



CHALLENGING  
CONVENTION  
**RESHAPING**  
**MARKETS**

**NEX Group plc**

Annual Report for the year ended 31 March 2017

# WHY NEX?

We offer a unique suite of leading financial technology services

---

Our core investment strategy is to expand our client base, increase use of our product suite and leverage our technology infrastructure and expertise

---

We maintain a mix of mature and developing assets delivering a balance of good cash flow and growth

---

We support our clients throughout the transaction lifecycle

---

We are well positioned to benefit from changes in market structure

---

We are capital-light and operationally leveraged, allowing organic growth to deliver good margin expansion

---

We understand that our success as an organisation is dependent on the calibre and skills of our people

---

# CONTENTS

## Strategic report

Highlights	1
Our business model	2
Group Chief Executive Officer's review	6
Our strategic priorities	12
Key performance indicators	14
Resources, relationships and responsibilities	16
Charity Day	18
Risk management	20
Principal risks	21
Results for 2016/17	24
Financial review	30

## Governance and directors' report

Chairman's statement	34
Directors' biographies	36
Corporate governance statement	38
Global Executive Management Group	50
Other statutory information	52
Remuneration report	56
Independent auditors' report	73

## Financial statements

Index to financial statements	79
Consolidated income statement	80
Consolidated statement of comprehensive income	82
Consolidated and Company balance sheet	83
Consolidated statement of changes in equity	84
Company statement of changes in equity	85
Consolidated and Company statement of cash flow	86
Basis of preparation	87
Notes to the financial statements	90

## Definitions

Definitions	134
-------------	-----

# WHO WE ARE

## **NEX is a financial technology company at the centre of the global financial markets.**

For the CEO's review  
see pages 6-9

For more on NEX please  
visit [nex.com](http://nex.com)

We provide electronic trade execution platforms for the OTC markets. We deliver transaction lifecycle management and information services to help our clients optimise their capital, mitigate their risk and reduce their operational costs. We partner with emerging technology companies to bring greater efficiency, transparency and scale to the world's capital markets. Encouraging technological advancement to improve the markets, we invest in companies that challenge convention and we operate an exchange to help entrepreneurs raise capital on the public market.

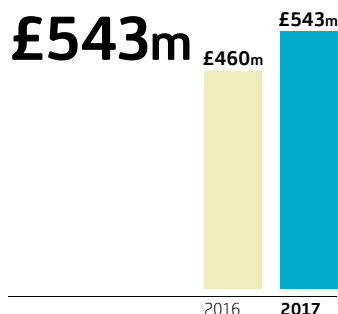
In an era of rapid regulatory and technological change, we help our clients prepare for what lies ahead.

Headquartered in London, NEX employs more than 1,900 people in 18 offices around the world.

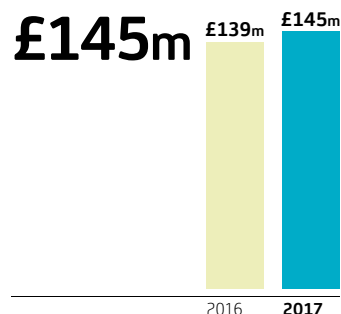


## HIGHLIGHTS

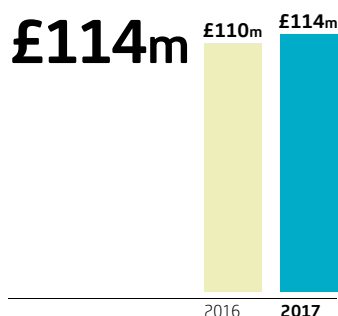
## REVENUE



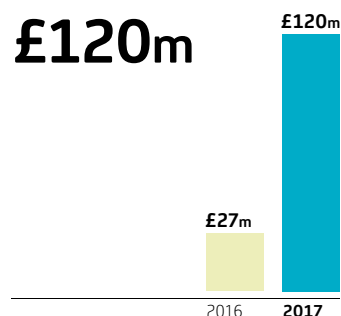
## TRADING OPERATING PROFIT



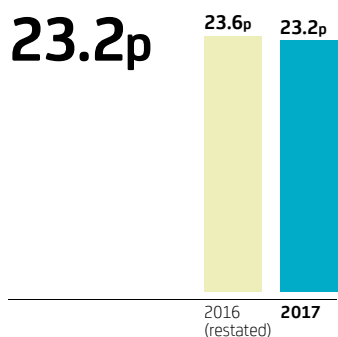
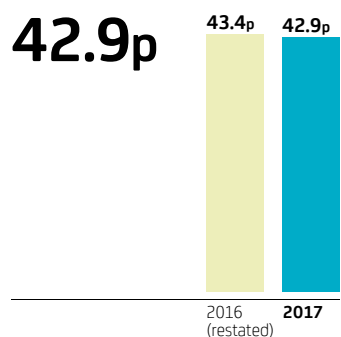
## TRADING PROFIT BEFORE TAX



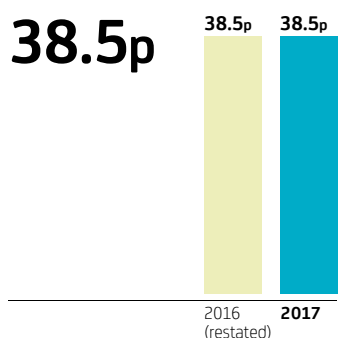
## PROFIT BEFORE TAX



## TRADING EPS (BASIC)

TRADING EPS (BASIC)  
(including discontinued)

## FULL-YEAR DIVIDEND PER SHARE



## Operational highlights

- IGBB sold for £1.3 billion
- Revenue from continuing operations increased by 18% to £543 million (2015/16: £460 million), an increase of 8% on a constant currency basis
- Trading operating profit from continuing operations increased by 4% to £145 million (2015/16: £139 million), an increase of 12% excluding the impact from hedging
- Trading EPS (basic) from continuing operations is marginally down at 23.2p per share (2015/16: 23.6p per share)
- Trading EPS (basic) including discontinued operations is marginally down at 42.9p per share. On a like-for-like basis trading EPS (basic) increased by 22%
- Final dividend payment unchanged at 27.0p per share; full-year dividend unchanged at 38.5p per share
- Annual cost savings identified of approximately £25 million by 2019/20 will be offset by incremental investment for growth

Unless specifically stated all references are to continuing operations.

For a full list of KPIs  
see pages 14-15

For financial results  
see pages 24-29

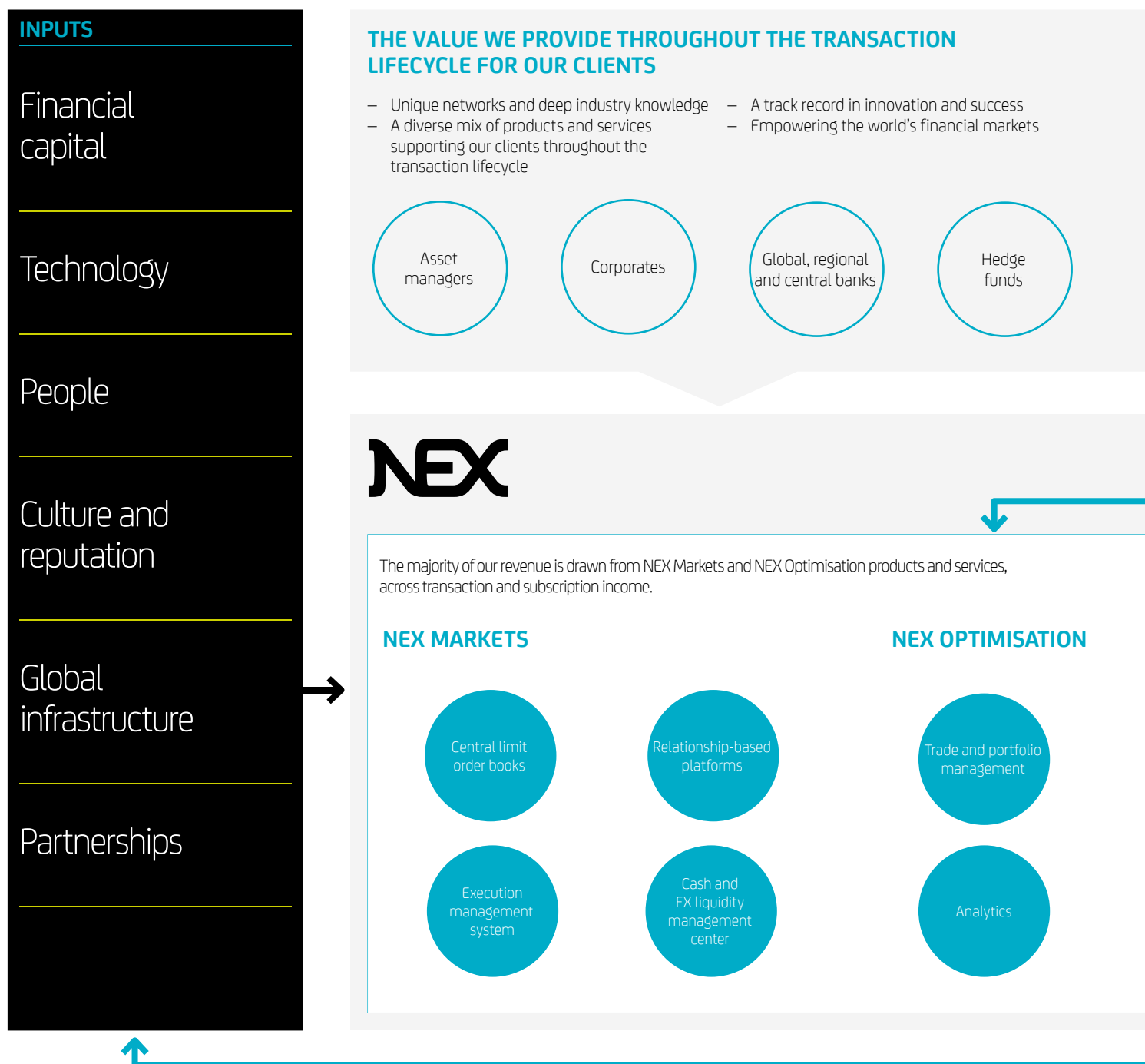
For dividend information  
see page 31

On 15 December 2016, NEX Group plc obtained control of the entire share capital of ICAP plc via the Scheme of Arrangement. There were no changes in the rights or the proportion of control exercised and therefore the financial statements reflect the continuation of the pre-existing group headed by ICAP plc. See basis of preparation on page 87.

NEX Group plc is incorporated as a public limited company and is registered in England and Wales with the registered number 10013770. NEX Group plc's registered office is 2 Broadgate, London EC2M 7UR. The directors present the Annual Report for the year ended 31 March 2017. References to 'NEX', the 'Group', the 'Company', 'we', or 'our' are to NEX Group plc and its subsidiary companies where appropriate. Pages 1 to 78 inclusive of this Annual Report comprise the strategic report, governance and directors' report and the remuneration report that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

# OUR BUSINESS MODEL

NEX provides platforms, services, tools and expertise that enable our clients to execute efficiently and optimise resources throughout the transaction lifecycle.



Market  
infrastructure  
providers

Professional  
trading firms

Regulated  
trading venues

Sovereign  
wealth funds

Regulatory  
reporting

Financial resource  
optimisation

Data insights

### NEX OPPORTUNITIES

Through NEX Opportunities, we invest in exceptional financial technology companies that are transforming markets. We partner with pioneers who are bringing new technologies, sciences, business models and talent to capital markets and technology.

### NEX EXCHANGE

NEX Exchange provides a community where entrepreneurs can raise capital, develop ideas and grow.

## THE VALUE CREATED

Revenue

**£543m**

Trading operating profit

**£145m**

Employees

**1,941**

Charity Day

**£8.2m**

## THE VALUE SHARED

By running a profitable, sustainable and responsible business we create value which we subsequently retain, making us stronger for the benefit of all our stakeholders.

- Shareholders
- Suppliers and joint ventures
- Employees
- Clients
- Governments
- Communities



# EMPOWERING MARKETS

Our established multilateral networks enable us to provide a suite of services to our clients to optimise their financial resources, reduce their costs and simplify their workflows.

## NEX MARKETS RECORD VOLUME TRADING DAY

### SPOT FX

\$229bn

\$234bn

2015/16

2016/17

### US ACTIVES

\$317bn

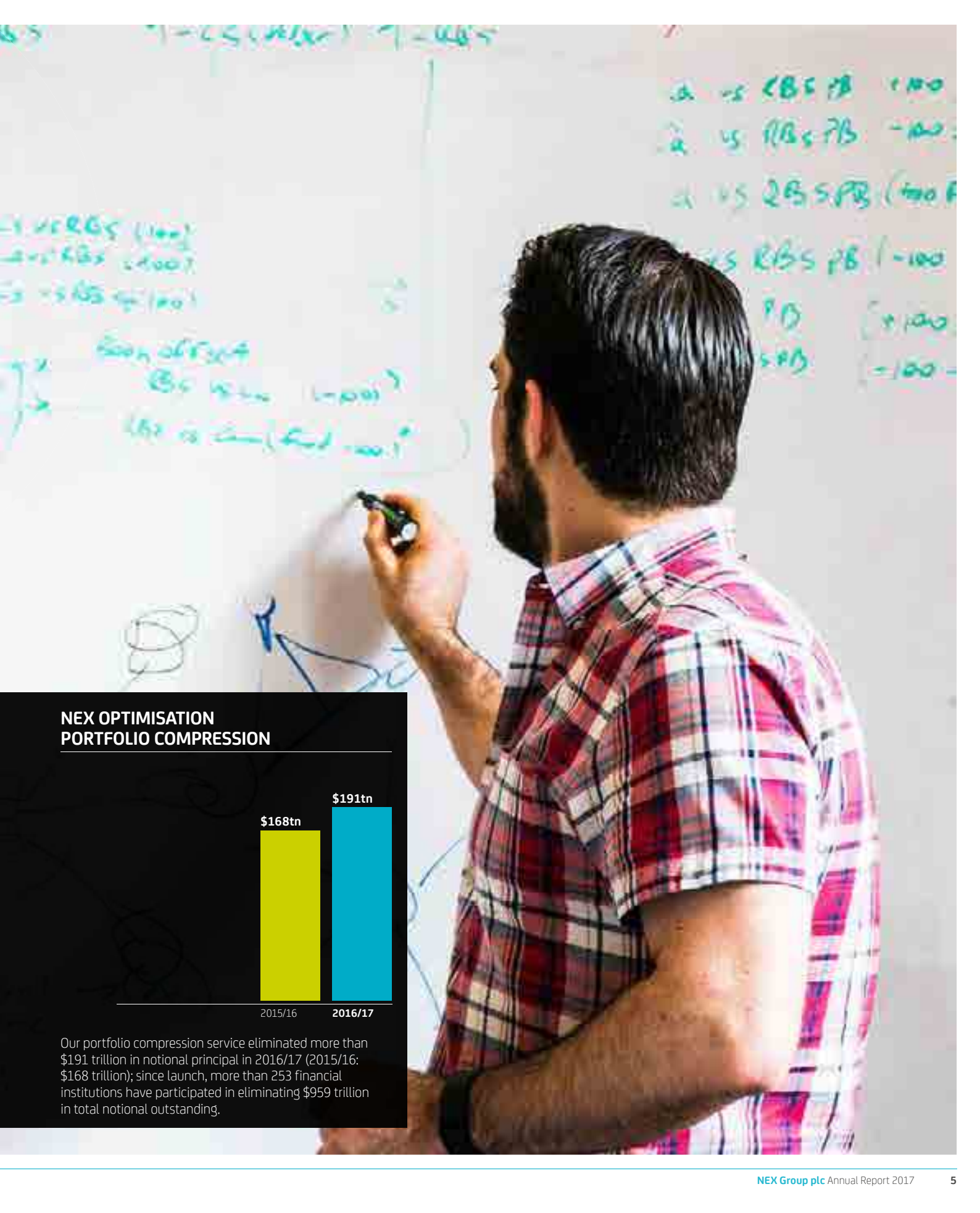
\$437bn

2015/16

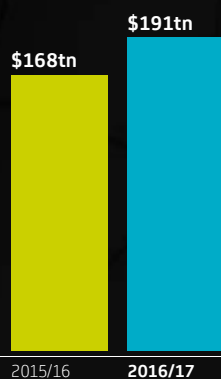
2016/17

NEX Markets saw an increase in their record volume trading day, with \$234 billion traded in spot FX on one day in 2016/17 against a high of \$229 billion in 2015/16, and \$437 billion traded in US Actives in 2016/17 against \$317 billion in 2015/16.





## NEX OPTIMISATION PORTFOLIO COMPRESSION



Our portfolio compression service eliminated more than \$191 trillion in notional principal in 2016/17 (2015/16: \$168 trillion); since launch, more than 253 financial institutions have participated in eliminating \$959 trillion in total notional outstanding.

# GROUP CHIEF EXECUTIVE OFFICER'S REVIEW



**Michael Spencer**  
Group Chief Executive Officer

**We're proud of where we've come from and proud of where we're going. In a combination that is unparalleled in the industry, NEX will continue to build platforms and services that enable our clients to execute efficiently throughout the transaction lifecycle.**

### A defining transaction

For more than 15 years our strategy has been based on continually investing in the development of financial technology for the trading community. During the course of last year we took our most significant step to date with the founding of NEX. The sale of our voice broking business to TP ICAP, which closed on 30 December 2016, enabled NEX to become a focused financial technology business.

Our marketplace is in flux. The ever evolving global regulatory environment has caused our traditional client base – the sell-side – to change their strategies and business models as they seek to adapt. Banks and other market participants rely even more on technology to support their business and their management of regulatory requirements. An increasing focus on electronic markets and pre and post trade services has created exciting opportunities for NEX and enables the expansion of our product and service portfolio.

### Becoming NEX

During the last quarter of the financial year we turned our focus to the future with a spirit and perspective that confirms the decision to change our Company.

Our culture is one of our great strengths. Only the right characteristics can propel a company into the vanguard of its industry, and we have a long-standing culture of anticipating the needs of the markets and of our clients. These are the foundations from which we will invest in the long-term growth and success of our business.

Our rebranding from ICAP to NEX was an exercise carried out with our customary attention to detail, speed and professionalism. During the last weeks of 2016 we rebranded our offices around the world with no disruption to our business, and we successfully launched a new global intranet and multiple external websites across the Group. This was accompanied by the largest external advertising campaign we have undertaken. I am confident that NEX is now firmly anchored in the minds of our employees, clients and partners.

For strategic priorities  
see pages 12-13

## THE SALE OF OUR VOICE BROKING BUSINESS ENABLED NEX TO BECOME A FOCUSED FINANCIAL TECHNOLOGY BUSINESS

	ICAP	NEX
Number of employees	4,500	1,900
Number of offices	70	18
Number of regulated subsidiaries	39	8
Consolidated regulatory supervision	Yes UK FCA	No Local regulated entity oversight only
Consolidated regulatory capital required	£500 million absent the waiver	Nil
Entity level regulatory capital required	In excess of £250 million	£50 million £110 million cash required for regulatory liquidity purposes

## GROUP CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

In February, Per Sjöberg, CEO of TriOptima, decided to leave the business to pursue other ventures. I would like to record here my thanks to him for all his contributions since he founded the business in 2000.

### Ready for the future

NEX is in a position to change our industry. We have a portfolio of services that no one else can offer, and which gives us the ability to build our reputation and brand as the world's leading electronic platform for OTC transactions and post trade services to all parties. We are already expanding beyond our traditional sell-side client base of banks and professional trading firms to embrace hedge funds, corporates, asset managers, sovereign wealth funds and global, regional and central banks. NEX will become synonymous with a supermarket of services, delivering world-class products and first-rate service and support to our clients.

With **NEX Markets** we have the world's leading electronic trading platform for the fixed income markets and a leading electronic FX trading business with significant market share in many currencies. We continue to develop the next generation of financial technology for the trading community which will enable us to create the pre-eminent global e-platform for the FX and fixed income markets. At the same time, we are restructuring the business to be far more client-focused.

This past year we have seen significant growth on EBS Direct, our FX relationship-based trading venue, with new counterparties trading on the platform, record daily volumes and the roll out of FX forwards to new client segments. Our enhancements to the EBS central limit order book, EBS Market, such as the launch of EBS Live Ultra – our premium market data service – are benefiting clients and maintaining our market share, and we have seen further expansion of our Asian NDF business in addition to our eFix matching service.

BrokerTec continues to be the reference point in the US Treasury market and we have seen growth in US and EU repo. In March, BrokerTec acquired a majority share in e-MID – a multilateral trading platform for interbank deposits and money market instruments in Europe. Integrating the e-MID technology into our infrastructure, we can offer its Italian government bond repo and interbank deposit businesses to our extensive international client base. With access to the domestic financial community in Italy, we plan to establish a money market offering for Italian corporates and are excited about contributing to the further development and evolution in this central market.

In **NEX Optimisation** we already have many solutions that help clients simplify and optimise their resources across the transaction lifecycle.

Our move towards the consolidated infrastructure and interface of NEX Infinity with its unified sales and support environment that caters for both sell- and buy-side as well as major corporates will provide us with enormous opportunities.

As part of this consolidation process we are aligning our structure with that of our clients, allowing them a clear, NEX business-agnostic view of our full suite of products and services.

**“The transformation of the Group into a focused financial technology company and our continued investment in new product and service offerings will result in long-term growth.”**

Single legal agreements and a single interface will further simplify our clients' ability to pick and choose multiple products either individually or in combination based on their requirements and not our own corporate structure.

An example of this is NEX Regulatory Reporting. Launched in March, this combines a suite of best-in-breed services provided by multiple NEX Optimisation businesses under a single umbrella to offer our clients an extremely powerful and fully resilient cross-asset and cross-jurisdictional regulatory reporting solution.

At the beginning of the year we acquired ENSO Financial Analytics. We have been and continue to be impressed by ENSO, who have demonstrated the ability to build a hedge fund client base to which they deliver an expanding and well-regarded product set. In October we completed our acquisition of Abide Financial. Since Abide first came to our attention, we knew it was a business which fitted perfectly with our strategy to serve our clients' changing needs. It is one of a very small number of companies who offer holistic regulatory reporting services, which will become ever more critical as financial markets evolve.

During the period we also invested in RSRCHXchange, a MiFID II marketplace for institutional research; Axoni, a leading provider of distributed ledger technology; OpenFin, a unifying operating layer for financial desktops; and Cloud9 Technologies, a cloud-based communication provider. In addition, we made a further investment in OpenGamma, a leading provider of derivatives risk analytics.

These acquisitions and investments demonstrate how the team within our financial technology investment business, **NEX Opportunities**, is successfully building an impressive portfolio of emerging financial technology companies.





For the business model  
see pages 2-3

For Charity Day  
see pages 18-19

For financial results  
see pages 24-29

We continue to identify and provide capital to firms delivering new platforms, business models and next generation technologies with the objective of driving significant efficiency, transparency and scale across the transaction lifecycle.

**NEX Exchange** has exactly the same regulatory, legal and tax status as the alternative markets, which we combine with a high-quality service to help entrepreneurs raise capital on the public market.

### 2016/17

For the year ended 31 March 2017, the Group reported revenue from continuing operations of £543 million, up 18% on the prior year. On a constant currency basis, revenue from NEX Markets was up 8% and from NEX Optimisation was up 9%.

During the course of the year, the Group's trading performance benefited from increases in market share across various products including BrokerTec UST Actives and Asian NDFs and new product launches such as triResolve Margin and new functionality on EBS Treasury. This was partly offset by historically low FX volatility impacting trading activity on the EBS FX platform.

The Group reported a trading operating profit of £145 million, an increase of 4% on the prior year (or 12% if we exclude the impact of FX hedging). Although the Group's trading operating profit margin reduced to 27% (2015/16: 30%), underlying profitability was higher after adjusting for FX hedging.

### Charity Day

Our 24th Annual Charity Day was held in December 2016. This truly global fundraising event has become a fixed point in the financial services industry calendar.

