred:

- BrokerTec Holdings Inc. issued 1,000 units of \$0.01 common stock to NEX Markets Limited for consideration of US\$363,726,780
- EBS Holdco Inc. issued 1,000 units of \$0.01 common stock to NEX Markets Limited for total consideration US\$52,322,110
- NEX Markets Limited transferred 4,800 units of \$0.01 common stock (representing 100% of the units of BrokerTec Holdings Inc.) to NEX Group Holdings Limited as a dividend in specie.
- NEX Markets Limited transferred 2,000 units of \$0.01 common stock (representing 100% of the units of BrokerTec Holdings Inc.) to NEX Group Holdings Limited as a dividend in specie.
- NEX Markets Limited transferred 2,000 units of \$0.01 common stock (representing 100% of the units of EBS Holdco Inc.) to NEX Group Holdings Limited as a dividend in specie.

On 2 May 2018, NEX Exchange Limited allotted 5,000,000 10p ordinary shares to NEX Markets Limited for consideration of £500,000.

On 18 October 2018, NEX Markets Limited paid a £500,000 capital contribution to NEX Exchange Limited

On 28 January 2019, NEX Markets Limited paid a £500,000 capital contribution to NEX Exchange Limited.

On 17 August 2018, NEX Markets Limited incorporated a wholly owned subsidiary, NEX Investment Firm B.V. NEX Markets Limited subscribed for 100 shares of \$0.01 each in NEX Investment Firm B.V. at par on its incorporation.

On 25 June 2018, NEX Markets Limited incorporated a wholly owned subsidiary, NEX Amsterdam B.V. NEX Markets Limited subscribed for 100 shares of \$0.01 each in NEX Amsterdam B.V. at par on its incorporation.

During the year the Company undertook an impairment review and the following investments were impaired:

Investment	Impairment £'000
EBS Holdco Inc.	205,307
NEX Exchange Limited	7,479
	<u>212,786</u>

During the year NEX Markets impaired its investment in EBS Holdco Inc. by £205,307,000. NEX Markets also impaired its investment in NEX Exchange Limited as its underlying trading performance provided a trigger for impairment and it was written down to its net asset value. Management concluded it to be appropriate to impair the investment in EBS Holdco Inc. and NEX Exchange after having considered the revised business forecast, market conditions and impact of the acquisition of the CME.

At 31 March 2019, the Company's subsidiary companies and related companies were as follows:

Name	Country of incorporation and operation	% Directly Held
EBS Group Limited	England	100
NEX Exchange Limited	England	100
BrokerTec Europe Limited	England	100
NEX SEF Limited	England	100

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Country of incorporation and operation	% Indirectly held
CME Investment Firm B.V. (formerly NEX Investment Firm B.V.)	Netherlands	100
CME Amsterdam B.V. (formerly NEX Amsterdam B.V.)	Netherlands	100
Molten Markets Inc.	USA	100
EBS No. 4 LLC	USA	100
EBS Investments	England	100
EBS Dealing Resources Inc.	USA	100
EBS Financial Technologies Limited	Israel	100
EBS Service Company Limited	Switzerland	100
EBS No. 2 Limited	England	100
EBS Dealing Resources International Limited	England	100
EBS Dealing Resources Japan Limited	Japan	100
BrokerTec Americas LLC	USA	100
BrokerTec Investments	England	100
EBS (Shanghai) Information Technology Co. Ltd.	China	100
e-MID SIM S.p.A.	Italy	93.13

All subsidiaries incorporated in England have the registered office at London Fruit and Wool Exchange, 1 Duval Square, London, E1 6PW.

The subsidiaries incorporated in USA have the registered office The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801.

EBS Financial Technologies Limited has the registered office at Floors 11 and 12, 132 Menachem Begin Road, Round Tower, Azrieli Center, Tel Aviv 6701101.

EBS Service Company Limited has the registered office at Lavaterstrasse 40, CH-8002 Zurich.