It was a delight to welcome Prince Harry as well as the Countess of Wessex and many other celebrity patrons of our selected charities to the London office.

The event raised £8.2 million supporting over 200 charities globally, which is equivalent to more than 5% of NEX's full-year pre-tax trading profit. My thanks to all involved for their tremendous spirit and support.

### This year's dividend and outlook for the coming year

The directors recommend a final dividend of 27.0p per share which will result in a full-year dividend of 38.5p per share (2015/16: 38.5p per share). If approved, the final dividend will be paid on 21 July 2017 to shareholders on the register at the close of business on 30 June 2017. The shares will be quoted ex-dividend from 29 June 2017.

Our performance continues to be strong in a tough market environment while trading activity since the start of the year has been subdued as volatility remains low despite sporadic activity around political events. In the year ahead NEX will continue to make progress on its strategy to deliver against its growth objectives and drive operational leverage.

I would like to thank our employees for their energy and commitment during this transition year. We have much ahead of us as we create a strong identity for NEX. I am convinced that together we have the innovation and leadership skills to enable us to build a great business.

**Michael Spencer**  
Group Chief Executive Officer

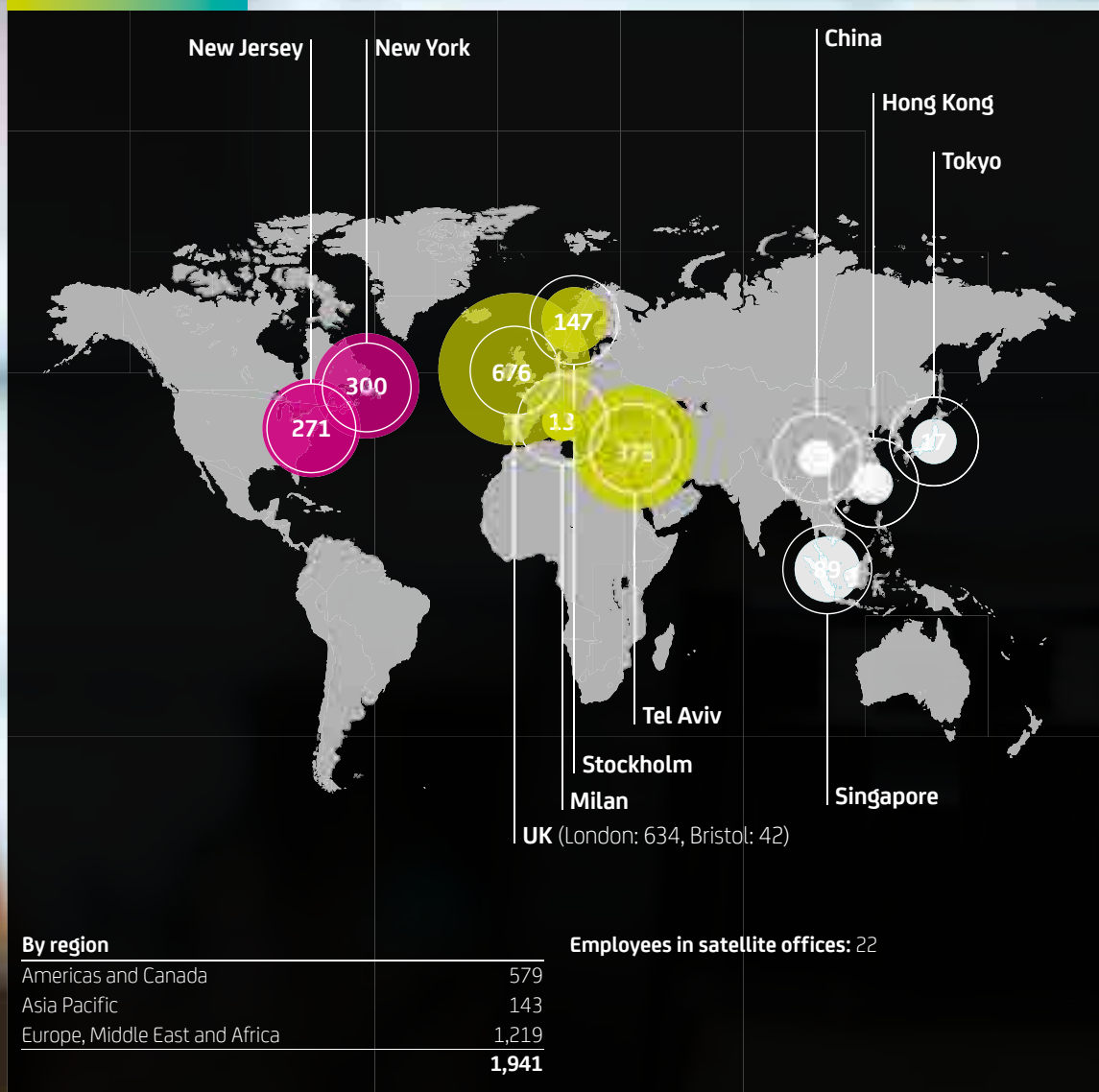


# INNOVATIVE DELIVERY

Our investment in our people and culture supports the success of our business. We build long-term relationships and are committed to the highest standards in everything we do.



## EMPLOYEES BY LOCATION





# OUR STRATEGIC PRIORITIES

## STRATEGIC PRIORITY

### To support the needs of a changing market



#### How we deliver

- We promote market liquidity by providing robust trading platforms for the OTC markets for a wide range of clients and products.
- We provide flexible platforms and solutions which robustly integrate with our clients' legacy systems.
- We provide our clients with a portfolio of services which optimise their risk and capital across the whole transaction lifecycle.
- We help our clients reduce their costs and automate their processes.

#### What we've achieved

- The sale of our voice broking business has transformed us into a focused financial technology company. We have the scale, financial discipline and demonstrable success of a 30-year business, but the mind-set of a tech start-up.
- More than 60 clients have adopted our margin management service in anticipation of the new variation margin regulations that became effective at the beginning of March 2017.
- Our Regulatory Reporting platform brings together a suite of services under a single umbrella to offer our clients a fully resilient, cross-asset and cross-jurisdictional regulatory reporting solution to enable them to manage the reporting challenges of today and tomorrow. This is a key component of the various solutions we offer to enable our clients to meet the challenges of MiFID II which comes into effect on 1 January 2018.

## STRATEGIC PRIORITY

### To provide best-in-class financial technology solutions



#### How we deliver

- We retain a robust technology infrastructure.
- We supply market-leading electronic execution platforms to the professional trading community.
- We are focused on innovating and evolving the market ecology.
- We build next generation cloud-based technological solutions.
- We have created an ecosystem of products and services that span the transaction lifecycle.

#### What we've achieved

- We have invested more than £100 million to date in next generation financial technology companies that are focused on leading the transformation of market structure. As well as this year's £48 million investment in ENSO and Abide Financial, we have stakes in eight further portfolio companies with exposure to the fast growing areas of risk/data analytics. One recent example is Axoni which serves the world's largest financial institutions and capital markets service providers with full stack blockchain solutions.

- In February 2017, we enhanced our EBS Live Ultra data feed to provide spot FX data at five millisecond intervals, making it the fastest FX live-streaming data feed available from a primary market venue, significantly improving price discovery and increasing market transparency, efficiency and liquidity.
- Our NEX Infinity platform will provide our clients with a single sign-on to one unified front end for distribution of our services, aligning and simplifying on-boarding, operations, technical support and integration across all NEX Optimisation businesses.

## STRATEGIC PRIORITY

# To attract and retain the best talent



## How we deliver

- We understand that a strong corporate culture and a commitment to our values are fundamental to our success.
- We know that a successful and rewarding working environment is achieved not only by attracting the most talented individuals, but also by understanding the motivation and mindset of our employees.
- We fully support our employees to enable them to pursue their personal volunteering and charitable activities.
- We constantly learn from the unique challenges presented by a highly technically skilled employee base.
- Our leaders work as ambassadors, actively encouraging all our employees to achieve a culture of mutual respect, partnership and collaboration.
- We are redesigning the reward framework to drive strong corporate behaviours, encourage team dynamics and widen share ownership.
- We aim to break down barriers and build a seamless client and employee experience through greater cross-divisional co-operation.

## What we've achieved

- On Charity Day in December 2016, our employees, clients and suppliers raised £8.2 million for 200 charities around the world.
- We are extending the number of senior employees who will receive part of their compensation in shares rather than cash, and ensuring that the Company Sharesave scheme is made available to as wide an employee base as possible across all Group businesses.
- We have a strong internal communications and engagement strategy to ensure that our employees understand NEX, are proud to work for us and are motivated for the business to succeed. This includes regular formal and informal networking events and hackathons, in addition to newsletters with articles written by employees from across the Group.
- We have an ongoing commitment to training and development with 190 employees over the past 12 months participating in management training programmes.
- We run an active and award-winning apprenticeship programme across all our businesses.

## STRATEGIC PRIORITY

# To grow



## How we deliver

- We will increase our share of the global bank market on EBS Market and EBS Direct.
- We will enable regional banks to create unique sources of liquidity in their local markets and currencies.
- We will facilitate professional trading firms becoming liquidity providers over EBS Select.
- We will provide progressive technology that delivers unique workflow and trading solutions for asset managers.

- We will continue to augment our services that enable clients to fulfil their constantly evolving regulatory reporting obligations.
- We will consolidate our networks to streamline connectivity.
- We will enhance our solutions that enable clients to manage their margin and collateral calculations against ever increasing market complexity.
- We will establish new indices based on observable traded data as more trustworthy alternatives to existing benchmarks.

## What we've achieved

- NEX Markets is working with CFETS, China's official interbank market trading platform, to deliver the underlying technology for fixed income and FX electronic execution services in mainland China in a three-year deal worth around \$65 million to NEX.
- Our portfolio compression service eliminated more than \$191 trillion in notional principal in 2016/17 (2015/16: \$168 trillion). Since launch, more than 253 financial institutions have participated in eliminating \$959 trillion in total notional outstanding.

- The client base for our portfolio reconciliation and counterparty exposure management service has increased to more than 1,900 (2015/16: 1,680) with 476,000 party-to-party reconciliations in 2017 (2015/16: 384,000).
- NEX eFix, the matching service that enables clients to execute against daily benchmark rates electronically on the EBS Market platform, has continued to demonstrate significant growth. Average daily volume has increased by more than 50% over the same period to more than \$1.6 billion matched per day.
- Our global pricing data and information solutions business, NEX Data, has agreed a distribution partnership with Tradition, one of the world's largest interdealer brokers in OTC commodity and financial products. It will become a key distributor for Tradition's market data and information services division.

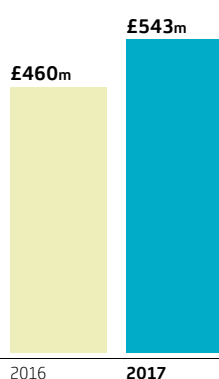
For KPIs  
see pages 14-15

For risk management and  
principal risks  
see pages 20-23

# KEY PERFORMANCE INDICATORS

## REVENUE

**£543m**



### Definition

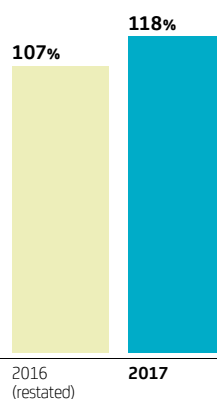
Group revenue derived from all business segments, net of the impact from hedging.

### Performance

18% revenue growth in year primarily benefited from the majority of revenue being in dollars and from new businesses.

## CONVERSION OF TRADING PROFIT TO CASH (including discontinued)

**118%**



### Definition

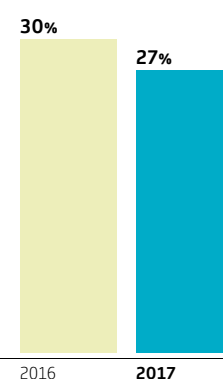
Conversion of trading profit to cash is calculated as cash generated from trading operations, less cash flows from operations relating to non-controlling interests, interest, tax and capital expenditure, plus dividends received from associates and investments, measured as a percentage of trading profit.

### Performance

Cash conversion effected by short-term favourability in working capital movements, excluding which conversion would be around 90%, in line with the medium-term expected range of 80% to 90%.

## OPERATING PROFIT MARGIN

**27%**



### Definition

Trading operating profit as a percentage of revenue.

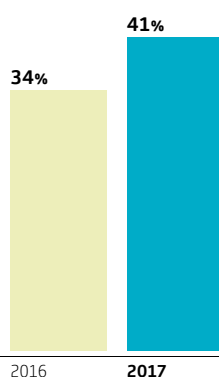
### Performance

The decrease in operating margin reflects ongoing investment for growth, impact of hedging losses and certain one-off costs.



## SUBSCRIPTION REVENUE

41%

**Definition**

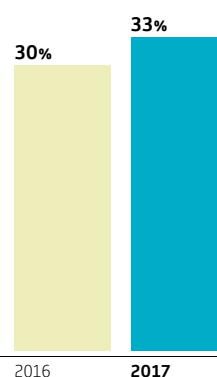
Percentage of revenue generated from subscription revenue streams.

**Performance**

Year-on-year increase is driven mainly by new acquisitions which are subscription-based. An increase in NEX Data revenue is also a key contributor.

## NON-BANK REVENUE

33%

**Definition**

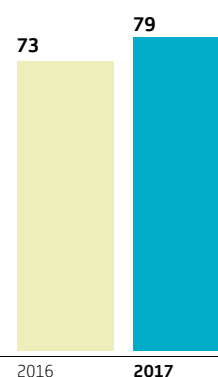
Percentage of revenue derived from non-bank client base.

**Performance**

Year-on-year increase is driven primarily by new acquisition revenue which is derived mainly from non-bank clients.

## CLIENTS GENERATING &gt;£1M REVENUE

79

**Definition**

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

**Performance**

Improved year-on-year with further growth expected in the future through increased integration and cross-selling across the Group.



# RESOURCES, RELATIONSHIPS AND RESPONSIBILITIES

### Our people

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

We have traditionally brought talent into our businesses through our graduate recruitment programme, internships and apprenticeships. We continue to be passionate about hiring early career talent and are redesigning and widening the scope of our talent programme to help employees at all stages of their career to take control of their development. Our approach to recruitment at all levels is focused on identifying people who will help drive outstanding business performance, while also demonstrating the crucial qualities of integrity and the ability to deal with constant change.

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

### Gender ratio

	Male		Female	
Board of directors	6	100%	0	0%
Senior management	35	73%	13	27%
All other employees	1,215	64%	531	28%
	1,256	65%	544	28%

141 employees are categorised as undisclosed.

### Our culture

Our ability to adapt to change in our markets and in our business is a direct result of our culture, underpinned by the principles of professional conduct.

The board and senior management define the cultural agenda and are engaged in ensuring that we are a values-driven organisation. As part of the rebranding to NEX, we are redefining our corporate values and the behaviours that support them, and we have consulted with our management teams, employees and clients as part of this process. These values and behaviours are the bedrock of our organisation and are embedded through leadership, governance, communication, talent management and compensation.

We value the views of our employees and will continue to increase engagement with them through our internal communications programme. Our new global intranet and our regular employee newsletters and communications have been welcomed across the business.

### Our technology

Our position as a leading provider of market infrastructure to the global financial markets has been achieved through significant investment in technology over many years.

We operate technology research and development hubs in New Jersey, Stockholm and Tel Aviv and also work with external suppliers. We continue to enhance the security of our global systems to mitigate the risk of cyber attack, which is ever evolving in sophistication and scope.

### Our relationships

We build trust with our clients, partners, investors and regulators, and we engage with our stakeholders in an open and co-operative way. This transparency encourages the growth of mutually rewarding long-term relationships.







One of our key strategic priorities is to grow, expanding and diversifying our client base outside our traditional areas. We know that client experience is ultimately the most important driver of our brand reputation and strength. Our clients rely on us to provide them with insight into the marketplace and to use our expertise to their advantage. They require us to be absolutely trustworthy and professional in everything we do.

We work with governments and regulatory authorities to maintain a current and detailed understanding of the legislation and regulation that affect us and our clients. These relationships give us insight into the policy process and enable us to respond efficiently to change.

### Doing business responsibly

We aim to do business in a socially responsible way and to contribute to the communities of which we are part.

We are committed to the highest ethical standards in our business. As a key part of the global financial infrastructure, we adhere to the spirit and the letter of the law within our control, compliance and assurance environment. Our compliance and control risk infrastructure includes trade surveillance, communications monitoring, comprehensive training and a whistleblowing hotline.

We have a Code of Ethics and Business Conduct policy which is approved by the board. Clear ethical guidelines are issued to all Group companies, and compliance with these guidelines is monitored through the Group's internal control framework. We have a zero-tolerance attitude towards money laundering, bribery and corruption, and an ongoing programme of internal training is in place to ensure all employees are aware of these policies.

We promote equal access to jobs and promotion opportunities as we believe that differences in background and outlook are key to creating a healthy and dynamic organisation. We expect our employees and all those who work with us to show tolerance, respect and dignity for all. No employee, applicant, contractor or temporary worker is treated less favourably, victimised or harassed on any grounds. Consideration is always given to human rights principles as part of our working practices.

The Group's health and safety policy is approved by the board and owned by the Global Chief Operating Officer. Regional health and safety committees ensure there is an effective structure for delivering compliance with the policy. It is the responsibility of managers to provide a healthy and safe working environment for employees. As most of our employees work in office environments, there are no significant areas of risk on which to report.

### Reducing environmental impact

Our environmental policy is approved by the board and owned by the Group Chief Financial Officer.

Most of our greenhouse gases arise from the running of our offices and employee travel commitments, and we mitigate our total carbon emissions through investment in carbon reducing projects.

Emissions associated with electricity consumption decreased from 14,685 tonnes of CO<sub>2</sub>e during 2015/16 to 11,422 tonnes of CO<sub>2</sub>e in 2016/17, a favourable drop of 22%. Emissions from air travel decreased by 8.8% from 4,930 tonnes of CO<sub>2</sub>e during 2015/16 to 4,495 tonnes of CO<sub>2</sub>e in 2016/17.

Year-on-year comparison	Tonnes of CO <sub>2</sub> e		Change (%)
	2016/17	2015/16	
Emissions from:			
Scope 1*	207	276	-25%
Scope 2**	11,422	14,685	-22%
Scope 3***	10,401	12,977	-20%
<b>Total</b>	<b>22,030</b>	<b>27,938</b>	<b>-21%</b>
Intensity metric:			
tonnes CO <sub>2</sub> e / FTE	6.06	6.3	-3.8%

\* Scope 1 includes direct greenhouse gas emissions from sources owned or controlled by the Company, such as natural gas combustion and company-owned vehicles

\*\* Scope 2 accounts for greenhouse gas emissions from purchased electricity, heat and steam generated off-site

\*\*\* Scope 3 includes all other indirect emissions such as waste disposal, business travel and employee commuting

Total emissions per full-time employee (FTE) reduced from 6.3 tonnes of CO<sub>2</sub>e in 2015/16 to 6.06 tonnes of CO<sub>2</sub>e in 2016/17.

These estimates were provided by Natural Capital Partners, an environmental consultancy. Natural Capital Partners' assessment was carried out in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Responsibility for emissions sources was determined using the operational control approach.

### Working for society

Our business performs a useful role in society:

- by contributing to the stability and prosperity of economies by helping governments and companies to raise capital and manage risk;
- by supporting the efficient functioning of global markets by providing transparency for clients and helping to maintain the liquidity of markets; and
- by using our position as a leader in electronic trading in OTC markets to help make markets safer by enabling greater use of technology.

Although we have a small direct footprint in terms of social and community issues, we recognise that our behaviour and activities can have a positive effect. Our annual Charity Day raises money for charities worldwide, and we also support employees wishing to volunteer.



# CHARITY DAY

On Charity Day, we donate 100% of our revenue and commissions globally to charity. Each business division and all our offices around the world participate. The impact of the day is phenomenal.

Charity Day is a day unlike any other. Employees swap suits for fancy dress, and visiting celebrities keep spirits high and lend a hand to help close transactions. Charity Day gets tremendous support from the market too, with clients working closely with us on the day to maximise the amount of revenue and commission placed with the business and therefore the amount of money raised for charity.

This global initiative has a local focus. We invite employees to nominate their favourite charities and each regional centre decides which charities benefit. We prefer to work with small organisations where our contribution will make a big difference.

Our policy is to help different charities each year, and in 2016 we supported 200 charities around the world.

Thanks to the efforts of our employees, clients and suppliers, our 2016 Charity Day raised a fantastic £8.2 million/\$10.3 million, bringing the total amount raised over 24 years to nearly £135 million.







In 1993 we held our first Charity Day. We had no agenda at that time apart from 'let us give a day's work totally to charitable causes' but it proved to be a defining moment for our character and ethos.

We have continued each year since and in all our offices around the world to dedicate one day in early December exclusively to giving our entire revenue, whether it be dollar, euro, pound or yen, to local charities. I am extremely proud of what we have achieved together. Over those nearly 25 years, many staff have said to me 'this is the best day in the year'; I share that sentiment.

**Michael Spencer**  
Group Chief Executive Officer

# RISK MANAGEMENT

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

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

The core nature of our approach to risk management has not changed. The key elements of that approach are below.

## **Board oversight and governance**

The Risk Committee of the board has responsibility and oversight of our risk management and internal control systems. It provides this oversight through approval of the risk appetite and key policies, collection and review of extensive management information about key and emerging risks, risk developments and risk events, and regular meetings with the Chief Risk Officer and other key executives to discuss, analyse and challenge risk developments. The report from the Chairman of the Risk Committee is on page 47.

## **Risk function**

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

## **Risk culture**

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

# PRINCIPAL RISKS

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

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

Risk	Nature of risk and appetite	Trend	Mitigating controls
<b>Liquidity risk</b>			
The risk that NEX will have insufficient funds to meet its obligations under ordinary and reasonably stressed conditions.	This risk occurs within the BrokerTec US matched principal business, where it serves as a fully matched counterparty to offsetting positions entered into by clients of its electronic trading platform to facilitate anonymity and access to clearing and settlement. In the course of utilising a central clearing house as well as a third party clearing bank for the settlement of transactions, BrokerTec will be required to post collateral as well as twice-daily short-term margin based on the size of executed but unsettled transactions. Without sufficient funds to meet its obligations, BrokerTec could be exposed to breach of contract claims, a reluctance of clients to continue using the platform, and an inability to continue as a member of the central clearing house. The board's risk appetite provides for NEX to maintain access to sufficient funding to meet its obligations during ordinary and reasonably stressed market conditions.	This risk has increased somewhat over the past year, as both the clearing house and the Group's clearing banks have increased their margin requirements industry wide in response to more aggressive stress scenarios.	The Group seeks to mitigate and control this risk through the following: <ul style="list-style-type: none"> <li>– periodic reviews, including going concern assessments;</li> <li>– membership of the clearing house netting group;</li> <li>– \$200 million swingline facility maintained centrally for same and next day utilisation;</li> <li>– contingency funding arrangements and procedures in place; and</li> <li>– daily monitoring and escalation to executive management and Group Risk of funding requirements.</li> </ul>
<b>Counterparty credit risk</b>			
The risk of loss from the failure of a matched principal counterparty to settle its trades.	This risk occurs within the BrokerTec US matched principal business, where it serves as a fully matched counterparty to offsetting positions entered into by clients of its electronic trading platform to facilitate anonymity and access to clearing and settlement. Transactions with clearing house members are typically confirmed and novated shortly after execution, at which point the clearing house assumes the risk of settlement. For transactions with counterparties that are not members of the clearing house, however, settlement typically occurs on the day following execution and, prior to settlement, BrokerTec is exposed to the risk of loss in the event a counterparty fails to meet its obligations. If that were to occur, BrokerTec would have the right to cover or liquidate the open position, but could incur a loss in doing so. The board's risk appetite provides for the establishment and administration of counterparty credit limits and other risk management tools reasonably designed to avoid any significant credit loss.	This risk has decreased somewhat over the past year as NEX has increased its collection of collateral from clients and lowered the available trading limits for certain clients. Moreover, with the sale of the voice broking business, the instruments that are the subject of settlement risk are exclusively high-quality sovereign instruments and not the broader range of instruments in which the broking business used to transact.	The Group seeks to mitigate and control this risk through the following: <ul style="list-style-type: none"> <li>– membership of the clearing house netting group;</li> <li>– establishment and administration of board-approved credit limit matrix;</li> <li>– regular review of client financial position and trading activity;</li> <li>– collection of client credit enhancement (e.g. collateral, letters of credit); and</li> <li>– system-administered blocks on transactions in excess of notional limits.</li> </ul>



## PRINCIPAL RISKS CONTINUED

Risk	Nature of risk and appetite	Trend	Mitigating controls
<b>Legal and regulatory risk</b>			
The risk of breaching regulatory requirements, general laws and/or contractual commitments.	This risk generally applies to all of NEX's businesses, though in different ways. BrokerTec, TriOptima, NEX SEF (previously called EBS Global Facility) and NEX Exchange operate regulated introducing or trading platforms, and the Abide Financial regulatory reporting service is an approved reporting entity. These businesses are subject to extensive regulation, including adherence to specific rules and standards, regulatory exams and inquiries, monitoring and surveillance, and creation and maintenance of required records. All of NEX's businesses utilise to a significant degree client contracts that set forth mutual obligations to be adhered to in the course of the provision of products and services. A breach of those obligations by NEX could result in damages, as well as harm to its reputation and loss of clients. In addition to the risks associated with NEX's existing businesses, it may also be exposed to legacy risks from the voice broking business sold to TP ICAP pursuant to indemnities and warranties agreed to as part of the sale. The board's risk appetite provides for NEX to materially operate at all times in accordance with its legal, regulatory and contractual obligations.	This risk has decreased in certain ways and increased in others. With the sale of the voice broking business, the Group believes that its regulatory risk, while still important for certain of its businesses, has decreased on an overall basis as compared with ICAP. The Group now has significantly fewer regulated entities, engages in significantly fewer regulated activities, and has substantially fewer staff engaging in regulated activities. The risk of breaching contractual commitments, however, has increased, not because of a greater likelihood of breaches, but because the consequences of a breach have become greater as the business increasingly gives rise to assisting its clients with completion of their regulatory obligations.	The Group seeks to mitigate and control this risk through the following: <ul style="list-style-type: none"> <li>– NEX has internal legal and compliance departments which act as independent advisory and investigation functions to enable and defend the Group's strategic aims;</li> <li>– the Group seeks to utilise standard contracts for its baseline services that have been reviewed by both the legal department and commercial management to properly allocate risks;</li> <li>– advice is taken regularly from appropriately qualified external advisors and professionals;</li> <li>– documented policies and procedures are communicated to all relevant staff; and</li> <li>– training is provided to staff on an ongoing basis.</li> </ul>
<b>Information security risk</b>			
The risk of confidential client information being improperly shared or accessed.	This risk generally applies to all of NEX's businesses. The NEX Markets business will routinely have access to information about the trading activity of its clients on its platforms, and the NEX Optimisation business provides a variety of services that necessitate access to its clients' trading, settlement, margining and risk activity. The failure to protect this information effectively could result in damages for breach of contract, breach of data protection requirements in certain jurisdictions and a loss of client trust. The board's risk appetite provides for the Group to maintain robust policies, procedures and systems reasonably designed to protect the confidentiality of client information.	This risk has increased as the incidence and gravity of cyber security threats and attacks continue to increase in the financial sector and in the markets generally. The risk is also likely to increase in light of two impending regulatory developments. One is the implementation of the EU General Data Protection Regulation, which takes effect on 25 May 2018, and which increases both the obligations associated with protecting confidential information and the penalties associated with failing to do so. The other is the implementation of MiFID II, which takes effect on 1 January 2018, and which will require specified new monitoring of the Group's EU-based EBS and BrokerTec trading platforms that will necessitate collection and proper handling of individual trader information.	The Group seeks to mitigate and control this risk through the following: <ul style="list-style-type: none"> <li>– timely escalation and mitigation of risk events;</li> <li>– provision of training and guidance;</li> <li>– information security breach monitoring;</li> <li>– cyber security programme, including penetration testing;</li> <li>– contractual liability limitations; and</li> <li>– restrictions on physical access to Company facilities.</li> </ul>

Risk	Nature of risk and appetite	Trend	Mitigating controls
<b>Business resiliency risk</b>			
The risk that key operating and control systems are unavailable.	This risk applies to all of NEX's businesses. NEX's clients utilise the Group to provide essential execution and optimisation services and, as such, rely on the services being available and operating as intended. A failure to maintain this availability could result in disruption and loss for clients, as well as increase their interest in utilising competitor service providers. This is a particularly significant risk for NEX Markets' trading platforms, which have established well-regarded levels of liquidity that encourage continued use, but could face difficulty replicating those same levels of liquidity if clients were to make a significant and sustained switch to alternative venues. Certain of the NEX Optimisation businesses also rely on the network effects of multiple participants utilising a service at the same time, so a service disruption that prompted client defections could also have a pronounced negative affect on certain of these businesses. The board's risk appetite provides for the Group to maintain robust policies, procedures and systems reasonably designed to ensure the availability of key systems.	This risk has increased in recognition that cyber threats generally are increasingly targeted not only at the theft of information but at disrupting the operations of market participants.	<p>The Group seeks to mitigate and control this risk through the following:</p> <ul style="list-style-type: none"> <li>– timely escalation and mitigation of risk events;</li> <li>– provision of training and guidance;</li> <li>– cyber security programme, including penetration testing;</li> <li>– contractual liability limitations; and</li> <li>– documented and tested business recovery programme.</li> </ul>
<b>External change risk</b>			
The risk that NEX does not effectively respond to significant political and regulatory changes pertinent to its business.	This risk applies to all of NEX's businesses. NEX's businesses are either themselves regulated, or serving financial institutions that are. As such, developments in the regulatory environment have the potential to significantly affect NEX's business. Two recent examples of such developments are particularly noteworthy. First, the vote for the UK to leave the EU has the potential to change significantly the prevailing model of how financial institutions in Europe operate and how and from where they provide their services. With UK-based regulated platforms that have relied on EU passporting (notably BrokerTec Europe), the Group will have to respond to changes in licensing requirements as well as decisions by its clients, all of which may entail added cost and operating complexity. Secondly, with the change in presidential administration in the US, the regulatory climate of the past eight years may change significantly, potentially manifesting itself in reduced regulatory burdens and greater flexibility. This would be helpful for some of the Group's businesses that are regulated, but potentially unhelpful for those that provide services to financial institutions seeking to comply with regulatory obligations. The board's risk appetite provides for sufficient resources and expertise to be allocated to the identification, analysis, monitoring and response to such changes.	This risk has increased, given the magnitude of the change and uncertainty that both the UK vote to leave the EU and the new US administration pose to the future of financial services. The elevated risk level is not a judgement that the eventual changes will be negative for the Group; they may in fact be positive. It is, rather, a judgement that the level of change and uncertainty is at an almost historic level, creating a necessarily higher degree of challenge to manage the change effectively.	<p>The Group seeks to mitigate and control this risk through the following:</p> <ul style="list-style-type: none"> <li>– maintenance of internal and external regulatory affairs advisors to provide updates on regulatory developments and convey the Group's perspective on legislative and regulatory issues to policymakers;</li> <li>– internal committees tasked with monitoring, analysing and implementing change necessitated by regulatory developments; and</li> <li>– regular reporting and discussion of key and emerging risks at the board Risk Committee.</li> </ul>

# RESULTS FOR 2016/17

NEX is focused on driving revenue growth, increasing its operating profit margin and delivering value to its shareholders.

## Financial performance

For the year ended 31 March 2017, the Group reported revenue of £543 million, an increase of 18% on a reported basis on the prior year and an increase of 8% on a constant currency basis. On a constant currency basis, revenue from NEX Markets was up 8% and from NEX Optimisation was up 9%.

During the course of the year, the Group's trading performance benefited from increases in market share and volatility across European repo, BrokerTec UST Actives and Asian NDFs. triResolve continued to show growth underpinned by an increase in client numbers and the launch of triResolve Margin.

This was partly offset by low FX volatility impacting trading activity on the EBS platform and low euro interest rate volatility impacting Reset, the risk mitigation product.

NEX 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 NEX's client base. In addition, NEX Opportunities has continued to invest in new start-ups leveraging next generation technologies. During the year NEX acquired ENSO and Abide Financial in which it already had minority stakes.

The Group reported a trading operating profit of £145 million, an increase of 4% on the prior year. Although the Group's trading operating profit margin reduced to 27% (2015/16: 30%) underlying profitability was higher after adjusting for FX hedging losses of £17 million (2015/16: loss of £6 million) and one-off costs of £5 million relating to the integration of offices in the US. Moreover, the newly acquired high-growth ENSO and Abide Financial businesses added operating losses of £5 million and should reach run rate breakeven in the next 18 months.

The Group's continuing operations reported a trading profit before tax of £114 million (2015/16: £110 million), 4% up on the prior year. Continuing trading EPS (basic) of 23.2p per share (2015/16: 23.6p per share) was down from the prior year as a four percentage point increase in the trading ETR offset the 4% improvement on the trading profit before tax.

## Group performance

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m	Change %
Revenue	<b>543</b>	460	18%
Trading operating profit	<b>145</b>	139	4%
Trading profit before tax	<b>114</b>	110	4%
Trading operating profit margin	<b>27%</b>	30%	(3 ppt)
Trading EPS (basic)	<b>23.2p</b>	23.6p	(2%)

## NEX transformation programme

NEX is focused on driving revenue growth, increasing its operating profit margin and delivering value to its shareholders. By the end of 2019/20 both divisions, NEX Markets and NEX Optimisation, aspire to report an operating margin of at least 40%, with Group revenue compound annual growth rate (CAGR) at 7-10%.

NEX's current core cost base is expected to increase in line with inflation over the medium term. Following the completion of the sale of ICAP's Global Broking division to TP ICAP, NEX management has undertaken a review of the business and its requirements. As a result, NEX has identified cost savings of approximately £25 million to be delivered by 2019/20. These savings will be derived from the reassessment of corporate functions and the streamlining of infrastructure, particularly within NEX Optimisation. The cost to achieve these savings will be approximately £10 million, which will not be treated as an exceptional item. The costs savings will be offset by continued investment in new products in addition to increased costs from potential acquisitions and special projects.

## Review of operations

### NEX MARKETS

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

For the year ended 31 March 2017, revenue increased by 8% on a constant currency basis and increased by 20% on a reported basis to £313 million (2015/16: £261 million).

The trading operating profit increased to £116 million (2015/16: £92 million) and the trading operating profit margin increased two percentage points to 37%.

#### NEX Markets

	2016/17 £m	2015/16 £m (restated)*	Change %
Revenue			
BrokerTec	155	133	17
EBS	145	128	13
CFETS contract	13	0	n/a
Total – reported	313	261	20
– constant currency		289	8
Trading operating profit	116	92	26
Trading operating profit margin	37%	35%	2 ppt

\* Restated – hedging impact and NEX Exchange are now reported separately

“EBS is a reliable and trusted source of executable and genuine liquidity across major and emerging market currencies.”

#### BrokerTec

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

For the year ended 31 March 2017, revenue increased by 8% on a constant currency basis and increased by 17% on a reported basis to £155 million (2015/16: £133 million). This performance reflects a 2% decrease in US Treasury average daily volume to \$164 billion, a 3% increase in US repo to \$219 billion and a 6% increase in European repo to €186 billion.

Geo-political events dominated this past year's news and underpinned sporadic trading in US Treasuries. Last November, the result of the US presidential election produced the second highest volume day since the launch of BrokerTec underpinned by the resilience of the platform. Speculation around the US President's policies also continued to drive heightened volatility. Additionally, the Federal Reserve, although keeping interest rates on hold for much of the year, has now embarked on a measured agenda of raising rates providing trading opportunities.

Trading activity in the secondary market for European government bonds has steadily improved from the lows seen in the first half of the year. Banks continue to hold less inventory and client flow is still substantially lower. Trading activity remains concentrated around new bond issuance in addition to an uplift more generally in France and Holland in the run-up to their elections.

In March 2017, BrokerTec announced that it had completed the transaction to acquire a majority stake in e-MID, the first Italian electronic central limit order book platform for interbank deposits and overnight indexed swaps. The transaction offers BrokerTec Europe a strong footprint in the Italian debt and money markets.

The US repo product benefited from the uptick in market volatility that began ahead of the UK vote to leave the EU and persisted through the US presidential election. Trading activity in the European repo market benefited from increased volatility, demand for good quality collateral and a lack of supply from the buy-side.

BrokerTec Direct is the relationship-based trading platform that provides the opportunity for liquidity consumers to receive tailored streams of liquidity for US Treasury benchmarks from major liquidity providers. The existing platform will be upgraded to deliver enhanced functionality which will enable BrokerTec to increase its existing client base and broaden the overall offering to further complement the existing core BrokerTec business.

#### EBS

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

For the year ended 31 March 2017, revenue is flat on a constant currency basis and increased by 13% on a reported basis to £145 million (2015/16: £128 million) contrasting with a 7% decrease in average daily volume to \$83 billion. The significant uptick in volume for the five weeks following the result of the US presidential election was unable to offset lower volumes in the first half of the year.

EBS Market, the exchange-like central limit order book, remains the benchmark for the professional FX trading community, connecting buyers and sellers of currencies in more than 50 countries. It has maintained its position as a primary interbank venue for the trading of the world's most actively traded currency pairs, including euro/dollar and dollar/yen. There is a focused plan in place to enhance the user experience on the EBS Market platform and expand into other currency pairs.



## RESULTS FOR 2016/17 CONTINUED

“NEX Markets is a leading electronic trading platforms and solutions business in FX and fixed income products. The BrokerTec and EBS platforms offer efficient and effective trading solutions to clients in more than 50 countries across a range of instruments. These electronic platforms are built on its bespoke networks connecting participants in financial markets.”

During the year EBS Market has continued to develop and create liquidity in both CNH and NDFs with average daily volume growing by more than 11% and 24% respectively compared with the same period last year.

Despite the ongoing headwinds from a low interest rate environment, EBS Market continues to innovate. In February 2017, it launched EBS Live Ultra, the fastest FX live-streaming data feed available from a primary FX market venue at five millisecond (ms) intervals. This faster data feed is available only to market participants that meet certain trading criteria. The slower data feeds at 100ms and 20ms have been competitively repriced to attract new client interest.

NEX eFix, the matching service that enables clients to execute against daily benchmark rates electronically on the EBS Market platform, has continued to demonstrate significant growth. Average daily volume has increased by more than 50% over the same period in 2015/16 to more than \$1.6 billion matched per day.

EBS Direct is a platform that allows liquidity providers to stream tailored prices directly to liquidity consumers. Interest in the platform continues to grow and the platform has more than 45 liquidity providers and 400 liquidity consumers using the service. The EBS Direct platform had a 21% increase in average daily volume over the prior year to \$21 billion.

EBS Select, which allows non-banks to become liquidity providers to non-bank liquidity consumers, has seen a sharp increase in participants with more than 25 liquidity providers and 180 liquidity consumers now actively trading. FX forwards and swaps volumes continue to grow and attract additional participants, with more than 20 new liquidity consumers added since November 2016. This allows access to a significant part of the FX market in which EBS has never previously participated.

During the year, NEX Treasury added new FX functionality onto the platform to support the trading of FX spot, forwards and swaps, leveraging FX pricing from EBS Direct. Currently there are more than 475 corporates and more than 625 funds and banks active on the platform.

#### CFETS contract

In June 2016, NEX announced that CFETS, China's official interbank market trading platform and infrastructure provider, had chosen NEX Markets to deliver the underlying technology for fixed income and FX electronic execution services in mainland China. The deal, valued at \$65 million over a three-year period, will see NEX expand into China, a key growth market for the business.

## NEX OPTIMISATION

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

During the year NEX Optimisation acquired ENSO Financial Analytics, a treasury and portfolio finance solution business for the hedge fund industry, with over \$1 trillion in assets under advisory, and Abide Financial, which provides solutions for market participants to meet their regulatory reporting obligations.

Alongside Traiana and NEX Data, Abide Financial forms a central piece of the NEX Regulatory Reporting business which provides a cross-asset and cross-jurisdictional regulatory reporting solution for NEX's clients.

NEX Optimisation is currently reshaping its organisational structure. The primary focus is to organise the business in a way that clients want to use services, matching the way they think about their financial, regulatory and operational challenges. This will be achieved by restructuring NEX Optimisation's legal entities and products to six solutions which resonate with clients: trade and portfolio management, analytics, regulatory reporting, financial resource optimisation, data insights and opportunities.

In conjunction with the restructuring, NEX Optimisation continues to build the NEX Infinity platform which will provide clients with a single platform that seeks to simplify trade processing, reduce costs and optimise their risk and capital across the entire transaction lifecycle. It will be capable of delivering both NEX Optimisation's suite of industry-leading services and others available from third party vendors.

NEX Infinity will deliver efficiencies in the division's operating model by reducing duplicated functions and having a single data ingestion and interface with clients.

For the year ended 31 March 2017, revenue increased by 9% on a constant currency basis and increased by 24% on a reported basis to £240 million (2015/16: £194 million). The trading operating profit was marginally down at £69 million (2015/16: £70 million) and the trading operating profit margin reduced by seven percentage points to 29%, driven by the consolidation of recent loss-making acquisitions (ENSO and Abide Financial) and additional investment.

### NEX Optimisation

	2016/17 £m	2015/16 £m	Change %
Revenue			
TriOptima	86	72	19
Traiana	57	53	8
NEX Data	48	32	50
Reset	37	37	—
ENSO	9	n/a	—
Abide Financial	3	n/a	—
Total – reported	240	194	24
– constant currency		220	9
Trading operating profit	69	70	(1)
Trading operating profit margin	29%	36%	(7 ppt)

### TriOptima

TriOptima lowers costs and mitigates risk in OTC derivatives markets, primarily through the elimination and reconciliation of outstanding transactions. It continues to benefit from the strategic alignment of its offerings with the G20 policy objectives of transparency and risk reduction in the financial system.

For the year ended 31 March 2017, revenue increased by 6% on a constant currency basis and by 19% on a reported basis to £86 million (2015/16: £72 million). Revenue growth was driven by the expansion into new market segments for the portfolio compression service, triReduce, and the uptake of new offerings in the reconciliation service, triResolve.

The stringent leverage ratio included within the Basel III rules continues to drive demand from banks for the compression service. During the year, the compression service terminated \$191 trillion of gross notional outstanding (2015/16: \$168 trillion). Since launch, more than 253 financial institutions have participated in eliminating \$959 trillion in total notional outstanding from the OTC derivatives market.

triReduce continues to innovate and expand its product and market coverage. In April 2016, it launched the first Swedish krona swaps compression cycle in collaboration with Nasdaq; in May 2016, it completed the first compression cycle for cleared euro interest rate swaps in Eurex Clearing; in August 2016, the first cycle for cleared Mexican pesos at the CME Group clearing house took place and compression for NDF and non-CLS eligible currencies was launched; and in October 2016, it introduced the compression for client cleared swaps at LCH SwapClear.

Initially a portfolio reconciliation service, triResolve has expanded its suite of offerings during the year to include triResolve Margin for the automated calculation and agreement of variation margin allowing clients to meet the regulatory requirements for variation margin which took effect in March 2017. Since launch, 70 subscribers have joined the triResolve Margin service.

Standard portfolio reconciliation, as required by regulation, continues to experience steady growth. The number of institutions using the triResolve core service has increased from 1,680 during 2015/16 to more than 1,900 who participate in 476,000 party-to-party reconciliations each month (2015/16: 384,000).

### Traiana

Traiana monitors pre trade risk and automates post trade processing of financial transactions across multiple asset classes. Its solutions have become the market standard for post trade processing of FX, exchange-traded derivatives, fixed income, CDS and synthetic and cash equity transactions. Traiana's Harmony network connects more than 1,000 global banks, broker/dealers, buy-side firms and trading platforms.

For the year ended 31 March 2017, revenue decreased by 5% on a constant currency basis and increased by 8% on a reported basis to £57 million (2015/16: £53 million) following a reduction in FX volume-related services and the introduction of a new pricing structure to incentivise long-term client contracts. This was partly offset by an increase in non FX-related revenue.

Traiana continues to innovate, grow and diversify its business into other asset classes. In June 2016, it announced that Barclays and UBS had gone live on its Harmony CCP Connect for Equities platform. These banks will further enhance the netting benefits already seen by the market through automated central clearing of OTC equity trades. In February 2017, Traiana launched Swaps Centre, a suite of services which enable swaps providers to electronically manage payments and confirmations in equity swaps. Traiana has seen continued strong growth in volumes via its Harmony Equity CCP service which plays an important role in reducing counterparty risk and increasing transparency.

## RESULTS FOR 2016/17 CONTINUED

“ENSO is looking to leverage the capabilities of the other NEX companies, the first example of which is the partnership with NEX Treasury.”

### NEX Data

NEX Data delivers independent market intelligence and price information for OTC data to financial market participants from information received from NEX Markets and third parties. NEX Data generates subscription-based fees as well as licensing fees from other index administrators for the use of NEX Data in their indices.

For the year ended 31 March 2017, revenue increased by 30% on a constant currency basis and 50% on a reported basis to £48 million (2015/16: £32 million) driven by organic growth on existing services, the launch of new pricing and analytics products and electronic-transaction based indices. In addition, a change to direct client billing increased both revenue and the related operating expenses.

During the year, NEX Data launched the first fully electronic trade-backed CNH FX Spot benchmark following considerable interest from a number of major Chinese banks. In addition, NEX Data and ENSO released the ENSO Market Rate, a reference rate which provides securities lending data from 100 of the largest asset managers.

In January 2017, NEX Data became a key distributor for Tradition's market data and information services division. The agreement includes real-time and end-of-day prices sourced directly from Tradition's global electronic, hybrid and voice broking operations in all asset classes. By acting as a distributor to Tradition, which offers complementary data services, NEX Data will be able to expand its multi-asset class and Asian market coverage and develop new services in pricing, analytics and indices.

### Reset

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

For the year ended 31 March 2017, revenue decreased by 12% on a constant currency basis and was flat on a reported basis at £37 million (2015/16: £37 million) as the business continues to be affected by low short-dated interest rate volatility in Europe and further dampened volatility as a result of the ECB's quantitative easing programme. During the year, commentators speculated about the timing of an increase in US interest rates which began

a period of increased demand for Reset's US dollar services and continued with the US presidential election and Federal rate rises in December 2016 and March 2017. Related FX volatility also benefited NDF volumes. Despite the drag of subdued Eurozone demand, the business is well placed to capitalise on higher client volumes on the back of further US interest rate rises.

### ENSO Financial Analytics

In April 2016, ENSO was acquired by NEX through NEX Opportunities. ENSO delivers data, analytics and workflow tools that enable hedge funds and asset managers to manage their relationships with prime brokers more effectively. ENSO provides a complete view of an individual hedge fund's relationships across multiple counterparties, delivering insights on counterparty credit risk, collateral management, portfolio financing and treasury.

During the course of the year, ENSO's client base grew by 16% to 104 clients and its revenue for the year ended 31 March 2017 was £9 million. Based on current investment plans, ENSO is expected to achieve run rate break even profitability within the next 18 months.

The future expansion of ENSO's hedge fund client base is expected to be driven by sales of ENSO Edge, a product which has been developed for funds with assets under management of less than \$1 billion, and the entry into new geographies, specifically Asia. ENSO is looking to leverage the capabilities of the other NEX companies, the first example of which is the partnership with NEX Treasury that will allow ENSO clients to invest excess cash into money market funds via the NEX Treasury platform.