EBS Dealing Resources Japan Limited has the registered office at Toho Twin Tower Building, 3rd Floor, 1-5-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006

EBS (Shanghai) Information Technology Co.Ltd. has the registered office at Unit 368, Division 302, No.211 North Fute Road, Shanghai, Pilot Free Trade Zone, 200120.

e-MID SIM S.p.A has the registered office at Via Giuseppe Marcora 11,20121, Milan.

CME Investment Firm B.V. and CME Amsterdam B.V have their registered office at Nieuwezijds Voorburgwal 104, Units 1.04, 1.05 en 1.06, Amsterdam.

8. DEBTORS

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Loans due from:		
-subsidiary	-	52,802
-immediate parent company	120,094	75,904
Amounts due from:		
-related companies	490	1,266
-subsidiaries	26,339	10,550
-immediate parent company	-	6,419
ECL provision	(116)	-
	<u>146,807</u>	<u>146,941</u>

Loans due from immediate parent company include £120,094,000 (2018: £75,904,000) to NEX Group Holdings Limited. The loan due from subsidiary of £52,802,000 in the prior year was repaid during the current year. Amounts due from subsidiaries and related companies are unsecured, non-interest bearing and receivable on demand.

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

9. CASH AND CASH EQUIVALENTS

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Cash at bank	3	4
	<u>3</u>	<u>4</u>

10. CREDITORS

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Loans owed to: -subsidiaries	64,105	105,715
Amounts owed to: -related companies	7,181	-
-subsidiaries	3,294	21,176
	<u>74,580</u>	<u>126,891</u>

Loans owed to subsidiaries include two revolving credit facility loans of £60,283,000 (2018: £101,997,000) from EBS Group Limited and £3,822,000 (2018: £3,718,000) from BrokerTec Europe Limited. These are detailed in Note 14.

Amounts owed to subsidiaries and related companies are unsecured, non-interest bearing and payable on demand.

11. SHARE CAPITAL

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Allotted and fully paid: 4,001 (2018: 3,001) Ordinary share(s) of £1 each	4	3
	<u>4</u>	<u>3</u>

12. SHARE PREMIUM

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Share premium	390,444	-
	<u>390,444</u>	<u>-</u>

NEX MARKETS LIMITED

Notes to the financial statements for the year ended 31 March 2019

13. DIVIDENDS

	<u>As at</u> <u>31/03/2019</u> £'000	<u>As at</u> <u>31/03/2018</u> £'000
Dividend paid of £nil (2018: £71,720) per share	-	215,233
Dividend in specie	1,354,911	-
	<u>1,354,911</u>	<u>215,233</u>

14. REVOLVING CREDIT FACILITY

Loans owed to subsidiary companies are revolving credit facilities of US\$175m (2018: US\$175m) with EBS Group Limited and £50m (2018: £50m) with BrokerTec Europe Limited carrying interest of Libor plus 2%.

15. POST BALANCE SHEET EVENTS

On 16 May 2019, NEX Exchange Limited allotted 8,000,000 10p ordinary shares to NEX Markets Limited for total consideration of £800,000.

On 19 August 2019, NEX Markets Ltd issued 2,748,500 ordinary shares of £1.00 each to NEX Group Holdings Limited in connection with a CME Amsterdam BV capital injection.

On 21 August 2019, CME Amsterdam B.V. issued 300,000,000 ordinary shares of €0.01 each to NEX Markets Limited for total consideration of €3,000,000.

On 29 August 2019, NEX Exchange Ltd issued 7,500,000 ordinary shares of 10p to NEX Markets Ltd for a total cash consideration of £750,000.

16. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent is NEX Group Holdings Limited which is incorporated in England and Wales, and heads the smallest group of companies of which the Company is a member. NEX Group Holdings Limited does not prepare consolidated financial statements.

The Company's ultimate parent is CME Group Inc., which is incorporated in the United States, and heads the largest group of companies of which the Company is a member. CME Group Inc. prepares consolidated financial statements in accordance with US GAAP and copies may be obtained from the Company Secretary, CME Group Inc., 20 South Wacker Drive, Chicago, Illinois, 60606.