### Abide Financial

In October 2016, Abide Financial was acquired by NEX through NEX Opportunities. Abide Financial is a market leader in the provision of regulatory reporting technology, helping market participants ensure they are compliant with evolving reporting obligations. The company acts as a reporting hub for EMIR and as an Approved Reporting Mechanism for MiFID. Abide Financial is currently awaiting ESMA's approval to become a trade repository, and recently submitted an application to become a MiFID II Data Reporting Services Provider. Alongside Traiana and NEX Data, Abide Financial powers the NEX Regulatory Reporting division to deliver a holistic MiFID II offering for NEX's clients.

For the period since acquisition to 31 March 2017, revenue was £3 million. Abide Financial is expected to achieve run rate break even profitability within the next 18 months.



## NEX OPPORTUNITIES

Through NEX Opportunities, NEX is building an investment portfolio of emerging financial technology companies. It identifies and provides capital to companies delivering new platforms, business models and next generation technologies with the objective to drive efficiencies, transparency and scale across the transaction lifecycle. NEX Opportunities has invested £35 million in eight portfolio companies.

During the period, NEX Opportunities invested in RSRCHXchange, a MiFID II compliant marketplace for institutional research; Axoni, a leading provider of distributed ledger technology; OpenFin, a unifying operating layer for financial desktops; and Cloud9 Technologies, a cloud-based communication provider. In addition, NEX Opportunities made a further investment in OpenGamma, a leading provider of risk analytics.



## FINANCIAL REVIEW

**Stuart Bridges**

Group Chief Financial Officer

	Year ended 31 March 2017			Year ended 31 March 2016		
	Continuing £m	Discontinued* £m	Total £m	Continuing £m	Discontinued* £m	Total £m
<b>Revenue</b>	<b>543</b>	<b>587</b>	<b>1,130</b>	460	741	1,201
<b>Trading operating profit</b>	<b>145</b>	<b>85</b>	<b>230</b>	139	82	221
Net finance income/(costs)	(31)	2	(29)	(29)	4	(25)
Share of profit of joint ventures and associates after tax	–	4	4	–	7	7
<b>Trading profit before tax</b>	<b>114</b>	<b>91</b>	<b>205</b>	110	93	203
Tax	(28)	(18)	(46)	(23)	(20)	(43)
<b>Trading profit for the year</b>	<b>86</b>	<b>73</b>	<b>159</b>	87	73	160
Acquisition and disposal costs, net of tax	7	–	7	(58)	–	(58)
Exceptional items, net of tax	5	1,140	1,145	(7)	(27)	(34)
<b>Profit for the year</b>	<b>98</b>	<b>1,213</b>	<b>1,311</b>	22	46	68
<b>Trading EPS (basic)**</b>	<b>23.2p</b>	<b>19.7p</b>	<b>42.9p</b>	23.6p	19.8p	43.4p
<b>Full-year dividend per share**</b>			<b>38.5p</b>			38.5p

\* The discontinued profit after tax is presented on one line in the consolidated income statement; a separate discontinued income statement is presented in note 5 to the financial statements

\*\* Trading EPS (basic) and the full-year dividend per share have been restated for the year ended 31 March 2016 to incorporate the effect of the share consolidation



## Performance review

The results for the 2016/17 section of the strategic report (pages 1 to 33) focus on the Group's divisional revenue and trading operating profit. Management plans and reviews the financial performance of the business using trading results that exclude acquisition and disposal costs and exceptional items (see the basis of preparation note to the financial statements). We choose to focus on trading results as we believe that this provides a clearer view of the business performance.

On 30 December 2016, the Group completed the disposal of IGBB to TP ICAP. The results of the IGBB business, the gain on disposal of IGBB and one-off separation costs arising from the Transaction have been presented as discontinued operations on one line in the Group consolidated income statement (net of tax). This financial review focuses on the trading performance from continuing operations.

## Trading revenue

Trading revenue from continuing operations was £543 million, which is £83 million (18%) up on the prior year. Revenue benefited from the weakening of pound sterling against the dollar and from new businesses.

## Trading profit before tax

The Group reported a £6 million (4%) increase in trading operating profit from continuing operations. The trading operating profit excluding the effects of hedging losses was £17 million (12%) up on the prior year. Trading profit before tax was £4 million (4%) up on the prior year as the improved trading operating profit was partially offset by a £2 million increase in net finance costs.

## Tax on trading profit

The Group's tax charge of £28 million on trading profit before tax from continuing operations represents a continuing ETR of 25% (2015/16: 21%). The continuing ETR primarily reflects the various statutory tax rates applied to taxable profits in territories in which the Group operates.

## Acquisition and disposal costs

### Continuing

For the year ended 31 March 2017, acquisition and disposal costs from continuing operations were a £1 million gain (2015/16: £74 million charge) before a tax credit of £6 million (2015/16: £16 million).

The acquisition and disposal costs from continuing operations include a £19 million (2015/16: £nil) fair value gain arising from the increased investment in ENSO and an additional £2 million fair value gain arising from other transactions, which were partially offset by £20 million of amortisation charges (2015/16: £38 million) on acquired intangible assets.

A more detailed breakdown of the Group's acquisition and disposal costs is given in notes 3 and 15 to the financial statements.

## Exceptional items

### Continuing

For the year ended 31 March 2017, exceptional items from continuing operations were a £5 million gain (2015/16: £9 million charge) before tax of £nil (2015/16: £2 million tax credit). The exceptional items from continuing operations relate to a £7 million release of onerous lease provisions as previously vacated office spaces have now been sub-let, proceeds from a legal expenses insurance claim of £3 million less legal expenses incurred in relation to regulatory matters of £5 million.

### Discontinued

For the year ended 31 March 2017, exceptional items from discontinued operations were £1,134 million (2015/16: £31 million) before a tax credit of £6 million (2015/16: £4 million).

The exceptional items from discontinued operations represent the gain on the disposal of IGBB of £1,162 million (2015/16: £nil), which is presented net of £28 million of costs of sale. Other Transaction-related costs include separation costs of £28 million (2015/16: £31 million). The proceeds from the Transaction in the form of 56% of the shares in TP ICAP were fully transferred to NEX shareholders.

For further information, please see notes 4 and 5 to the financial statements.

## Trading EPS and dividend

Trading EPS (basic) is calculated based on the trading profit for the year.

Management believes that trading EPS (basic) is the most appropriate EPS measurement ratio for the Group as this most closely reflects the ongoing generation of cash attributable to shareholders and in turn the Group's ability to fund sustainable dividends. In line with this, the Remuneration Committee primarily considers trading EPS (basic) in its review of management performance and uses that metric in the remuneration of the executive directors; see the remuneration report on pages 56 to 72.

Trading EPS and dividend per share have been stated for the year ended 31 March 2017 (and restated for the year ended 31 March 2016) using the weighted average number of shares in the period from the date of the share consolidation to the balance sheet date. For further details, see notes 6 and 7 to the financial statements.

## FINANCIAL REVIEW CONTINUED

The Group reported a trading EPS (basic) from continuing operations of 23.2p per share, down from the prior year (2015/16: 23.6p per share). This was driven by the 4% increase in trading profit before tax offset by a four percentage point increase in trading ETR. Trading EPS (basic) for the Group including discontinued operations was 42.9p per share, down from the prior year (2015/16: 43.4p per share).

The current year earnings include only nine months of discontinued operations in comparison with 12 months in the prior year.

The directors recommend a final dividend of 27.0p per share. If approved, the final dividend will be paid on 21 July 2017 to shareholders on the register at the close of business on 30 June 2017. The shares will be quoted ex-dividend from 29 June 2017.

The full-year dividend will be 38.5p per share (2015/16: 38.5p per share) including the interim dividend of 11.5p per share (equivalent to the interim dividend paid of 6.6p per share on ICAP plc shares). The 2015/16 full-year dividend comparative has been restated from 22.0p per share to 38.5p per share to reflect the effect of the share consolidation. The full-year dividend per share is covered 1.1 times (2015/16: 1.1 times) by trading EPS (basic) from continuing and discontinued operations of 42.9p per share.

### Free cash flow

The following free cash flow conversion table and the analysis is on a total Group basis including continuing and discontinued operations.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)**
<b>Free cash flow</b>		
Cash generated from operating activities*	341	290
Interest and tax	(64)	(57)
<b>Cash flow from trading activities</b>	<b>277</b>	<b>233</b>
Capital expenditure	(94)	(71)
Dividends from associates, joint ventures and investments	5	9
<b>Trading free cash flow</b>	<b>188</b>	<b>171</b>
<b>Free cash flow conversion (%)</b>	<b>118%</b>	<b>107%</b>

\* Before exceptional items

\*\* Free cash flow for the year ended 31 March 2016 has been restated to include movement in restricted funds in financing activities instead of operating activities

Trading free cash flow generated during the period was £188 million, a conversion rate of 118% (2015/16: 107%). Over the medium term free cash flow is expected to be 80-90% of post tax trading profit. The excess in cash conversion over profit for the current year was mainly as a result of working capital movements, which is expected to normalise.

Excluding the effects of working capital, the cash conversion would be in the order of 90%. The underlying shortfall in cash conversion is from the excess in capital expenditures, primarily IT spend, over amortisation and depreciation. Other non-cash expenses, such as share-based payment charges, partially offset this.

Trading free cash flow of £188 million was used to pay £142 million in dividends to shareholders.

### Balance sheet highlights

The Group's net assets as at 31 March 2017 were £979 million (2015/16: £1,018 million).

	As at 31 March 2017	As at 31 March 2016		
	Group £m	Continuing £m	Held for sale £m	Group £m
<b>Net assets</b>				
Intangible assets arising on consolidation	1,026	826	83	909
Cash and cash equivalents	321	157	359	516
Borrowings	(507)	(583)	(81)	(664)
Restricted funds	103	26	33	59
Other net assets	36	60	138	198
<b>Total net assets</b>	<b>979</b>	<b>486</b>	<b>532</b>	<b>1,018</b>

### Intangible assets arising on consolidation

The Group's goodwill and other intangible assets arising from consolidation from continuing operations as at 31 March 2017 were £1,026 million (2015/16: £826 million). During the period, the Group recognised £103 million goodwill and other intangible assets in relation to its acquisitions of ENSO, Abide Financial and e-MID. The remaining increase mainly resulted from the depreciation of pound sterling against the dollar and euro.

Management reviewed the Group's goodwill and other intangibles assets arising on consolidation for impairment as at 31 March 2017 and concluded that there was no impairment at the date.

The review was based on certain estimates and assumptions, including future cash flow projections and discount rates. The Audit Committee challenged management's judgements and estimates and has approved the appropriateness of management assumptions. Please see the report of the Audit Committee on pages 44 to 46.

### Trade receivables and payables

NEX has changed its accounting policy for recording financial instruments relating to its matched principal business from trade date accounting to settlement date accounting. Matched principal trade receivables and payables as at 31 March 2016 have been restated as a result of the change in accounting policy.



## Liquidity and funding

The Group's overall funding position as at 31 March 2017 remains strong.

As at 31 March 2017, the Group had committed undrawn headroom under its core credit facilities of £300 million (2015/16: £315 million). During the year, the Group agreed an extension of the maturity date on its revolving credit facility to 31 March 2019.

The gross debt position from continuing operations decreased by £76 million (13%) to £507 million as at 31 March 2017. The decrease primarily relates to the repayment of the RCF (2015/16: £108 million) following the receipt of £330 million cash from TP ICAP.

At 31 March 2017, the Group's long-term issuer ratings were unchanged at Baa3 (stable) by Moody's and BBB (stable) by Fitch.

Cash	£m
Cash held in regulated trading entities	213
Cash held in unregulated entities	52
Cash held in central treasury function	159
<b>Total cash*</b>	<b>424</b>

\* Cash includes cash and cash equivalents of £321 million and restricted funds of £103 million (all of which is in regulated trading entities)

## Long-term borrowings

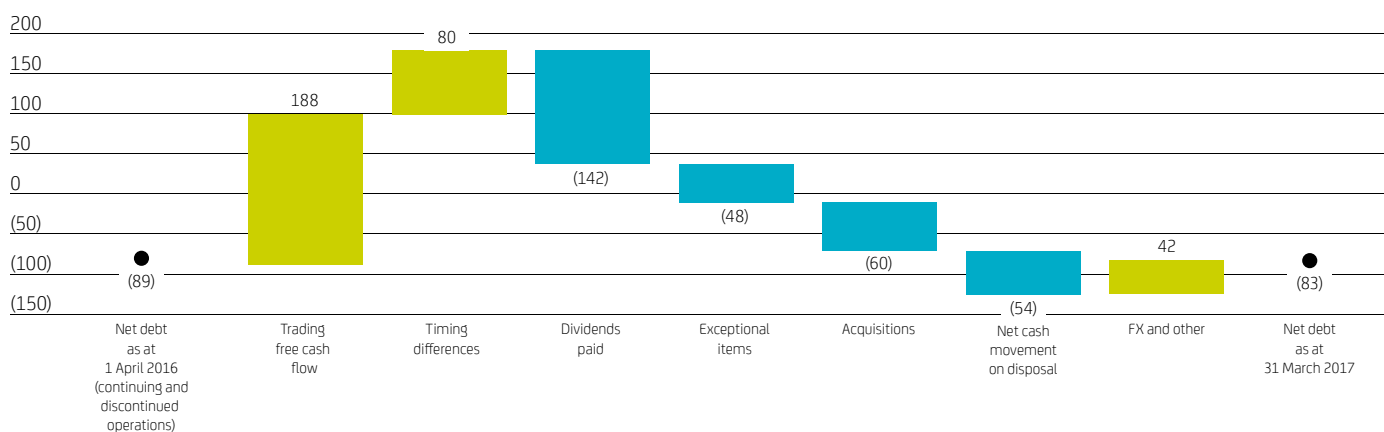
	As at 31 March 2017 £m	Interest rate	Maturity date
Five-year senior notes	298	4.0%	March 2019
RCF	—	2.1%	March 2019
Retail bond	125	5.5%	July 2018
Ten-year senior notes	12	5.2%	May 2023
<b>Total</b>	<b>435</b>		

## Net debt

Net debt including restricted funds from continuing operations decreased by £6 million (7%) in the year to £83 million as at 31 March 2017. During the period, the Group (including discontinued operations) converted £188 million of free cash flow. This was used to pay £142 million in dividends.

On disposal of IGBB on 30 December 2016, NEX received £330 million of cash from TP ICAP under the terms of the Transaction, which partially offset the cash derecognised on the disposal. During the year, the Group paid £60 million in relation to various acquisitions (ENSO, Abide Financial, e-MID and other investments). There were also £48 million of exceptional items paid during the year in connection with Transaction-related expenses.

## Net debt £m (including restricted funds)



## Strategic report approval

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

**Stuart Bridges**

Group Chief Financial Officer

15 May 2017

# CHAIRMAN'S STATEMENT



**Charles Gregson**  
Chairman

## Dear shareholders,

It is with great pleasure that I am introducing the first corporate governance statement and directors' report as Chairman of NEX. During the year, the focus for the board and senior management was, to a very large extent, on ensuring a successful completion of the Transaction with TP ICAP. This was complex and took longer than anticipated and consumed a great deal of the board and senior management's time. The result, with completion at the end of December 2016, was a very good outcome for shareholders.

This focus led to the deferment of a number of other strategic priorities which had previously been identified for action and/or completion during the financial year. Because of the importance of the Transaction, the board supported the Remuneration Committee's views on the impact this had on the executive directors' bonus arrangements. Further details of the outcomes relative to the performance goals for 2016/17 are detailed in the remuneration report.

## Leadership

During the year, the board undertook a detailed review of its composition, skills and experience in order to ensure that it is made up of members with the experience to challenge and contribute to NEX's vision. As a result of this review, I am delighted that Anna Ewing will be joining the board of NEX as a non-executive director in May. Having previously worked for Nasdaq and Merrill Lynch, she brings significant technology and operations experience to NEX which I am confident will support our development and growth as a financial technology company. We look forward to working with Anna. In accordance with the articles of association of NEX, she is expected to stand for appointment at the annual general meeting in July.

John Sievwright was appointed to the board in July 2009 and has been Chairman of the Audit and Risk Committees and the senior independent director for much of this time. With John's length of service reaching nine years in July 2018, we are seeking to appoint a non-executive with the appropriate experience to take over, in due course, the chairs of both the Audit and Risk Committees.

While these recruitment processes remain ongoing, we recognise that our diversity, in terms of gender and ethnicity, fell short of prescribed targets during the year. All board appointments will continue to be made on merit with due regard for the benefits of diversity. In the interim, we are confident that our diversity in terms of thinking and challenge remains strong within the boardroom.

## Governance

With the launch of NEX and its new position in the competitive financial technology marketplace, we have started a review of our governance framework. We recognise that, in this different competitive space, we must be 'fit for purpose' with all functions appropriate to the new environment, whether regulated or not. While there is more work to be done, the Risk Committee has begun its debate on its focus for 2017/18 and the outcome of this discussion is documented within the risk management and Risk Committee's activities sections of this Annual Report.

As a result of the Transaction and the subsequent review of the governance framework for NEX, we undertook internal evaluations of the board and its committees during the year, focusing on the outcomes of previous reviews and the requirements for the new Group. When our governance review has completed and the proposed changes to our board have been embedded for a suitable period during 2017/18, we will undertake an externally facilitated evaluation of the board and its committees.

## Culture

We have always recognised the need for a strong and identifiable culture and we want everybody within the Group to feel and be part of the NEX family as our business continues to develop and grow. As part of the rebranding to NEX, we are redefining our corporate values and the behaviours that support them. Once formalised, these values and behaviours will be embedded and reinforced throughout the Group.

I would like to take this opportunity to thank all board members for their time commitment during the year and continued commitment and enthusiasm for NEX going forward.

In the new NEX world, we continue to strive to be a good investment, a great employer and a valued contributor to our communities, year after year. Thank you for continuing to support these goals.

## Charles Gregson

Chairman  
15 May 2017

- For leadership
  - Our board
  - Our key achievements in 2016/17
  - Our executive team

see pages 36-40 and 50-51

- For relations with shareholders
  - An overview of our shareholder engagement activities during the year
  - Details for our 2017 annual general meeting and the outcome of ICAP plc shareholder meetings held during the year

see page 41

- For effectiveness
  - Our approach to performance evaluations and update on key actions from 2015/16
  - Update on a review of our board composition, skills and experience

see pages 42-44

- For accountability
  - Update on a review of our governance framework
  - Our Audit Committee's and Risk Committee's key activities during the year

see pages 43-48

- For remuneration
  - Our Remuneration Committee's key activities during the year
  - Our remuneration report and directors' remuneration policy

see pages 49 and 56-72

# DIRECTORS' BIOGRAPHIES

## Background

NEX Group plc was incorporated in February 2016 and, pursuant to the Scheme of Arrangement, became the listed holding company of ICAP plc and its subsidiaries on 15 December 2016. Charles Gregson, Michael Spencer and Stuart Bridges were appointed directors of NEX Group plc on its incorporation in February 2016. John Sievwright, Ivan Ritossa and Robert Standing were appointed to the board of NEX Group plc on 15 December 2016.

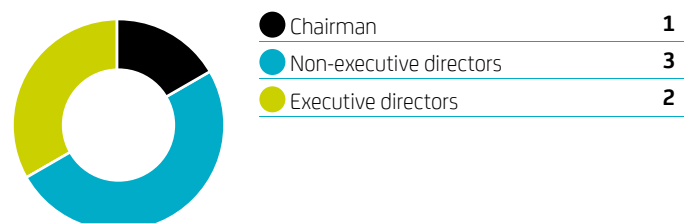
All directors will seek appointment or re-election, as required under the articles of association of the Company, at the 2017 annual general meeting.

## NEX board

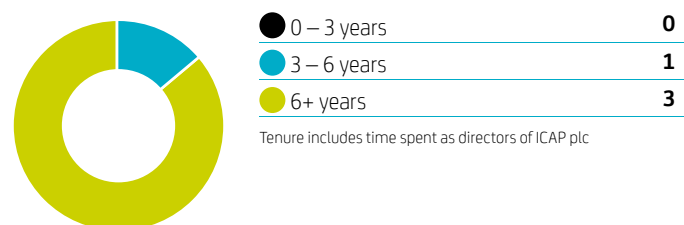
NEX understands the importance of having a board with the right balance of skills, experience and diversity. All NEX directors have extensive knowledge of the financial markets, regions and regulatory frameworks in which NEX operates and our non-executive directors have global experience of each of NEX's business divisions. The biographies of the current directors set out their skills, experience, committee membership and other principal appointments.

Throughout the year, more than half the board, excluding the Chairman, comprised independent non-executive directors. The balance of the board as at 31 March 2017 is illustrated below. Further details of the non-executive directors' independence are provided on page 43.

## BALANCE OF THE BOARD AS AT 31 MARCH 2017



## CHAIRMAN AND NON-EXECUTIVE DIRECTORS' TENURE AS AT 31 MARCH 2017



## Key to board committee membership

<b>G</b>	Governance		Member
<b>N</b>	Nomination		
<b>A</b>	Audit		
<b>R</b>	Risk		
<b>Re</b>	Remuneration		Chairman



**Charles Gregson**  
Chairman (age 69)

### Committees:



### Skills and experience

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

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

### Other appointments

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



**Michael Spencer**  
Group Chief Executive Officer (age 61)

### Committees:



### Skills and experience

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

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

### Other appointments

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



**Stuart Bridges**  
Group Chief Financial Officer (age 56)

**Committees:**



**Skills and experience**

Stuart brings many years of listed company, international and financial expertise to the board having been the chief financial officer of Hiscox Limited for 16 years. He has a strong background in strategy and execution and brings particular focus on capital management. Stuart chairs the GFC and is responsible for the Group's finance, internal audit, company secretarial, investor relations and regulatory affairs functions. He was appointed Group Finance Director of ICAP plc in 2015.

Stuart holds a degree in Engineering from the University of Cambridge and is a Chartered Accountant.

**Other appointments**

Stuart is a non-executive director of Caledonia Investments plc, a member of the Audit Committee of the Institute of Chartered Accountants in England and Wales and a member of the Finance Committee of The Royal Institution.



**Ivan Ritossa**  
Non-executive director (age 55)

**Committees:**



**Skills and experience**

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

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

**Other appointments**

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



**John Sievwright**  
Senior independent director (age 62)

**Committees:**



**Skills and experience**

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

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

**Other appointments**

John has no other appointments.



**Robert Standing**  
Non-executive director (age 57)

**Committees:**



**Skills and experience**

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

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

**Other appointments**

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



# CORPORATE GOVERNANCE STATEMENT

## UK CORPORATE GOVERNANCE CODE

As NEX is listed on the London Stock Exchange we apply the main principles of the Code and comply with the Code's provisions. For the year ended 31 March 2017, and at the date of this report, we complied with the 2014 Code. A revised Code came into effect in 2016, applying to financial years beginning on or after 17 June 2016, and will apply to NEX in 2017/18. Copies of the 2014 and 2016 Codes can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

### Code principle Leadership

#### Role of the board

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

#### Board members

A clear division of responsibilities is maintained between the roles of the Chairman and the Group Chief Executive Officer. It is the responsibility of the Chairman to lead and manage the work of the board. Responsibility for the Group's executive leadership and day-to-day management of the Group's business is delegated to the Group Chief Executive Officer. The Group Chief Executive Officer is supported in his role by the GEMG. Further details of the Group's executive committee structure and GEMG members are provided on pages 50 and 51. A summary of the board members' key responsibilities is set out below.

#### Key responsibilities

Title	Responsibility
<b>Chairman</b>	<ul style="list-style-type: none"> <li>– Responsible for the leadership and management of the board and ensuring its overall effectiveness</li> <li>– Encourages all directors to maximise their contributions to the board by drawing on their skills, experience, knowledge and, where appropriate, independence</li> <li>– Promotes a culture of openness, challenge and debate, especially for complex and critical issues</li> <li>– Engages and consults with major shareholders and principal stakeholders</li> </ul>
<b>Group Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>– Responsible for the Group's executive leadership and day-to-day management of the Group's business, within the authorities delegated by the board</li> </ul>
<b>Group Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>– Responsible for providing strategic financial leadership of the Group and day-to-day management of the finance function</li> </ul>
<b>Senior independent director</b>	<ul style="list-style-type: none"> <li>– Acts as an experienced sounding board for the Chairman and a trusted intermediary for other board members and shareholders</li> <li>– Leads the annual evaluation of the Chairman</li> </ul>
<b>Non-executive directors</b>	<ul style="list-style-type: none"> <li>– Contribute sound judgement and objectivity and provide constructive challenge to board discussions and decision making</li> <li>– Support the Chairman and the executive directors in instilling appropriate culture and values in the boardroom and beyond</li> <li>– Determine appropriate levels of remuneration for the executive directors and scrutinise the performance of management</li> </ul>

#### Board governance framework

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

The activities of the principal committees in 2016/17 are explained in more detail on pages 43 to 49. Each committee chairman reports back to the board and the board reviews the minutes of previous committee meetings at its next meeting. Each committee's terms of reference are documented and agreed by the board and available to view in the corporate governance section of the Company's website ([www.nex.com](http://www.nex.com)).

During the year, the board began a detailed review of the Group's governance framework in order to improve the board's oversight and understanding of the Group's governance arrangements. The initial outcomes of this review are discussed in more detail on page 43.

#### Group Company Secretary

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

## Attendance at board meetings

Six scheduled board meetings were held during the year in four locations: London, New York, Hong Kong and Singapore. The boards of NEX Group plc and ICAP plc also convened a further six times during the year by conference call and held two ad hoc meetings, principally in connection with the Transaction.

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

The table below sets out the scheduled board meeting attendance of the directors who served on the board in 2016/17. Due to unavoidable circumstances, Ivan Ritossa was unable to attend one board meeting of ICAP plc on 10 November 2016. He did, however, receive the meeting papers and provided input to the Chairman in advance of the meeting.

## Board activities and discussions

Throughout the year, the board received regular updates and reports on the following key matters:

- review of progress of the Transaction and updates on separation work streams;
- Group Chief Executive Officer's review of markets, strategic developments and investment opportunities;
- review of trading results and financial performance against agreed budget and plans;
- investor reports and feedback from engagement with shareholders;
- verbal reports by board committee chairmen of matters discussed at committee meetings;
- legal, company secretarial and regulatory updates;
- review of progress against agreed actions; and
- review of board and executive committee minutes.

## Board meeting attendance in 2016/17

	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
<b>Executive directors</b>			
Stuart Bridges	6	6	100%
Michael Spencer	6	6	100%
<b>Non-executive directors</b>			
Charles Gregson	6	6	100%
Ivan Ritossa	6	5	83%
John Siewwright	6	6	100%
Robert Standing	6	6	100%

## CORPORATE GOVERNANCE STATEMENT CONTINUED

**Key achievements in 2016/17**

The board's key activities and achievements during the year are summarised below.

Topic	Linked to remuneration	Board discussions and activities	Achievements
<b>Growth and protection</b>	Yes	<ul style="list-style-type: none"> <li>– Debated and agreed a new strategy, focus and vision for NEX</li> <li>– Focused on expanding NEX's addressable market by developing new products and services which will cater for a wider client base</li> </ul>	<ul style="list-style-type: none"> <li>– Completed the Transaction to combine ICAP's global hybrid voice broking business with TP ICAP, creating significant value for NEX shareholders</li> <li>– Approved the acquisitions of Abide Financial, e-MID and ENSO</li> </ul>
<b>People and culture</b>	Yes	<ul style="list-style-type: none"> <li>– Undertook a strategic review of the board's composition and skill set</li> <li>– Discussed the importance of effective succession planning as a key component of talent management</li> <li>– Debated the key principles of a Group reward strategy to ensure NEX remains competitive and continues to recruit, retain and motivate the right talent</li> <li>– Continued engagement with global cultural initiatives in order to provide a better and sustainable business environment in line with NEX strategy</li> </ul>	<ul style="list-style-type: none"> <li>– Launched a targeted recruitment process for additional non-executive directors, based on the specific skills and experience required to complement and strengthen the board</li> <li>– Finalised a succession plan for the board, key executives and senior management</li> <li>– Launched a remuneration review for business level executives, senior management and the wider employee population</li> <li>– Furthered the non-executive directors' knowledge and understanding of our global operations and culture by meeting with local management in Stockholm and Tel Aviv</li> </ul>
<b>Controls and governance</b>	Yes	<ul style="list-style-type: none"> <li>– Regularly reviewed the Group's risk appetite statements and principal risks</li> <li>– Reviewed the effectiveness of the Group's external and internal audit functions, risk management and internal control frameworks</li> <li>– Commenced a detailed review of the Governance Committee's activities and responsibilities in order to shape and form an improved governance framework for the Group</li> </ul>	<ul style="list-style-type: none"> <li>– Maintained close oversight of the Group's key and emerging risks, with an increased focus on the information risk profile of the Group and potential cyber and technological threats</li> <li>– Enhanced the Governance Committee's oversight and understanding of the Group's governance arrangements, including updates to the committee's terms of reference</li> </ul>
<b>Profitability</b>	Yes	<ul style="list-style-type: none"> <li>– Monitored and assessed the Group's financial performance in line with budget and market expectations</li> <li>– Reviewed and approved the 2016 preliminary results, half-year results and Annual Report</li> <li>– Regularly reviewed the Company's share price and performance metrics</li> </ul>	<ul style="list-style-type: none"> <li>– Challenged and approved the Group's 2017/18 budget</li> <li>– Reviewed the Group's dividend policy</li> <li>– Following completion of the Transaction, delivered a revised Group structure to achieve a focused cost base and deliver savings versus the prior year</li> </ul>
<b>Stakeholder relationships</b>	No	<ul style="list-style-type: none"> <li>– Regularly reviewed and discussed shareholder and investor feedback including in relation to the Transaction and executive director remuneration</li> </ul>	<ul style="list-style-type: none"> <li>– Provided quarterly presentations to analysts and key industry personnel regarding the Group's financial results and future vision for NEX</li> </ul>

## Code principle

## Relations with shareholders

## SHAREHOLDER ENGAGEMENT

The Company's annual general meeting is a key date in the diary for the board. Shareholders who attend the meeting will receive an update from the Group Chief Executive Officer on the activities and performance of the Group since the prior financial year end. All directors attended the 2016 ICAP plc annual general meeting and were available to answer questions from shareholders on matters put to the meeting.

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

The board gives high priority to shareholder and investor communications. It receives regular investor reports which detail the feedback from investor meetings. It also receives the results of investor perception studies which are undertaken by external consultants.

Subject to regulatory constraints, the directors and members of senior management hold regular meetings with investors and analysts to update them on the Group's strategy and performance. In 2016/17 these meetings included presentations from the Group Chief Executive Officer and other senior executives to take analysts and investors through the Group's half-year results and future vision for NEX.

The senior independent director and non-executive directors are available to meet with shareholders during the year. The Chairman and non-executive directors hosted an investor lunch following the 2016 ICAP plc annual general meeting. This was a valuable opportunity for the non-executive directors to engage with key investors and stakeholders, particularly in relation to the Group's dividend policy, measurements of success and approach to executive director remuneration.

### 2017 NEX Group plc annual general meeting

The first annual general meeting of NEX Group plc was held on 14 September 2016 prior to its listing on 15 December 2016.

The 2017 annual general meeting will be held on Wednesday 12 July 2017 at 2 Broadgate, London EC2M 7UR. In accordance with the Code and the Company's articles of association, all directors will stand for appointment or re-election in July.

Full details of the resolutions to be proposed at the 2017 annual general meeting are set out in the notice of annual general meeting. The notice is made available to shareholders on [www.nex.com](http://www.nex.com) or sent to them, if they have elected to receive hard copies, at least 20 working days before the meeting.

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

### 2016 ICAP plc annual general meeting

All resolutions proposed at the 2016 annual general meeting were duly passed and the board was pleased to note that the total number of proxy votes received for all resolutions at the 2016 annual general meeting represented more than 85% of the total voting rights of ICAP plc (2015 ICAP plc annual general meeting: more than 83%).

### Shareholder approval of the Transaction

On 9 September 2016, ICAP plc held two shareholder meetings to approve the Transaction: a court meeting and a general meeting. All resolutions were conducted on a poll and passed with at least 96% of shareholder votes in favour of all resolutions. The total number of votes received for both meetings represented more than 86% of the total voting rights of ICAP plc. The original terms of the Transaction received ICAP plc shareholder approval on 24 March 2016. Further information regarding the Transaction is available on [www.nex.com](http://www.nex.com).

## CORPORATE GOVERNANCE STATEMENT CONTINUED

## Code principle

## Effectiveness

## EFFECTIVENESS

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

**Time commitment**

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

In addition to the time spent preparing for and attending board and committee meetings, during the year the Chairman and the non-executive directors allocated sufficient time to further their understanding of the Group. This took the form of briefing meetings with executive and local management in our Stockholm and Tel Aviv offices as well as regular training sessions to ensure ongoing business awareness.

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

	Governance	Nomination	Audit	Risk	Remuneration
<b>Executive directors</b>					
Stuart Bridges	4/4	—	—	—	—
Michael Spencer	4/4	2/2	—	—	—
<b>Non-executive directors</b>					
Charles Gregson	4/4	2/2	—	—	—
Ivan Ritossa*	—	2/2	4/5	6/7	4/5
John Sievwright	4/4	2/2	5/5	7/7	5/5
Robert Standing**	2/2	2/2	5/5	7/7	5/5

\* Due to unavoidable circumstances, Ivan Ritossa was unable to attend the Audit, Risk and Remuneration Committee meetings held on 9 and 10 November 2016. He did, however, receive the meeting papers and provided input to the chairmen of these committees in advance of the meetings

\*\* Robert Standing was appointed a member of the Governance Committee on 9 February 2017

**Performance evaluations**

The board considers the outcomes of its evaluations as fundamental to driving performance and engagement. Key recommendations from each year's assessments are prioritised as actions for the following year. With a significant proportion of the board's time and activities having been committed to the Transaction in 2016/17, the board agreed that an external assessment, which had been scheduled to be undertaken in 2016/17 following completion of the Transaction, would be deferred to 2017/18. This approach remains in line with the Code.

In prioritising its evaluation actions from 2015/16, the board had agreed that a detailed review of its composition was a key action for 2016/17 and ensured that proposed changes to the balance of the board would form part of the board's 2017/18 assessments. Further details of this review are included in the Nomination Committee report on page 44. The board confirmed it had received good-quality and relevant information throughout the year and agreed it had benefited from enhanced engagement with NEX's senior management team as part of NEX strategy discussions. During the year, the board committees also implemented a number of their prior year evaluation actions, as discussed in more detail on pages 43 to 49.

With support from its principal committees, the board has agreed that its key priorities in 2017/18 should include further development and communication of NEX's strategy, setting appropriate performance metrics for executives and evaluating the talent that the Group has or requires to successfully achieve its objectives.

Led by John Sievwright, our senior independent director, the non-executive directors provided input for the Chairman's 2016/17 performance evaluation. Taking into account the views of the executive directors, the evaluation concluded that the Chairman had fully discharged his duties in terms of leadership and ensuring the effectiveness of the board during the year. In particular, the Chairman had played a crucial role in the context of the Transaction, through his support of the Group Chief Executive Officer and ensuring that the board was kept fully informed as the Transaction progressed. The evaluation also recognised the Chairman's strong lines of communication with many executives in the Group and his excellent grasp of day-to-day operations, both areas which he regularly discusses and shares with the non-executive directors.



## Code principle Accountability

### GOVERNANCE COMMITTEE

In order to facilitate efficient and effective management and deliver long-term shareholder value, the role of the Governance Committee is to review, recommend and make decisions in relation to all aspects of the Group's governance environment. The committee reports to the board.

#### Members

The Governance Committee's membership is made up of the Chairman of the board, the senior independent director, a non-executive director, the Group Chief Executive Officer and the Group Chief Financial Officer. The committee is chaired by the Chairman of the board. The Group General Counsel and Global Chief Operating Officer have standing invitations to attend committee meetings.

The table on page 42 sets out the directors who served on the Governance Committee during the year and their meeting attendance.

#### Key activities

A key action identified by the committee's performance evaluation in 2015/16 was for the committee to undertake a detailed review of the Group's corporate governance framework in 2016/17. Driven by the committee's responsibility to ensure effective corporate governance throughout the Group, this review began in May 2016.

With assistance from the Group's internal audit, legal and company secretarial functions, the committee debated how best to evaluate Group governance standards. Recognising developments in best practice and the importance of accountability to shareholders, the review focused on oversight of the Group's regulated subsidiaries and an evaluation of the role and activities of the committee.

Identified improvements included an enhanced framework for robust and regular performance evaluations of subsidiary level boards and committees and improved circulation of regulated entity board minutes to relevant stakeholders. In order to ensure board composition and business oversight remain effective throughout the Group, all subsidiary board appointments will require the committee's prior approval going forward, including an assessment of the value and experience which each nominated board member will bring to the board.

The committee's terms of reference were updated in July 2016 and March 2017 to reflect these changes. The review remains ongoing and we look forward to reporting on any further enhancements to our governance structure in next year's report.

#### Independence

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

#### Board inductions

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

#### Training and development

The Chairman is responsible for ensuring that all directors receive ongoing training and development to enhance their roles as board and committee members. Our non-executive directors engage fully in this process. Throughout the year, the directors were kept fully apprised by external advisors of their legal and fiduciary duties in the context of the Transaction. They also received strategic business updates and detailed briefings on corporate governance, regulatory and legislative developments, including changes required by the EU Market Abuse Regulation.

#### External advice

Where appropriate, the directors may obtain independent professional advice in respect of their duties to the board and its committees at the Company's expense. No directors sought external advice in 2016/17.

#### Directors' conflicts of interest

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

The Group Company Secretary is responsible for keeping appropriate records, including the scope of any authorisations granted by the board. The board undertakes an annual review of conflict authorisations. No additional conflicts of interest were required to be authorised during the year.

#### Compliance with the Code

It is the board's view that, for the year ended 31 March 2017, the Company has applied all the main principles and been fully compliant with all provisions set out in the 2014 Code.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

Code principle  
Effectiveness

## NOMINATION COMMITTEE

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and succession planning of the board. It also ensures that a formal, rigorous and transparent procedure exists for the appointment of new directors. The committee reports to the board.

**Members**

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

The table on page 42 sets out the directors who served on the Nomination Committee during the year and their meeting attendance.

**Key activities**

In line with the output from its 2015/16 performance evaluation, the committee focused on a review of the board's composition during the year. The committee agreed that a diversity of gender, race, experience and approach are powerful drivers for board effectiveness and determined that the board, as composed, was not considered to be sufficiently diverse. In addressing this, the committee was assisted by the Group Head of HR and appointed Heidrick & Struggles as external search consultants. Heidrick & Struggles is an experienced and reputable executive search firm and a signatory to the voluntary code of conduct on gender diversity for external search consultants.

The committee evaluated the specific skills and experience required for the board, taking into account the future of NEX as a forward-thinking, technology-based services company. The committee determined that a strong technology background would be a key skills requirement for future appointments and, on that basis, a short list of suitable board level candidates was prepared for the committee's review. The committee evaluated each of these candidates and refined the list further. Potential candidates were invited to meet with the full board and key members of the executive team.

In line with NEX's board appointment policy, final recruitment decisions are made by the board based on merit and we are pleased that Anna Ewing will be joining the board as a non-executive director in May 2017. Having previously worked for Nasdaq and Merrill Lynch, she brings significant technology and operations experience to the board which we are confident will support our development and growth as a financial technology company.

During the year, and particularly following completion of the Transaction, we also considered the importance of effective succession planning as a key component of talent and resourcing risk management. These discussions resulted in a detailed succession plan being finalised in February 2017 for the board, key executives and senior management team.

Aside from recruitment services, Heidrick & Struggles had no other connection with the Company during the year.

Code principle  
Accountability

## AUDIT COMMITTEE

**Chairman's overview**

As Chairman of the Audit Committee, I am pleased to introduce this report which sets out how the committee has discharged its responsibilities during the year.

In line with the provisions of the Statutory Audit Services Order, the committee's terms of reference were updated during the year to reflect the committee's increased responsibilities for approval of audit fees and oversight of a tender process for the Group's external audit contract at least every ten years.

We issued a competitive tender for our external audit contract in 2015/16 and this resulted in a recommendation from the committee that Deloitte be appointed as the Company's auditor for the year ending 31 March 2018. Throughout the year under review, PwC and Deloitte have worked together to ensure a smooth transition of the audit contract with minimal disruption to the business. In line with prevailing independence rules in the UK, the US Securities and Exchange Commission (SEC) and upcoming changes to EU rules, a detailed independence transition plan was prepared and launched in November 2016. The plan enabled Deloitte to familiarise itself with NEX and receive a structured and formal handover from PwC. Deloitte has regularly reported to the committee on the progress of the transition and has met with senior management in London, New York, Stockholm and Tel Aviv. I would like to take this opportunity to thank PwC, Deloitte and the NEX management team for their hard work in ensuring a successful transition. A resolution to propose the appointment of Deloitte as the Group's new external auditor will be put to the 2017 annual general meeting.

While recognising that 2016/17 was its final year of audit, as required by the Code and in accordance with the committee's terms of reference, during the year the committee evaluated the effectiveness of the Group's external audit process for the prior year. The evaluation process is discussed in more detail on page 46 but I am pleased to report that PwC's performance in 2015/16 was rated positively overall and I wish to take this opportunity to thank PwC for its services to the Group throughout the years.

Finally, the board is required to provide a statement that, taken as a whole, it believes the Annual Report and financial statements to be fair, balanced and understandable. The governance framework to provide such assurance to the committee and to the board is set out on pages 45 and 46. The statement itself is on page 54.

**John Sievwright**  
Chairman, Audit Committee  
15 May 2017

## Audit Committee

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

### Members

The Audit Committee members are all independent non-executive directors and the committee is chaired by John Sievwright. The board is satisfied that at least one member of the committee has recent and relevant financial experience and that all members bring extensive expertise to the committee.

The table on page 42 sets out the directors who served on the Audit Committee during the year and their meeting attendance.

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

The Chairman of the Audit Committee maintains contact with attendees throughout the year. There were two meetings during 2016/17 when the committee met with the Group Head of Internal Audit and the external audit partner without any executive director or management present.

### Key activities

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

- a transition plan in respect of Deloitte's appointment as the Company's external auditor in 2017;
- approval of the 2016/17 external audit fee;
- the appropriateness of the Group's half-year and annual financial statements and financial announcements to the London Stock Exchange;
- accounting treatment of the Transaction;
- the viability assessment and viability statement on page 55;
- the going concern statement on page 54 and the appropriateness of preparing the Group's half-year and annual financial statements on a going concern basis;
- reports from the external auditor;
- the effectiveness of the Group's internal control systems for financial reporting;
- an annual schedule of work to be conducted by the external and internal audit teams; and
- the effectiveness of the external and internal audits.

### Financial reporting

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

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

The committee discussed and approved the appropriateness of items that were presented in the exceptional items column in the consolidated income statement, considering their nature and materiality. Management presented financials attributable to the IGBB business and to the retained Group separately in the consolidated income statement. The committee considered and approved management's presentation of items, including discontinued operations and a £1,162 million gain on the disposal of IGBB; see note 5 to the financial statements.

The committee considers the annual goodwill impairment review to be a significant judgement area and, as such, reviewed the impairment testing which was undertaken by management during March 2017. The impairment test identified that there was no impairment. In reviewing this area, the committee considered the appropriateness of management's judgements and estimates; see note 15 to the financial statements.

The committee considered and approved the Group's significant accounting policies, including a new accounting policy for technology development revenue and a change to the segmental reporting accounting policy. The committee also considered and approved a change from trade date accounting to settlement date accounting for matched principal receivables and payables.

The committee noted that management considered investment in joint ventures and associates, provisions, contingent liabilities and technology development revenue to be other significant areas where increased judgement is required. The committee reviewed management's assessments and discussed the appropriateness of management's estimates with the external auditor. The committee approved management's conclusions.

The committee considered management's going concern statement and the appropriateness of preparing the Group's annual financial statements on a going concern basis. It also considered management's viability statement and the appropriateness of management's judgements, estimates and assumptions made in assessing the viability of the Group. The committee, on behalf of the board, is satisfied that an assessment of the solvency and liquidity of the Group over a period of three financial years up to 31 March 2020 has been carried out in accordance with the provisions of the Code. The viability statement is disclosed on page 55 and should be read together with the Group's risk management framework and principal risks as set out in the risk management section of the strategic report on pages 20 to 23.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

Additionally, auditing standards require the external auditor to presume risks of fraud in revenue recognition as a significant audit risk area and to perform procedures to address those risks. The committee concluded that, based on the findings reported by the external and internal auditors and from its own review of the Group's internal control and risk management frameworks, the financial statements for the year ended 31 March 2017 were not exposed to a material risk arising from this risk area.

The committee has delegated responsibility for the day-to-day financial management and monitoring of financial controls to the GFC.

The work described above, together with a review of the content of the strategic report, provided the assurance to the committee, and to the board, that the Annual Report for the year ended 31 March 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

### Internal audit

The internal audit function consists of a small in-house team supported by KPMG (as outsourced providers). Internal audit establishes an annual audit plan based on discussions with management and an assessment of the risks inherent in the Group's activities. The activities of internal audit are reported to the Audit and Risk Committees and provide assurance to both management and these committees that the system of internal control achieves its objectives and highlights gaps and areas for improvement.

During the year, an evaluation of the effectiveness of the internal audit function was carried out through a questionnaire and key stakeholders across the Group were asked to participate. The questionnaire addressed the function's quality of planning and communication, understanding of the key risks and controls within the business, resourcing, engagement and independence. A subsequent report to the Audit Committee provided empirical data on which the function's overall performance was assessed. The report also included specific comments made by respondents, providing valuable insight into management's views. The results of the evaluation concluded that the function's performance in 2016/17 was rated positively overall, particularly its independence, quality of reporting to the Audit Committee and high levels of engagement across the Group.

### External auditor

As reported on page 44, a recent tender of the Group's external audit contract concluded that Deloitte be appointed as the Company's external auditor for the year ending 31 March 2018. Resolutions proposing Deloitte's appointment and giving authority to the Audit Committee to determine their remuneration will be proposed at the 2017 annual general meeting. PwC will not be proposed for re-appointment.

### Non-audit services

In line with best practice, the Audit Committee is responsible for determining the non-audit services that the external auditor may or may not provide to the Group and monitoring the balance of spend on audit and non-audit fees to ensure the continued independence of the Group's external auditor. A policy is in place whereby the expenditure with the Group's auditor for non-audit work should not exceed 75% of the audit fee. Any proposed non-audit assignments with fees in excess of £100,000 are subject to the Audit Committee's prior approval. Fees below this limit are approved by the Chairman of the Audit Committee and reported to the committee. All non-audit services provided to the Group are in accordance with applicable legislation.

The total spend on non-audit services during the year was approximately £1.2 million, being approximately 38% of the audit fee (2015/16: 90%). The non-audit fee was mainly in relation to corporate finance and other assurance services required in connection with the Transaction. Note 3 to the financial statements provides further details of the fees paid for audit and non-audit services during the year.

### Effectiveness

An evaluation of the effectiveness of the external audit process in 2015/16 was carried out through a questionnaire. Key stakeholders across the Group were asked to participate in the evaluation. While mindful that 2016/17 would be its last year of external audit, the questionnaire was designed to evaluate PwC's audit process in its entirety and addressed PwC's quality of planning and communication, sufficiency of audit firm resources, technical knowledge, independence and objectivity and PwC's understanding of the business. A subsequent report to the Audit Committee provided empirical data on which the committee assessed the audit process. It also included specific comments made by respondents, providing valuable insight into management's views. The results of the evaluation concluded that PwC's performance in 2015/16 was rated positively overall, particularly its independence and objectivity. Specific learnings from the feedback received will be shared with Deloitte going forward.

### Whistleblowing

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

### Statutory Audit Services Order

Following the tender of the Group's external audit contract in 2015/16, the Company confirms its compliance with the requirements of the Statutory Audit Services Order for the year ended 31 March 2017.

## Code principle Accountability

### RISK COMMITTEE

#### Chairman's overview

I am pleased to introduce the Risk Committee report for 2016/17. My role as Chairman of the Risk Committee is to safeguard the independence and oversee the performance of the Group Risk function.

Based on the work the committee has undertaken during the year, which is described in more detail on the following pages, I believe that the Group's risk management and internal control systems remain effective. No significant failings or weaknesses were identified during the year. In addition, I and the other committee members believe we have regularly received high-quality information and that the key executives we rely on have acted with skill, independence and transparency.

Such an assessment is important from a governance perspective but it is as important to ensure that the Group is always looking forward, continually ensuring its effectiveness and taking steps to enhance its risk management and internal control systems. With the Transaction now complete, both the committee and the executive team will continue to be particularly vigilant to ensure that our risk management systems and internal controls are properly tailored to the principal risks of the Group.

We are particularly attuned to information security and business resiliency risk from cyber security and other events and these will continue to be key areas of focus. In addition, there are significant changes occurring both internally and externally that we will need to be prepared for, including the impact of Brexit, MiFID II, the General Data Protection Regulation in Europe and the change in administration in the US. All of these developments, and the Group's business strategic priorities, are likely to have implications for our risk management and internal control systems and we will need to ensure the consequences of such change are addressed in a timely and effective manner.

**John Sievwright**  
Chairman, Risk Committee  
15 May 2017

#### Risk Committee

The Risk Committee reports to the board and is responsible for setting the overall risk strategy, risk appetite and risk tolerance for the Group in order to ensure that the risk management function within the Group promotes the success of the Company. The committee is authorised by the board to carry out any activity within its terms of reference. Its principal areas of responsibility include:

- ensuring that the Group's principal risks (including key and emerging risks) are properly identified, assessed and mitigated on an ongoing basis;
- regularly reviewing the quality and effectiveness of the Group's risk management and internal control frameworks; and
- reviewing the internal audit programme as part of integrated assurance.

#### Members

The Risk Committee members are all independent non-executive directors and the committee is chaired by John Sievwright.

The table on page 42 sets out the directors who served on the Risk Committee during the year and their meeting attendance.

The Chairman of the board, the Group Chief Financial Officer, the Global Chief Operating Officer, the Group General Counsel, the Chief Risk Officer, the Global Head of Compliance, the Group Head of HR, the Group Head of Internal Audit and the external audit partner regularly attend meetings of the committee.

The Chairman of the Risk Committee maintains contact with attendees throughout the year and has met with the Group Head of Internal Audit, the Chief Risk Officer and the Global Chief Operating Officer without any executive director or management present.

#### Key activities

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

- regular and robust assessments of the principal risks facing the Group;
- key and emerging risks and Group risk appetite breaches;
- separation planning and governance arrangements surrounding the Transaction;
- annual review of the adequacy and effectiveness of the Group's risk management and internal control frameworks;
- information risk reporting, key risk indicator metrics and remedial actions;
- compliance reporting and key regulatory updates affecting the Group;
- a review of the Group's interactions with global regulators, compliance examinations and routine and non-routine regulatory enquiries;
- an organisational review of the Group's Risk and compliance functions; and
- levels of mandatory training in risk and compliance matters, identifying and escalating any non-adherence.



## CORPORATE GOVERNANCE STATEMENT CONTINUED

**Risk control and management framework**

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

No significant failings or weaknesses in the Group's systems of risk management or internal control were identified during the year, or when examining these systems for NEX following completion of the Transaction. The Group complies with FRC guidance.

All commercial and support managers are responsible for the identification, management and mitigation of the risks in the areas for which they are responsible. Employees are expected to take a prudent approach to the management of risk, and to be committed to transparency, escalation of issues and continuous self-improvement. Prudent risk management is not something that is the province only of certain control functions; it is everyone's responsibility.

The Group's internal control and risk management systems in relation to financial reporting are described on pages 45 and 46.

**Risk management**

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

- serving as a central repository for the reporting of risk events, providing challenge and analysis of such events and their remediation, and presenting such events to the Risk Committee at its standing meetings;
- assisting with the development and implementation of risk management policies and standards;
- administering a board approved credit matrix for the assignment of counterparty credit limits to clients and the monitoring of exposure and potential breaches;
- identifying and reviewing key and emerging risks on a regular basis and reporting updates to the Risk Committee at its standing meetings;
- assisting with the preparation of ICAAPs for EU regulated subsidiaries of the Group; and
- conducting targeted deep-dives of important and emerging risk issues.

**Internal control**

The board is responsible for reviewing the effectiveness of the risk management and internal control systems, which management is responsible for maintaining, and it does this through the Audit and Risk Committees. The principal risks faced by the Group are detailed on pages 21 to 23.

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

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

## Code principle

### Remuneration

## REMUNERATION COMMITTEE

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

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

### Members

The Remuneration Committee members are all independent non-executive directors and the committee is chaired by Robert Standing. The chairman of the committee's statement for 2016/17 is set out on pages 56 and 57.

The table on page 42 sets out the directors who served on the Remuneration Committee during the year and their meeting attendance.

### Key activities

The committee's external evaluation in 2015/16 noted that continued alignment of executive management's interests with Group strategy and culture is key to driving appropriate outcomes for shareholders, particularly in light of the Transaction. The committee incorporated these principles into its key activities during the year, which included reviewing and discussing:

- the directors' remuneration policy and the remuneration report for the year ended 31 March 2017;
- the implications of the Transaction on incentive plans and share awards;
- approval of the executive directors' bonuses for the year ended 31 March 2017, including assessment of the level of achievement of the executive directors' objectives for the year;
- performance against the EPS performance target for 2014 share awards; and
- the highest earners' compensation arrangements across the Group.

The directors' remuneration policy and the remuneration report for the year ended 31 March 2017, which will be put to shareholders for approval at the 2017 annual general meeting, are set out on pages 56 to 72.

# GLOBAL EXECUTIVE MANAGEMENT GROUP

## Code principle Leadership

### EXECUTIVE COMMITTEES

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

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

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

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

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

The gender balance of each of the Group's executive committees as at 31 March 2017 is illustrated below.



#### GEMG

● Women	14%
● Men	86%
Total number of members	7



#### GOC

● Women	42%
● Men	58%
Total number of members	12



#### GFC

● Women	22%
● Men	78%
Total number of members	9

### GLOBAL EXECUTIVE MANAGEMENT GROUP



**Michael Spencer** Group Chief Executive Officer – Chairman, GEMG

Michael's biography is set out on page 36.



**Stuart Bridges** Group Chief Financial Officer

Stuart's biography is set out on page 37.



**Tim Cartledge** Global Head of FX and Head of Product, NEX Markets

Tim was appointed Global Head of FX and Head of Product for NEX Markets in February 2017. He brings significant expertise in electronic trading within both the FX and fixed income markets. Tim previously served as Chief Strategy Officer of EBS BrokerTec and, prior to that, he was Head of Global Fixed Income Currencies and Commodities Electronic Trading at Barclays Bank and Managing Director at Barclays Capital. Tim has also held roles at Dresdner Bank, Credit Suisse and Goldman Sachs.



**Jenny Knott** Chief Executive Officer, NEX Optimisation

Jenny leads the NEX Optimisation division and heads the Abide Financial, ENSO Financial, NEX Data, Reset, Traiana and TriOptima businesses. Her career in financial services spans over 30 years and includes Standard Bank Group, where she held a variety of roles including Chief Executive Officer of Standard Bank Plc and CIB International, Global Corporate and Investment Banking Chief Financial Officer and Chief Operating Officer. Prior to this, Jenny worked at a number of global investment banks including UBS and Nomura. She joined ICAP in 2015.



**Ken Pigaga** Global Chief Operating Officer

Ken was appointed Global Chief Operating Officer in November 2013 and previously served as Chief Operating Officer for ICAP Americas. Prior to this, Ken was a managing director at JPMorgan in the Investment Bank focused on e-commerce activities. From 1991 to 2001 he held several roles at Goldman Sachs in emerging markets trading, portfolio structuring and e-commerce. Ken chairs the GOC. He joined ICAP in 2006.



**Steve Gibson** Chief Executive Officer, NEX Opportunities

Steve leads NEX Opportunities, the Group's financial technology investment division. Its portfolio includes a number of emerging fintech firms bringing new technologies and business models into capital markets. NEX Opportunities is represented on the boards of Abide Financial, AcadiaSoft, Axoni, Cloud9 Technologies, Duco, ENSO Financial, OpenFin, OpenGamma and Research Exchange. Steve previously held senior management positions with Calypso Technology, Ipreo and Siebel (now Oracle).



**Seth Johnson** Chief Executive Officer, NEX Markets

Seth was appointed Chief Executive Officer of NEX Markets in October 2016. He was previously responsible for developing ICAP's global broking strategy, focusing on growing revenue, improving the application of technology to its business model and expanding client coverage. Seth also led the expansion of NEX Markets' product portfolio in his role as Chief Executive Officer of BrokerTec and Chief Executive Officer of NEX Exchange. He joined ICAP as a graduate trainee and has worked in the Group for more than 20 years.

# OTHER STATUTORY INFORMATION

Set out below is additional statutory information that NEX is required to disclose in its directors' report. Some of the matters normally included in the directors' report have instead been included in the strategic report on pages 1 to 33 as the board considers these to be of strategic importance.

## Related party transactions

Details of related party transactions are set out in note 29 to the financial statements.

## Environment

Details of the Group's environmental policy are given on page 17 of the strategic report.

## Employees

Details of the Group's policies in respect of employee involvement, diversity and human rights are given on pages 16 and 17 of the strategic report.

## Post balance sheet events

There have been no post balance sheet events.

## Dividends

The directors recommend a final dividend of 27.0p per share to be paid on 21 July 2017 to shareholders on the register on 30 June 2017. The shares will be quoted ex-dividend from 29 June 2017.

## Political donations

No political donations were made during the year (2015/16: nil).

## Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act) were in force during the year ended 31 March 2017 and remain in force as at the date of this report, for the benefit of directors of the Company in relation to certain losses and liabilities which they may incur when acting in their capacity as a director or officer of any Group company.

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

## Appointment and retirement of directors

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

## Articles of association

The Company's articles of association are available on the Company's website at [www.nex.com](http://www.nex.com) and may be amended by special resolution at a general meeting of shareholders. No changes to the articles of association of the Company will be proposed at the 2017 annual general meeting.

## Share capital

	31 March 2017	31 March 2016
Issued share capital	379,735,432	1 ordinary share
ordinary shares	of 17.5p each	of 10p each
		499,999 redeemable
		preference shares
		of 10p each

On completion of the Transaction, the Company undertook a share consolidation whereby shareholders of the Company received four ordinary shares in NEX Group plc for every seven ordinary shares held previously. All changes in the share capital of the Company during the year are detailed in note 26 to the financial statements.

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

As at 31 March 2017, the NEX Trust held 7,457,286 ordinary shares. The voting rights of ordinary shares held in the NEX Trust are exercisable by the trustees in accordance with their fiduciary duties.

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

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

## Repurchase of shares

The Company did not purchase any of its own shares during the year. As at 31 March 2017, and at 10 May 2017, the Company had an unexpired authority to repurchase shares up to a maximum of 66,453,700 ordinary shares of 10p each (being 10% of the issued share capital of the Company on the Scheme Effective Date). Authority will be sought at the 2017 annual general meeting to repurchase shares up to a maximum of 37,973,543 ordinary shares of 17.5p each.



## Employee share trust

On the Scheme Effective Date, all share awards and options over ICAP plc shares became share awards and options over NEX Group shares on a one-for-one basis.

Awards granted under the Group's share plans are expected to be satisfied by ordinary shares held in the NEX Trust or new issues of shares. As at 31 March 2017, employee share awards and options existed over 10,087,589 of the Company's ordinary shares and 7,457,286 ordinary shares were held in the NEX Trust.

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

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

## Substantial shareholders

The Company's substantial shareholders do not have different voting rights from those of other shareholders. As at 31 March 2017, the Company had been notified under the FCA's Disclosure and Transparency Rules of the following holdings of voting rights in its shares.

Person interested	Percentage of voting rights attaching to issued share capital			
	Indirect	Direct	Other	Total
Michael Spencer together with IPGL, IPGL Limited, INFBV and INCAP Overseas BV*	16.30	1.00	0.07	17.37
Silchester International Investors LLP	8.25	—	—	8.25
Marathon Asset Management LLP	5.05	—	—	5.05

\* Michael Spencer owns a majority shareholding in IPGL, of which IPGL Limited and INFBV are wholly-owned subsidiaries. Michael Spencer is deemed to be interested in all the shares in NEX Group plc held by INFBV and its indirect wholly-owned subsidiary, INCAP Overseas BV, totalling 61,546,806 shares. IPGL Limited holds 384,187 shares in NEX Group plc and 199,999 shares acquired via a contract for difference. A further 3,516,558 shares are held by Sanne Fiduciary Services Limited as trustee of the NEX Trust. The shares held in the NEX Trust include basic awards to Michael Spencer under the BSMP and matching awards under the BSMP in respect of which there are no unsatisfied performance or continuity of employment conditions. Michael Spencer has a personal interest in 213,042 shares in NEX Group plc and holds 57,142 shares acquired via a contract for difference. Michael Spencer's spouse holds 53,000 shares in NEX Group plc.

On 5 April 2017, the Company was notified that Schroders plc held 12.95% of the voting rights in the Company's issued share capital.

## FCA Listing Rules – compliance with Listing Rule 9.8.4C

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

Applicable sub-paragraph within Listing Rule 9.8.4C	Disclosure provided
(5) details of any arrangements under which a director of the Company has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking	See page 71
(6) where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review	See page 71
(12) details of any arrangements under which a shareholder has waived or agreed to waive any dividends	See page 53
(13) where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to all dividends which are payable during the period under review	See page 53

OTHER STATUTORY INFORMATION CONTINUED**Statement of directors' responsibilities for the Annual Report**

The directors are responsible for preparing the Annual Report, the strategic report, the remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group's and Company's financial statements in accordance with IFRS as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

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

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

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

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

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

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

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flow, liquidity position, facilities and borrowing position are described in the financial review. Notes 11, 13 and 28 to the financial statements provide further detail on the Group's borrowings and management of financial risks. The strategic report includes an analysis of the principal risks facing the Group and the Group's approach to risk management.

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

## Viability statement

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

The Group's viability assessment has been made over a period of three financial years up to 31 March 2020. The directors are satisfied that a three-year period is sufficient to enable a reasonable assessment of the Group's viability to be made. In addition, this period is covered by the Group's medium-term plan. The board reviewed the plan in detail, challenged assumptions made in the forecasts and assessed the attainability of the forward projections.

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

Based on these assessments, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due up to 31 March 2020.

## Disclosure of information to the auditor

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

Each director has taken all the steps that he 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. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act.

By order of the board

## Stuart Bridges

Group Chief Financial Officer  
NEX Group plc  
2 Broadgate  
London EC2M 7UR  
Company number 10013770  
15 May 2017

# REMUNERATION REPORT CHAIRMAN'S STATEMENT

“Looking forward, we have retained the profit-related financial measure in the executive director objectives to ensure that focus is retained on revenue generation and cost management.”

## Dear shareholders,

I am pleased to present the remuneration report for 2016/17 recommending the NEX Group plc remuneration policy for 2017/18 and explaining how we applied the current policy in 2016/17. This policy was approved by ICAP plc shareholders in July 2015.

Completion of the sale of our voice broking business in December 2016 marked a major milestone in the development of the business, allowing it to become a financial technology company. The creation of NEX Group plc requires that we, as a committee, present a remuneration policy to shareholders for approval. Having considered this carefully, we have decided to re-present the current policy for approval for a period of one year only. The committee considers this policy to be fit for purpose and, given that it has been in place for only two years, would prefer to undertake a review of executive director pay during the course of 2017/18, as the NEX strategy and culture develop and as the position on long term incentives becomes clearer. The committee will consult with major shareholders on a new three-year policy towards the end of 2017, with a view to putting that to shareholder vote in the 2018 annual general meeting.

The committee also considered awards made under the PSP in 2015 and 2016, and the performance conditions underpinning them. Having reviewed a number of comparative financial models, it became clear that, although the start and end points for the EPS measure differed with the voice broking business factored out, the growth expectation over the period was largely the same. With this in mind, the committee decided not to amend the EPS growth performance condition on these awards, but to only include the continuing business of NEX Group plc for the measure, and adjust the

number of shares according to the share consolidation that occurred. Similarly, although the TSR peer group is not as relevant as it was to the ICAP business, it was deemed that it was no less challenging to the Group as a relative measure and should also be retained for the 2015 and 2016 awards.

Looking forward, we have decided to retain the overarching principle of measuring 50% of PSP awards on absolute EPS growth and 50% on relative TSR growth, but have amended the targets to remove the influence of an inflationary measure on EPS, in line with market practice. We have also changed the peer group from a selected basket of companies to the FTSE 250 index. It is our view that nominating a relevant peer group for NEX from publicly traded companies is challenging and the index provides a clear comparator for relative performance.

The annual report on remuneration describes the performance versus objectives during 2016/17 and how this translates into executive director remuneration. This is the second year in which annual bonuses have been determined under the directors' remuneration policy approved in 2015.

This year the report includes a more detailed disclosure section, including financial targets. Completion of the sale of the voice broking business means that the commercial sensitivity that made publication of targets last year imprudent is no longer a restricting factor and, in years of normal business activity, the committee will publish targets in the disclosure each year going forward.

The performance versus the objectives has been strong in 2016/17 and is representative of business performance overall.

The financial objectives that account for 70% of the bonus outturn had two main themes: our growth and protection, which was sub-divided into completing the sale of our voice broking business and generating incremental revenue from strategic initiatives; and profitability, which was split between trading profit growth and creating a new structure for the Group.

Completion of the sale of the voice broking business was a binary objective which carried much less weight than the requirement to generate incremental revenue. Revenue generation from strategic initiatives was not as strong as we had hoped but this will remain a priority for the business, alongside prudent cost management, to drive profits in the future.

Due to completion of the Transaction taking place nine months into the year, trading operating profit was based on 12 months of the continuing business and nine months of the discontinued business. This was compared to 12 months of continuing business and nine months of discontinued business in 2015/16. The initial design of the Group structure for NEX is complete and in the process of being implemented. This structure has already begun to produce cost savings.

The strategic objectives that account for 30% of the bonus outturn also had two main themes; risk and control and people and culture.

The risk and control framework has been a focus for the Group for a number of years. It is now the view of the committee that the design and implementation phases of this work are complete, and that the framework is sufficiently well embedded in the business to be considered 'business as usual'. Risk and control will continue to be key priority and will remain under constant review to ensure that it is appropriate and fit for purpose, although will no longer be measured for the purposes of executive director bonuses.

People and culture was split into themes: the design and delivery of a reward framework and of a new corporate brand and culture. In the case of the reward framework, the design is complete and is being rolled out to the business for the coming year. It is designed to reward strong performance and provide an appropriate balance of compensation for the content and seniority of each role in the business. The NEX brand was launched on 30 December 2016 when the Transaction completed and was successfully

implemented globally. The Company also has a clear view on its culture going forward, and the dissemination of this throughout the business is ongoing.

Overall, the performance of the executive directors was strong this year during a period of significant change, and has resulted in a bonus outturn of 78% of the maximum, fractionally higher than in 2016. Both the Group Chief Executive Officer and the Group Chief Financial Officer have elected to defer 100% of the bonus awarded to them into NEX Group plc shares.

The BSMP 2014 matching award did not vest as it failed to meet the performance conditions. This was the final year of the BSMP following the adoption of the PSP in 2015 and subsequently by NEX.

Looking forward, we have retained the profit-related financial measure in the executive director objectives to ensure that focus is retained on revenue generation and cost management. In addition to this we are including a client-focused objective to the financial measures that rewards attraction and retention of clients, and also rewards improved relationships and client service. This is a key priority for the Company. The strategic objectives for the coming year are based around the communication of the NEX Group strategy, both internally and externally, such that all employees can clearly articulate that strategy and work by its values. Strategic focus will also be on the continued development of the operating model. Significant progress has been made during 2016/17 to design and implement the Group structure. This highlighted a number of additional areas where cost savings could be achieved and it is key that we develop these and work towards the most efficient model possible.

The directors' remuneration policy will be put to a binding vote and the remuneration report (other than the part containing the directors' remuneration policy) will be put to an advisory vote at the 2017 annual general meeting. We look forward to receiving your support.

### Robert Standing

Chairman, Remuneration Committee  
15 May 2017



## DIRECTORS' REMUNERATION POLICY

ICAP plc presented the following policy to shareholders at the annual general meeting in July 2015 when it was approved by binding vote. With the exception of an amendment to limit the committee's discretion in respect of the recruitment of a new executive director the policy has remained unchanged. This was described in ICAP plc's 2016 remuneration report.

Further to the Transaction, the committee is required to seek approval of the directors' remuneration policy for NEX at the 2017 annual general meeting. Given that the current policy has, however, been in place for only two years, the committee has decided to retain the current policy for a further year which, if approved, will apply from the date of the 2017 NEX annual general meeting.

A full review of the policy will be undertaken during 2017, with a view to seeking shareholder approval for a new directors' remuneration policy to take effect from 1 April 2018.

### Future policy table for executive directors

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

Element of pay	Purpose and link to NEX's strategy	Operation	Maximum opportunity	Performance measures
<b>Base salary</b>	Reflects individual role and experience.  Set at a level to attract the right talent into the Group to deliver the business strategy.	Salaries are reviewed annually in the context of the total remuneration opportunity. Factors considered include: <ul style="list-style-type: none"> <li>– size and scope of individual responsibilities;</li> <li>– skills, experience and performance;</li> <li>– typical salary levels for comparable roles within appropriate pay comparators; and</li> <li>– reward levels and structure below the board.</li> </ul> Any increase usually takes effect from 1 April. The committee may award increases at any other time, for example where there is a significant change in the role or responsibilities of the executive director.	Maximum levels of salary have not been set by the committee but executive director salary increases will normally be in line with the wider employee population.  Higher increases than the average for the wider employee population may be awarded in exceptional circumstances, at the Remuneration Committee's discretion, including a significant increase in scope and/or responsibility of the individual's role, rebalancing of fixed and variable pay or to take into account any future regulatory changes.  Where an executive director has been appointed to the board at a lower than typical salary, larger increases may be awarded as they develop in the role.	There are no specific performance conditions attached to salary increases, although overall performance of the individual and the Company will be one of the considerations in setting salary levels.
<b>Pension</b>	Element of remuneration to assist employees with retirement planning.	Directors are normally enrolled in the relevant pension plan (if any) for senior managers in their country of residence.	The maximum pension contribution is equivalent to 5% of salary. Directors may opt out of the defined contribution plan operated in the UK and instead receive an equivalent cash allowance. A bonus sacrifice arrangement is also offered.  Individual arrangements are shown on page 64.	None

Element of pay	Purpose and link to NEX's strategy	Operation	Maximum opportunity	Performance measures
<b>Benefits</b>	Element of remuneration to provide a competitive and cost-effective benefits package.	<p>Executive directors are eligible to receive certain benefits that vary by director and may include (but are not limited to) medical, life insurance, car and travel benefits reflecting the director's location and individual circumstances.</p> <p>The current Group Chief Executive Officer has the use of a driver, in order to recognise the unique circumstances of the role and the travel requirements involved. In certain circumstances our executive directors may be accompanied by their spouse/partner on business trips. This will only be where there is a genuine business reason.</p> <p>The value of actual benefits received is shown on page 65.</p> <p>Where executive directors are required to relocate or complete an international assignment, or perform duties outside their home location, the Remuneration Committee may offer additional expatriate benefits, if considered appropriate, or vary benefits according to local practice. This may include cover for additional taxation and support with tax reporting.</p>	<p>Benefits are generally set taking into account affordability and local market practice for comparable roles.</p> <p>The committee has not set a maximum limit for benefits.</p> <p>The benefit policy and levels are kept under review and the committee may remove benefits that executive directors receive or introduce other benefits if it considers it appropriate.</p>	None
<b>Annual bonus</b>	<p>The annual bonus plan incentivises executive directors to achieve the Company's key financial metrics and strategic objectives, while also aligning their interests with those of our shareholders.</p> <p>Deferral of a significant proportion of the bonus into shares helps to align the long-term interests of executives with those of our shareholders.</p>	<p>The level of award is determined by the Remuneration Committee based on performance against the relevant performance criteria.</p> <p>Awards are delivered in a combination of cash and shares, with at least 50% deferred for at least three years into NEX Group plc shares under the DSBP. A further six-month retention period may also be applied on awards under the DSBP.</p> <p>The committee may award dividend equivalents in respect of dividends declared over the deferral period. Dividend equivalent payments are made at the end of the deferral period in either cash or shares.</p> <p>The committee may apply malus or clawback to annual bonus awards in certain exceptional circumstances. Further details on malus and clawback provisions are provided in the notes to the table.</p>	The maximum annual bonus opportunity is 300% of salary.	<p>At least 70% of the annual bonus opportunity is assessed against financial measures.</p> <p>The balance will be subject to strategic and/or individual objectives.</p> <p>The committee retains the right to adjust the balance of the measures on an annual basis. The financial element, however, will always have a greater weighting than the strategic/individual element.</p> <p>Payouts will range from zero to 100% of the maximum, with 50% of the maximum payable for achieving 'on-target' performance.</p>

## DIRECTORS' REMUNERATION POLICY CONTINUED

Element of pay	Purpose and link to NEX's strategy	Operation	Maximum opportunity	Performance measures
<b>Performance Share Plan (PSP)</b>	The Group's long term incentive plan is to reward sustained Company performance and the creation of shareholder value over time.	<p>Annual award of NEX Group plc shares subject to performance conditions over a period of at least three years.</p> <p>An additional holding period of at least two years will apply following vesting.</p> <p>Participants may receive a payment equivalent to the value of dividends paid on any vested shares when the participant receives those shares at the end of the holding period. Payment of dividend equivalents may be in either cash or shares.</p> <p>The committee may apply malus or clawback to PSP awards. Further details on malus and clawback provisions are provided in the notes to the table.</p>	The maximum PSP opportunity is 300% of salary.	<p>Performance measures include the Company's financial performance and a share price-based measure which will usually be equally weighted. These measures are reviewed regularly to ensure that they remain appropriate to business strategy, are sufficiently challenging and remain appropriate for incentivising executive directors. In future, the committee may decide that it is appropriate to introduce additional measures such as NEX Group's key long-term strategic objectives. In any case, at least 80% of the award will continue to be based on financial and share price-based measures.</p> <p>Threshold performance results in 25% vesting, rising to full vesting for maximum performance.</p>
<b>Share-holding requirement</b>	To create alignment with shareholders by encouraging longer-term focus.	Executive directors are required to build up over time, and thereafter maintain, a holding in the Company's shares. The minimum shareholding requirement for the Group Chief Executive Officer is 500% of base salary and for the other executive directors is 300% of base salary.		

### Notes to the policy table

#### Changes since last approved policy

The committee has made two changes to the policy approved by ICAP shareholders in 2015:

- to remove the ability of the committee to approve compensation that sits outside the policy when hiring a new director; and
- to extend the malus and clawback provisions on share awards from five years to seven years.

#### Legacy matters

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

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

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

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

#### Performance conditions

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

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

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

More detail on the annual bonus and PSP measures and targets can be found on pages 70 and 71.

### Malus and clawback

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

- a material misstatement of the Company's or any other Group member's audited financial results;
- a material failure of risk management by the Company, any other Group member or a relevant business unit;
- misconduct or material error on the part of the participant; or
- a material downturn in the financial performance of the Company, any other Group member or a relevant business unit (malus only).

Malus and clawback parameters will remain under review in line with regulatory guidance.

### Future policy table for the Chairman and non-executive directors

Purpose and link to the Group's strategy	Operation and fee levels
To attract and retain a high-performing Chairman and non-executive directors with the right level of skills, international experience and industry knowledge.	<p>The Chairman receives a fee for the role, as determined by the Remuneration Committee. The Chairman is entitled to an additional fee for the chairmanship of the Nomination Committee, but has waived his entitlement to this additional fee.</p> <p>The non-executive directors receive an annual fee in respect of their duties. Further fees may be paid in respect of chairmanship of board committees and for the senior independent director. No fees are paid for membership of a board committee. Additional fees are paid to non-executive directors who sit on the board of the SEF entities and/or any other subsidiary boards due to the additional time commitment required for discharging these roles. Non-executive directors' fees are considered and approved by the executive directors and the Chairman.</p> <p>Fees are set at a level which is considered appropriate to attract and retain the calibre of individuals required by the Company. Fees are reviewed regularly against comparable companies and may be adjusted from time to time.</p> <p>Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties.</p> <p>The current fee levels can be found on page 71.</p>

### Recruitment policy

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

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

### Components and approach

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

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

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

### Maximum level of variable pay

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

### Buy-outs

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

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

## DIRECTORS' REMUNERATION POLICY CONTINUED

### Contractual terms

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

### Recruitment of Chairman and non-executive directors

In the event of the appointment of a new Chairman and/or non-executive director, their remuneration framework will be in line with the table set out on page 71.

### Service contracts and policy on payment for loss of office

#### Executive directors

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

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

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

#### Michael Spencer

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

#### Stuart Bridges

Stuart Bridges' notice period is 12 months from the Company, six months from the employee. He is entitled to receive salary and benefits for the duration of his notice period. He may be eligible to receive a discretionary bonus.



## Change of control

In the event of a change of control or a voluntary winding up of the Company, DSBP and PSP awards will vest at that time, taking into account, unless the board determines otherwise, the extent to which any performance conditions have been met and the time elapsed since the grant date.

The committee, however, may require or permit individuals to exchange any awards for equivalent awards in the acquiring company.

## Non-executive directors

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

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

## Availability of documentation

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

## Remuneration arrangements throughout the Group and wider employment conditions

There are consistent overarching principles of remuneration which apply across the Group.

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

For members of the GEMG and other senior executives in the Group, a proportion of remuneration is deferred into Company shares, ensuring long-term alignment with the interests of our shareholders.

The committee takes into consideration the pay and conditions of employees throughout the Group when determining remuneration arrangements for executive directors. NEX manages the costs of employment at the corporate level and expects changes in total remuneration for directors to reflect changes in the Company's performance.

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

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

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

## Consideration of shareholder views

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

## Minor amendments

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

## DIRECTORS' REMUNERATION POLICY CONTINUED

### Charts illustrating the application of the directors' remuneration policy

The charts below illustrate the policy for 2017/18 in line with the policy table on pages 58 to 63. The charts show hypothetical values for the remuneration package for executive directors under three different performance scenarios:

#### Minimum

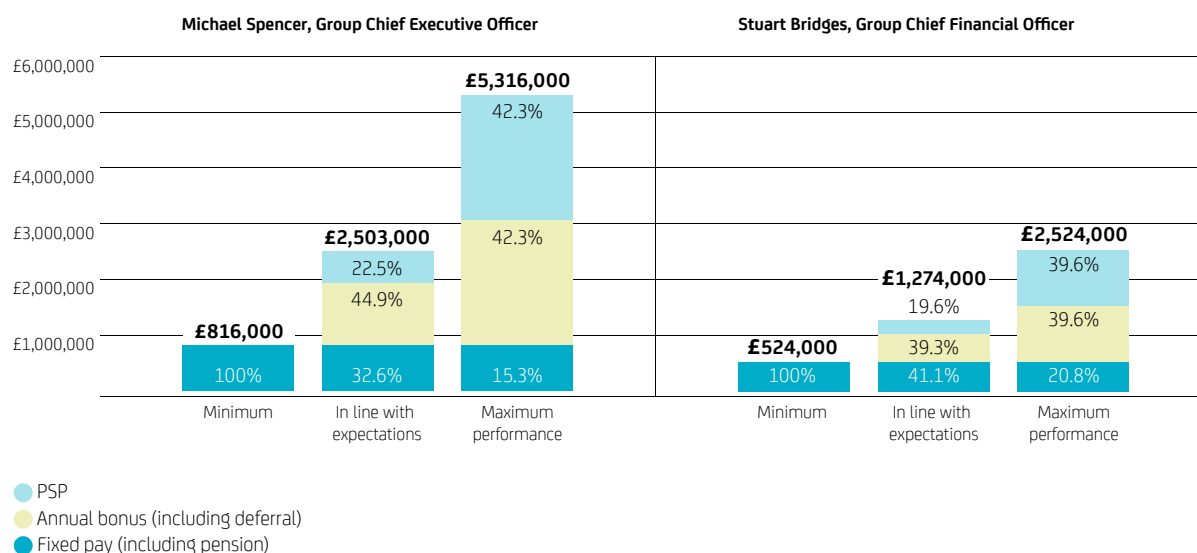
- Fixed elements of pay only
- No bonus payout or vesting under the PSP

#### Performance in line with expectations

- Fixed elements of pay
- 50% of maximum annual bonus payout (i.e. 150% of salary for Group Chief Executive Officer and 100% for Group Chief Financial Officer)
- 25% of maximum vesting under the PSP (i.e. 75% of salary for Group Chief Executive Officer and 50% for Group Chief Financial Officer)

#### Maximum

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



	Salary	Benefits	Pension/cash allowance	
	With effect from 1 April 2017	Anticipated 2017/18	In line with policy	Total fixed pay
Group Chief Executive Officer	£750,000	£33,186	£32,325	£815,511
Group Chief Financial Officer	£500,000	£2,221	£21,550	£523,771

# ANNUAL REPORT ON REMUNERATION

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

## Single total figure of remuneration

The following table sets out the total remuneration for executive directors and non-executive directors for the years ended 31 March 2017 and 31 March 2016.

	Salary and fees (a) £'000		Benefits (b) £'000		Annual bonus (c) £'000		Pension/cash allowance (d) £'000		Payment in lieu of dividend (e) £'000		Subtotals £'000		Buy-out awards (f) £'000		Total £'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Executive directors</b>																
Michael Spencer	750	750	33	86	1,749	1,700	32	37	904	1,018	3,468	3,591	–	–	3,468	3,591
Stuart Bridges	500	292	2	2	778	450	22	13	–	–	1,302	757	–	900	1,302	1,657
<b>Non-executive directors</b>																
Charles Gregson	300	300	15	28	–	–	–	–	–	–	315	328	–	–	315	328
Ivan Ritossa	95	95	–	–	–	–	–	–	–	–	95	95	–	–	95	95
John Sievwright	110	110	11	2	–	–	–	–	–	–	121	112	–	–	121	112
Robert Standing	90	90	–	–	–	–	–	–	–	–	90	90	–	–	90	90

Notes to the table

(a) Salary and fees – the base salary or fees paid in respect of the relevant financial year.

(b) Benefits – the taxable value of all benefits paid in respect of the financial year. Benefits vary for each executive director but include medical, life insurance, car and travel benefits. Michael Spencer also has the use of a driver. The Chairman is provided with an office and is reimbursed for a proportion of the cost of a car and driver to assist with the performance of his duties.

(c) Annual bonus – this represents the bonus awarded in respect of the 2016/17 performance year, at least 50% of which will be deferred into NEX Group plc shares under the DSBP.

(d) Pension/cash allowance – neither executive director participated in a pension plan during the year.

(e) Payment in lieu of dividend – the amounts shown reflect payments in lieu of dividends received on legacy awards including the basic and matching awards for 2008 and basic awards granted under the BSMP for 2009, 2010, 2011 and 2012.

(f) Buy-out awards – this represents the buy-out award paid to Stuart Bridges on his appointment as Group Finance Director in 2015 and detailed in this report last year.

## ANNUAL REPORT ON REMUNERATION CONTINUED

**Additional disclosures in respect of the single total figure of remuneration table****2016/17 annual bonus**

The bonus plan was structured to incentivise executive directors to meet corporate objectives of investing to achieve growth and profitability, continuing to promote the corporate culture through strong risk-aware leadership and aligning their interests with those of shareholders.

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

During 2016/17 the executive directors were measured against the key financial and strategic goals set by the committee at the start of the year. The table below shows the content of the goals, the weighting applied to each goal, and the committee's assessment of the executive directors' performance and level of achievement.

**Financial objectives 70%**

Objective	Weighting	Threshold	Target	Maximum	Achievement	Narrative
<b>Growth and protection</b>						
Complete the sale of IGBB to TP ICAP	20%	Binary target			100%	The sale of IGBB was completed on 30 December 2016. Completion was complex because of the requirements of the Competitions and Markets Authority which could have significantly delayed completion. The management of these requirements alongside other complexities means that the committee is comfortable applying a 100% achievement rating.
Generate incremental revenue from strategic business initiatives	20%	5% prior year revenue	7.5% prior year revenue	10% prior year revenue	38%	We have seen incremental revenue growth in products launched in the past two years across the product group.  Notable are EBS Direct/eFix and the TriOptima group of products.  Significant revenue growth came from the CFETS contract.  The target set was to achieve a 7.5% increase in prior year total revenue from new products.
<b>Profitability</b>						
Achieve trading operating profit of 100% to 110% compared to the prior year	40%	100%	106%	110%	63%	Reported trading operating profit is 107% of prior year. This is based on 12 months of continuing business and nine months of discontinued business compared to the same periods of the prior year.
Deliver a Group structure post completion of the Transaction to achieve a focused cost base that delivers savings versus prior year	20%	70%	85%	100%	100%	This objective has been met and included a review of the key support areas and their purpose, function, design and target structure. Implementation has commenced and savings are being realised. As a result of the review, further cost savings have been identified and it has been agreed that the work should be extended into the new financial year.
<b>Financial objectives</b>	<b>70%</b>				<b>73%</b>	

## Strategic objectives 30%

Objective	Weighting	Achievement	Narrative
<b>Controls and governance</b>			
Design and adopt a control, risk and governance framework for the Group	25%	100%	<p>This objective has been fully met with strong monitoring of the control environment and the governance in place throughout the process of separating the business resulting in no gaps during the separation or after completion of the sale of IGBB.</p> <p>Overall high-level project monitoring has been established for NEX Markets and NEX Optimisation. In addition development categorisation has been reviewed and is likely to present opportunities for cost savings in the future. More adaptation is still required for the NEX business, but is well underway.</p>
Adapt a framework for the Group to manage information technology and information risk management	25%	100%	<p>The agreed framework has been successfully adapted to deal with the unique challenges of information risk management and technology. This is key to the protection of the assets utilised by our clients and within the business.</p> <p>The committee agreed that the controls and governance environment in the business is robust and appropriate. While it remains a key ongoing consideration for all parts of the business and will continue to develop, it is now sufficiently embedded that it should no longer be a formal objective for bonus purposes.</p>
<b>People and culture</b>			
Deliver a Group reward framework for NEX	25%	80%	A reward framework has been produced and delivered that simplifies the offering to employees, rewards appropriately and fairly and reflects the achievement of objectives and targets that contribute to the long-term success of the Group and behaviours that are collaborative and reflect the culture of the business.
Design and launch a strong new corporate brand and culture for NEX	25%	80%	The NEX brand was launched on 30 December 2016 on completion of the sale of IGBB. The entire business was rebranded globally externally and internally by 3 January 2017. The Company also has clarity on its culture going forward, and the dissemination of this throughout the business is ongoing.
<b>Strategic objectives</b>	<b>30%</b>	<b>90%</b>	

The Remuneration Committee determined that the targets and achievements in the above table were a fair reflection of performance during the year. The bonus payout for both executive directors was 78% of maximum.

Executive directors are required to defer at least 50% of bonus payments into NEX Group plc shares vesting after three years. In line with the remuneration policy approved at the 2015 annual general meeting, no matching awards will be made. For 2016/17 bonus awards both the Group Chief Executive Officer and the Group Chief Financial Officer have elected to defer 100% into NEX Group plc shares.

### 2014 BSMP matching award

The BSMP matching award granted in 2014 under the legacy arrangements was subject to a performance condition based on trading EPS with graduated vesting where 10% of the matching award will vest at RPI + 6% per annum, increasing to 100% vesting at RPI + 15% per annum over a three-year period.

The EPS targets were not met at any level, therefore the award did not vest.



## ANNUAL REPORT ON REMUNERATION CONTINUED

**Details of share awards granted in the year****2016 PSP award**

On 24 May 2016, PSP awards were granted to the two executive directors as shown in the table below.

	Type of award	Number of shares	Face value (£)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Michael Spencer	PSP – conditional share award based on performance	521,497	2,242,124	25%	100%	31 March 2019
Stuart Bridges	PSP – conditional share award based on performance	231,776	996,498	25%	100%	31 March 2019

The face value of the awards is based on the average closing price for the five business days following 16 May 2016, being the preliminary announcement date of the 2015/16 financial results (£4.2994).

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

The performance condition for the 2016 award is based on graduated vesting where 25% of the award will vest at EPS growth of CPI + 20% over the three-year period and TSR performance at the median level versus the agreed peer group (as set out in last year's remuneration report), increasing to 100% vesting at EPS growth of CPI + 45% over the three-year period and TSR performance at the upper quartile level versus the agreed peer group. The EPS and TSR performance conditions are measured independently and are not contingent on one another.

**Payments to past directors**

Payments in line with those previously disclosed to ICAP plc shareholders were made in the year.

**Payments for loss of office**

No payments for loss of office have been made during the year.

**Statement of directors' shareholding and share interests**

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

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

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

The minimum shareholding guideline for the Group Chief Executive Officer is 500% of base salary and for other executive directors is 300% of base salary. The Group Chief Executive Officer had exceeded his target as at 31 March 2017, based on the share price at the close of business on that date. The Group Chief Financial Officer was appointed in September 2015 and has five years from appointment to reach his target.

The table below details the share interests of the directors in office at 31 March 2017.

Director	Note	Share interests in NEX as at 31 March 2017	Share interests in ICAP plc as at 31 March 2016	Outstanding DSBP awards	Outstanding PSP awards without performance condition	Outstanding PSP awards with performance condition	Outstanding BSMP awards	Outstanding SAYE options
Charles Gregson		219,503	241,625	–	–	–	–	–
Michael Spencer	1, 2	3,839,742	3,889,383	394,020	–	694,759	3,608,215	4,476
Stuart Bridges		134,999	25,000	104,299	98,750	429,276	–	–
Ivan Ritossa		167,500	–	–	–	–	–	–
John Sievwright		26,927	20,873	–	–	–	–	–
Robert Standing		5,714	10,000	–	–	–	–	–

**Notes**

1. Details of Michael Spencer's shareholding, including his connected parties, are set out in a note to the substantial shareholders' section on page 53.

2. The outstanding BSMP awards include the 2008 BSMP matching award which has vested and remains unexercised.

Between 31 March 2017 and 10 May 2017 there were no transactions by the directors in the Company's shares.

## External appointments

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

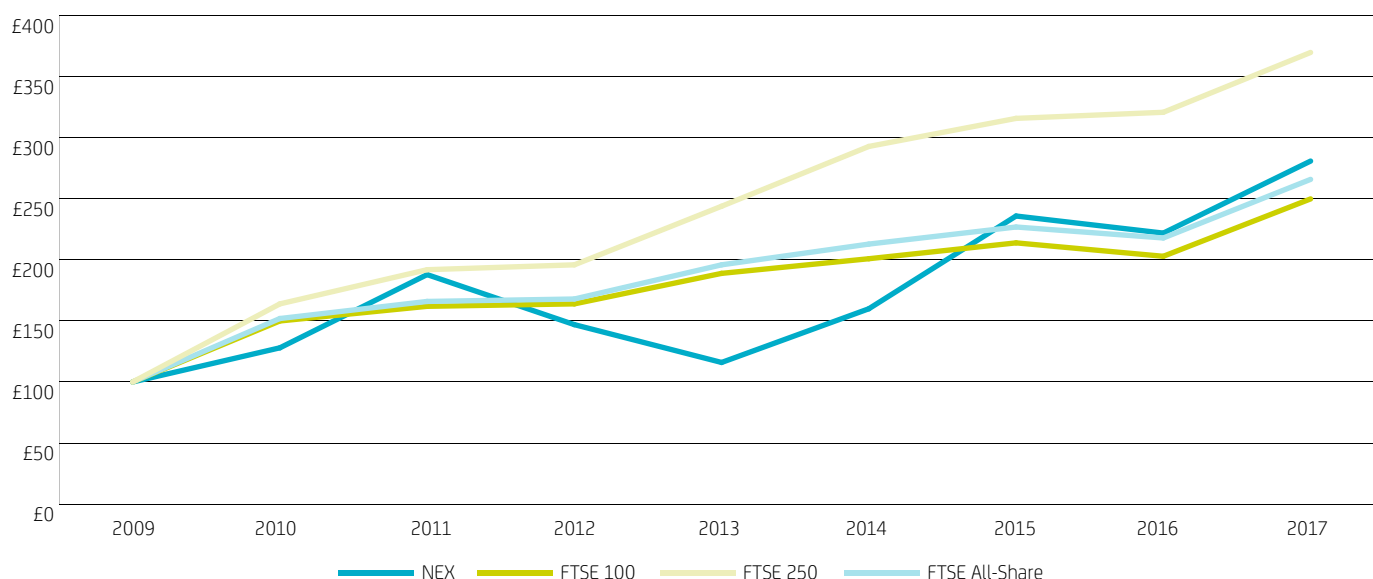
Stuart Bridges received a fee of £45,500, which he retained, for his non-executive directorship of Caledonia Investments plc.

## Total shareholder return

The TSR on a holding of the Company's ordinary shares compared with the FTSE 100, FTSE 250 and the FTSE All-Share indices for the eight financial years to 31 March 2017 is shown in the graph below. As a constituent of the FTSE 250 when NEX was officially listed in December 2016, the Company considers both the FTSE 100 and FTSE 250 the appropriate indices for comparison.

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

### Performance graph – value of £100 invested



## Remuneration of the Group Chief Executive Officer

	Previous policy				Current policy			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Single total figure of remuneration (£'000)	6,069	10,727	5,524	4,326	2,215	3,320	3,591	3,468
Percentage of maximum bonus paid*	n/a	n/a	56%	41%	12%	25%	76%	78%
Percentage of maximum BSMP opportunity vesting	100%	100%	0%	0%	0%	0%	0%	0%

\* No maximum bonus stated prior to 2011/12

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

The table below shows the percentage change in remuneration awarded to the Group Chief Executive Officer compared with other employees of the Group between 2015/16 and 2016/17.

	Salary	Benefits	Bonus
Group Chief Executive Officer	0%	- 62%	3%
All other employees	- 4%	7%	- 13%

## ANNUAL REPORT ON REMUNERATION CONTINUED

## Relative importance of spend on pay

	2016/17 £m	2015/16 £m	Change %
Total remuneration	616	653	- 6%
Dividends	142	141	1%

The figures shown above reflect the combined ICAP employee group. From 2017/18 all figures shown will reflect NEX employees only.

## Statement of implementation of the directors' remuneration policy in the coming year

As stated in the Chairman's statement, the directors' remuneration policy for NEX replicates the previous ICAP plc policy which was in place for only two years. A full policy review will take place in 2017/18 and a new three-year remuneration policy for the Group will be presented for shareholder approval at the 2018 annual general meeting.

We consider that the proposed remuneration arrangements for 2017/18:

- reflect the priorities of the business for the year;
- complement business culture and demonstrate good governance;
- align with the interests of shareholders; and
- provide transparency.

Further details are set out below.

## Salary

Salary levels from 1 April 2017 are shown below.

	Salary	% increase
Group Chief Executive Officer	£750,000	0%
Group Chief Financial Officer	£500,000	0%

## Pension and benefits

Both executive directors receive a cash equivalent to the standard 5% of salary contribution to the UK defined contribution plan. The cash equivalent is reduced to take account of employers' national insurance contributions. There will be no material change to benefits.

## Annual bonus awards in respect of the 2017/18 financial year

The bonus structure for 2017/18 is consistent with that detailed in the directors' remuneration policy section of this report.

Annual bonuses will be assessed based on financial performance, represented by growth and protection objectives and profitability objectives accounting for 70% of the overall award, and strategic priorities, represented by client focus and people and culture accounting for the remaining 30%.

Further details are set out below.

<b>Maximum opportunity for 2017</b>	<p>Group Chief Executive Officer: 300% of base salary</p> <p>Group Chief Financial Officer: 200% of base salary</p> <p>Up to half of any bonus award will be paid in cash, with the balance deferred into NEX Group plc shares for a three-year period.</p>
<b>Performance measures</b>	<p>The committee has selected measures to directly support NEX's strategy.</p> <p>The 2017 annual bonus will be subject to the following performance measures:</p> <p><b>Financial (70%)</b></p> <ul style="list-style-type: none"> <li>– Achieve growth in operating profit (assessed using constant exchange rates)</li> <li>– Deepen relationships with strategic clients, grow business with identified target client populations, and drive cross-selling across the NEX portfolio</li> </ul> <p><b>Strategic priorities (30%)</b></p> <ul style="list-style-type: none"> <li>– Define and clearly articulate the NEX strategy internally and externally</li> <li>– Complete and implement the redesign of an operating model to support the NEX strategy</li> </ul> <p>The targets set for performance measures are commercially sensitive and (as permitted by the regulations) are not being disclosed in advance. Further detail will be provided in next year's Annual Report (within commercial constraints) with context on performance against those targets and the resulting bonus.</p>

## Long term incentive awards

In the 2017/18 financial year, awards will be made under the PSP to the Group Chief Executive Officer and the Group Chief Financial Officer. Further details are set out below.

<b>Maximum opportunity</b>	Group Chief Executive Officer: 300% of base salary Group Chief Financial Officer: 200% of base salary																
<b>Performance period</b>	Performance will be measured over a three-year performance period. Once they have vested, awards will be subject to an additional holding period of at least two years.																
<b>Performance measures and targets</b>	<p>The performance period will run from 1 April 2017 to 31 March 2020.</p> <p><b>TSR (50% of the award)</b></p> <p>Half of the 2017 PSP award will be subject to a total shareholder return performance condition. The Group's TSR will be measured relative to the FTSE 250 index.</p> <p>Vesting of awards under the TSR element will be in line with the following schedule:</p> <table> <tr> <th>TSR performance</th><th>Percentage of TSR element vesting</th></tr> <tr> <td>Below median</td><td>0%</td></tr> <tr> <td>Median</td><td>25%</td></tr> <tr> <td>Upper quartile</td><td>100%</td></tr> </table> <p>Straight-line vesting between median and upper quartile</p> <p><b>EPS (50% of the award)</b></p> <p>The remaining 50% of the 2017 award will be subject to an EPS performance condition. Awards under this element will vest in line with the following schedule:</p> <table> <tr> <th>Annual EPS growth</th><th>Percentage of EPS element vesting</th></tr> <tr> <td>&lt;6%</td><td>0%</td></tr> <tr> <td>6%</td><td>25%</td></tr> <tr> <td>12%</td><td>100%</td></tr> </table> <p>Straight-line vesting between 6% and 12%</p>	TSR performance	Percentage of TSR element vesting	Below median	0%	Median	25%	Upper quartile	100%	Annual EPS growth	Percentage of EPS element vesting	<6%	0%	6%	25%	12%	100%
TSR performance	Percentage of TSR element vesting																
Below median	0%																
Median	25%																
Upper quartile	100%																
Annual EPS growth	Percentage of EPS element vesting																
<6%	0%																
6%	25%																
12%	100%																

## Chairman and non-executive directors' fees

Following an internal review of non-executive director fees, including a benchmark review, the decision was taken to make a small adjustment for the coming year. This is the first change for a number of years, with fees held at the current level for non-executive directors since 2010. The fees for the Chairman have also been increased to reflect the extensive time commitment made during and since separation of the business (the Transaction). This is the first change since 2012.

The Nomination Committee chairman's fee and the SEF non-executive directors fees remain at the current level. There are no fees paid for membership of board committees.

The table below shows the non-executive director fee structure as at 1 April 2017.

Position	Fee	% increase
Chairman	£350,000	17%
Non-executive director	£85,000	6%
Additional fees		
Senior independent director	£11,000	10%
Chairman of the Audit Committee	£11,000	10%
Chairman of the Remuneration Committee	£11,000	10%
Chairman of the Risk Committee	£11,000	10%
Chairman of the Nomination Committee*	£5,000	0%
Membership of the SEF board and/or any other subsidiary board**	£15,000/\$25,000	0%

\* Charles Gregson waived his entitlement to the additional fee for his role as chairman of the Nomination Committee

\*\* Additional fees are paid to non-executive directors who sit on the boards of SEF entities due to the additional time commitment for discharging this role

## Support to the committee

The committee is supported by the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Head of HR and the Group Company Secretary.

The committee received external advice from Deloitte in relation to matters affecting executive compensation until October 2016. Since October 2016, the committee has received external advice from Willis Towers Watson. Both Deloitte and Willis Towers Watson were appointed by the Company. Willis Towers Watson was selected from a number of alternatives following a process conducted internally. Until October 2016, Deloitte also provided tax advice to the business. The committee is satisfied that the advice received from Deloitte and Willis Towers Watson was independent and objective. The fees in respect of the advice provided were £52,829 to Deloitte and £24,550 to Willis Towers Watson.

## ANNUAL REPORT ON REMUNERATION CONTINUED

**Statement of voting at the ICAP plc 2016 annual general meeting**

At the 2016 ICAP plc annual general meeting votes cast in respect of the remuneration report were:

	Remuneration report	
	Total number of votes	Votes cast
For	520,142,451	93.05%
Against	38,843,072	6.95%
Number of votes cast	558,985,523	
Votes withheld	7,799,904	

The committee was satisfied with the voting outcome for the remuneration report and directors' remuneration policy, and looks forward to the support of shareholders in relation to the report and policy in 2017.

**Retrospective disclosure from 2015/16**

Due to commercial sensitivity the committee elected not to disclose the financial targets relating to 2015/16 bonus awards in the 2016 report. It did, however, make a commitment to retrospectively disclose the financial targets in this Annual Report provided they were no longer considered sensitive. The targets are shown in the below table for information.

Key strategic areas	Performance measure	Weighting %	Threshold (25%)	Target (50%)	Maximum (100%)	Achievement	Payout (% element)	Payout (% bonus)
Growth and protection (financial)	Defence of existing market share	11.7%	77%	87%	97%	95%	90%	10.5%
	Market share growth in electronic and post trade	11.7%	0%	3.25%	6.5%	5.9%	90%	10.5%
	Revenue from new products relative to prior year	11.7%	Flat	+ 20%	+ 60%	+ 39%	74%	8.6%
	<b>Total</b>	35%					85%	30%
Profitability (financial)	Profit before tax (£m)	17.5%	203	233	263	203	25%	4%
			95%	95%				
	Cash conversion	17.5%	+/- 15%	+/- 5%	95%	96%	90%	16%
	<b>Total</b>	35%					58%	20%
Non-financial	Detailed in 2016 ICAP plc Annual Report	30%	Detailed in 2016 ICAP plc Annual Report				90%	27%
	<b>Total</b>	100%						77%



# INDEPENDENT AUDITORS' REPORT

## Our opinion

In our opinion:

- NEX Group plc's Group financial statements and Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2017 and of the Group's profit and the Group's and the Company's cash flows 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 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.

## What we have audited

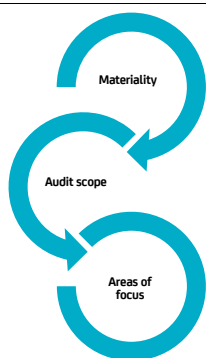
The financial statements, included within the Annual Report, comprise:

- the consolidated and Company balance sheets as at 31 March 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and Company statements of cash flow for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

## Our audit approach



### Overview

Overall Group materiality: £10.0 million which represents 5% of continuing and discontinued profit before tax, acquisition and disposal costs and exceptional items.

We conducted an audit of the complete financial information of three financially significant business reporting units covering the continuing business and an audit of the income statements of six reporting units covering the discontinued business. Additional business reporting units were selected to increase the level of audit evidence for each account balance, on which a combination of controls testing and substantive tests of detail were undertaken. Business reporting units that are not subject to specific audit procedures are still subject to audit work on entity level controls and Group level analytical review procedures over their financial information.

The areas of focus for our audit to which we allocated the greatest amount of our resources and effort were:

- sale of IGBB;
- presentation and disclosure of exceptional items;
- goodwill impairment assessment; and
- fraud in revenue recognition.

### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table on pages 74 and 75. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

## INDEPENDENT AUDITORS' REPORT CONTINUED

Area of focus	How our audit addressed the area of focus
<p><b>Sale of IGBB</b></p> <p>On 30 December 2016, the Group completed the disposal of the IGBB business to Tullett Prebon plc, now renamed TP ICAP plc.</p> <p>On the income statement, the profit of IGBB for the period up to the disposal, net of tax, has been presented separately on the face of the income statement as a discontinued operation.</p> <p>The gain on disposal of £1.2bn is presented in the income statement as part of exceptional items. The measurement of gain on sale of a disposal group is inherently complex, particularly when it encompasses a large number of entities with material amounts involved.</p>	<p>We reviewed the management analysis for the accounting treatment of the disposal and were satisfied that this was appropriate.</p> <p>We assessed the accuracy and completeness of the IGBB disposal group. We also gained comfort over the consideration received and tested the net asset reconciliation in relation to the IGBB transaction and determined that the gain on disposal was not materially misstated.</p> <p>We tested the split of reserves between IGBB and NEX and noted that it was appropriate.</p> <p>We assessed the disclosures made in the financial statements and noted that they were compliant with the relevant accounting standards.</p> <p>Relevant references in the Annual Report, note 5.</p>
<p><b>Presentation and disclosure of exceptional items</b></p> <p>Assessment of the Group's performance generally focuses on trading profit, being operating profit before acquisition and disposal costs and exceptional items.</p> <p>The gain on sale of IGBB net of costs of sale has been treated as an exceptional item. In addition, NEX Group plc incurred various other transaction costs, principally the costs of contractors and temporary staff which have also been classified as exceptional items. There is a risk that costs could be incorrectly classified between the columns of the financial statements, with an impact on the disclosed underlying business performance.</p>	<p>We understood management's basis of determining whether or not revenue and expenses in relation to transactions fell within the classification of exceptional items as described in the accounting policy.</p> <p>We selected a sample of revenue and expenses that had been identified as exceptional items and, based on our understanding of the accounting policy and the transaction, formed our own judgement as to whether they were appropriately presented and disclosed in exceptional items, with no material exceptions noted.</p> <p>We examined the Group's disclosure in respect of exceptional items, and agreed that the narrative provided appropriately reflected the nature of the underlying expenses.</p> <p>Relevant references in the Annual Report, notes 4 and 5.</p>
<p><b>Goodwill impairment assessment</b></p> <p>This was an area of focus due to the size of the goodwill balance and given the judgement required as part of the directors' assessment of the carrying value of the Group's cash generating units (CGUs), about the future results of the business and the discount rate applied to the future cash flow forecasts.</p>	<p>We examined the forecasts of future cash flow prepared by management by comparing them to the latest board approved budgets. We also tested historical budgeting accuracy by comparing current year results with the equivalent figures included in the prior year forecast. Our testing did not give any indication of impairment.</p> <p>We assessed the directors' key assumptions for discount and long-term growth rates using our knowledge of the business, future strategy and past performance. We compared rates used to past results and external data where available. We also performed sensitivity analyses on the key assumptions. We found no material exceptions in these tests.</p> <p>We also reviewed the disclosures made in relation to goodwill and found them to be appropriate.</p> <p>Relevant references in the Annual Report, note 15.</p>

Area of focus	How our audit addressed the area of focus
<p><b>Fraud in revenue recognition</b></p> <p>We focused on the accuracy and timing of the recognition and the presentation in the income statement of:</p> <ul style="list-style-type: none"> <li>– transaction and access fees from the NEX Markets business;</li> <li>– fees from the provision of services in the NEX Optimisation business; and</li> <li>– commissions from the IGBB business.</li> </ul> <p>These revenue streams are dependent on the fulfilment of contractual obligations which may involve subjective estimation with regard to stage completion and are subject to manual intervention which could result in revenue being recognised inappropriately.</p>	<p>We tested the reconciliations between the revenue systems used by the Group and its financial ledgers and journal entries posted to revenue accounts to help identify any unusual or irregular items. We then performed testing over these amounts to ensure that they should be recognised as revenue. No exceptions were found in the sample selected.</p> <p>We evaluated the relevant IT systems and tested the operating effectiveness of internal controls over the accuracy and timing of commissions and fees recognised in the financial statements.</p> <p>We also tested the timing of revenue recognition, assessing whether the necessary contractual obligations had been fulfilled by taking a sample of revenue transactions and agreeing them back to contracts and did not find any exceptions.</p> <p>Relevant references in the Annual Report, note 1.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Following the sale of the IGBB business during the year the Group reports its operating results and financial position along three business lines, being NEX Markets, NEX Optimisation and Other. The results for the year also include nine months of revenue and expenses from the IGBB business disclosed as discontinued operations.

In establishing the overall approach to the audit we identified three reporting units across the NEX Markets, NEX Optimisation and Other functions that, in our view, required an audit of their complete financial information due to their size. Specific audit procedures on certain balances and transactions were performed at a further eight reporting units either due to their size or their risk characteristics.

To audit the results of the discontinued IGBB business we identified six reporting units where we performed an audit of their revenue and expenses in view of their size and a further two reporting units where specific procedures were performed on certain balances and transactions.

Where the work was performed by component auditors under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained to support an opinion on the financial statements as a whole. In the current year the Group engagement team visited the UK and US components, being the two most significant countries in the Group.

The 19 reporting units accounted for 94% of Group total continuing and discontinued income and 89% of Group total assets.

## INDEPENDENT AUDITORS' REPORT CONTINUED

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

<b>Overall Group materiality</b>	£10.0 million (2016: £10.1 million).
<b>How we determined it</b>	5% of continuing and discontinued profit before tax, acquisition and disposal costs and exceptional items.
<b>Rationale for benchmark applied</b>	We based materiality on continuing and discontinued profit before tax, acquisition and disposal costs and exceptional items. The acquisition and disposal costs and exceptional items are significant and expected to be discrete and non-recurring in nature and thus are not considered to be indicative of the underlying performance of the business. The removal of these items also mitigates undue volatility in determining our materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (2016: £500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Going concern**

Under the Listing Rules we are required to review the directors' statement, set out on page 54, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and the Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Company's ability to continue as a going concern.

## Other required reporting

### Consistency of other information and compliance with applicable requirements

#### Companies Act 2006 reporting

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 addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the directors' report. We have nothing to report in this respect.

#### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- |  |                                  |
|--|----------------------------------|
| <ul style="list-style-type: none"> <li>– information in the Annual Report is:               <ul style="list-style-type: none"> <li>– materially inconsistent with the information in the audited financial statements; or</li> <li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and the Company acquired in the course of performing our audit; or</li> <li>– otherwise misleading.</li> </ul> </li> </ul>  | We have no exceptions to report. |
| <ul style="list-style-type: none"> <li>– the statement given by the directors on page 54, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and the Company acquired in the course of performing our audit.</li> </ul> | We have no exceptions to report. |
| <ul style="list-style-type: none"> <li>– the section of the Annual Report on pages 44 to 46, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>   | We have no exceptions to report. |

### The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>– the directors' confirmation on page 55 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>   | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>– the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>   | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> <li>– the directors' explanation on page 55 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul> | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.



## INDEPENDENT AUDITORS' REPORT CONTINUED

### Adequacy of accounting records and information and explanations received

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

#### Directors' remuneration report – Companies Act 2006 opinion

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

#### Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### Corporate governance statement

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the strategic report and directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

### Christopher Rowland (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 May 2017

## INDEX TO FINANCIAL STATEMENTS

Financial statements	
Consolidated income statement	80
Consolidated statement of comprehensive income	82
Consolidated and Company balance sheet	83
Consolidated statement of changes in equity	84
Company statement of changes in equity	85
Consolidated and Company statement of cash flow	86
Basis of preparation	87
Notes to the financial statements	90

## CONSOLIDATED INCOME STATEMENT

### YEAR ENDED 31 MARCH 2017

	Note	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
<b>Revenue</b>	1	<b>543</b>	–	–	<b>543</b>
<b>Operating expenses</b>	3	<b>(398)</b>	<b>(21)</b>	<b>5</b>	<b>(414)</b>
Other income		–	22	–	22
<b>Operating profit</b>	1	<b>145</b>	<b>1</b>	<b>5</b>	<b>151</b>
Finance income	10	–	–	–	–
Finance costs	10	<b>(31)</b>	–	–	<b>(31)</b>
Share of profit of joint ventures after tax	22	–	–	–	–
Share of profit of associates after tax	23	–	–	–	–
<b>Profit before tax from continuing operations</b>		<b>114</b>	<b>1</b>	<b>5</b>	<b>120</b>
Tax	8	<b>(28)</b>	<b>6</b>	–	<b>(22)</b>
<b>Profit for the year from continuing operations</b>		<b>86</b>	<b>7</b>	<b>5</b>	<b>98</b>
Profit for the year from discontinued operations	5	<b>73</b>	–	<b>1,140</b>	<b>1,213</b>
<b>Profit for the year</b>		<b>159</b>	<b>7</b>	<b>1,145</b>	<b>1,311</b>
<b>Attributable to:</b>					
Owners of the Company		<b>160</b>	<b>7</b>	<b>1,145</b>	<b>1,312</b>
Non-controlling interests		<b>(1)</b>	–	–	<b>(1)</b>
		<b>159</b>	<b>7</b>	<b>1,145</b>	<b>1,311</b>
<b>Earnings per ordinary share from continuing operations (pence)</b>					
– basic	6	<b>23.2</b>			<b>26.4</b>
– diluted	6	<b>22.5</b>			<b>25.6</b>

# CONSOLIDATED INCOME STATEMENT

## YEAR ENDED 31 MARCH 2016

	Note	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
<b>Revenue</b>	1	460	–	–	460
<b>Operating expenses</b>	3	(321)	(75)	(9)	(405)
Other income		–	–	–	–
<b>Operating profit</b>	1	139	(75)	(9)	55
Finance income	10	1	1	–	2
Finance costs	10	(30)	–	–	(30)
Share of profit of joint ventures after tax	22	1	–	–	1
Share of profit of associates after tax	23	(1)	–	–	(1)
<b>Profit before tax from continuing operations</b>		110	(74)	(9)	27
Tax	8	(23)	16	2	(5)
<b>Profit for the year from continuing operations</b>		87	(58)	(7)	22
Profit for the year from discontinued operations	5	73	–	(27)	46
<b>Profit for the year</b>		160	(58)	(34)	68
<b>Attributable to:</b>					
Owners of the Company		163	(58)	(34)	71
Non-controlling interests		(3)	–	–	(3)
		160	(58)	(34)	68
<b>Earnings per ordinary share from continuing operations (pence) (restated)</b>					
– basic	6	23.6			6.0
– diluted	6	22.9			5.8

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
<b>Profit for the year</b>	<b>1,311</b>	68
<b>Other comprehensive income/(expense) from continuing operations</b>		
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>		
Revaluation gain in the year	–	1
Net movement on cash flow hedges	7	(3)
Exchange differences	143	44
Current tax recognised in other comprehensive income	(1)	–
Deferred tax recognised in other comprehensive income	1	1
<b>Other comprehensive income for the year, net of tax, from continuing operations</b>	<b>150</b>	43
Other comprehensive income for the year, net of tax, from discontinued operations	29	19
<b>Total comprehensive income for the year</b>	<b>1,490</b>	130
<b>Total comprehensive income/(expense) attributable to:</b>		
Owners of the Company	1,485	131
Non-controlling interests	5	(1)
	<b>1,490</b>	130

## CONSOLIDATED AND COMPANY BALANCE SHEET

	Note	Group		Company	
		As at 31 March 2017 £m	As at 31 March 2016 £m (restated)	As at 31 March 2017 £m	As at 31 March 2016 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets arising on consolidation	15	1,026	826	–	–
Intangible assets arising from development expenditure	14	127	88	–	–
Property and equipment	25	36	30	–	–
Investments in subsidiaries	21	–	–	1,490	–
Investments in joint ventures	22	7	6	–	–
Investments in associates	23	42	52	–	–
Deferred tax assets	8	21	13	–	–
Trade and other receivables	18	17	9	–	–
Available-for-sale investments	24	20	9	–	–
		1,296	1,033	1,490	–
<b>Current assets</b>					
Trade and other receivables	18	174	194	194	–
Cash and cash equivalents	12	321	157	–	–
Restricted funds	12	103	26	–	–
Available-for-sale investments	24	1	–	–	–
Held for sale assets		–	3,111	–	–
		599	3,488	194	–
<b>Total assets</b>		1,895	4,521	1,684	–
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	19	(197)	(197)	–	–
Borrowings	11	(72)	(64)	–	–
Tax payable		(28)	(41)	–	–
Provisions	16	(11)	(8)	–	–
Held for sale liabilities		–	(2,579)	–	–
		(308)	(2,889)	–	–
<b>Non-current liabilities</b>					
Trade and other payables	19	(61)	(12)	–	–
Borrowings	11	(435)	(519)	–	–
Deferred tax liabilities	8	(96)	(67)	–	–
Retirement benefit obligations		(4)	(3)	–	–
Provisions	16	(12)	(13)	–	–
		(608)	(614)	–	–
<b>Total liabilities</b>		(916)	(3,503)	–	–
<b>Net assets</b>		979	1,018	1,684	–
<b>Equity</b>					
<b>Capital and reserves</b>					
Called up share capital	26	66	66	66	–
Share premium account		–	454	–	–
Other reserves	27	49	77	–	–
Translation		257	104	–	–
Retained earnings		580	276	1,618	–
<b>Equity attributable to owners of the Company</b>		952	977	1,684	–
Non-controlling interests		27	41	–	–
<b>Total equity</b>		979	1,018	1,684	–

The financial statements and accompanying notes on pages 80 to 133 were approved by the board on 15 May 2017 and signed on its behalf by:

**Stuart Bridges**  
Group Chief Financial Officer



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017	Share capital (note 26(a)) £m	Share premium £m	Other reserves (note 27(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 2016	66	454	77	104	276	977	41	1,018
Profit for the year	–	–	–	–	1,312	1,312	(1)	1,311
<b>Other comprehensive income/(expense)</b>								
Cash flow hedges	–	–	7	–	–	7	–	7
Exchange differences	–	–	–	166	–	166	6	172
Income tax	–	–	(1)	–	1	–	–	–
<b>Total comprehensive income/(expense) for the year</b>	–	–	6	166	1,313	1,485	5	1,490
Share options exercised	–	–	–	–	2	2	–	2
Other movements in other controlling interests	–	–	–	–	–	–	1	1
Share-based payments in the year (note 9)	–	–	–	–	11	11	–	11
Dividends paid in the year	–	–	–	–	(142)	(142)	(1)	(143)
Capital reorganisation*	–	(454)	(1)	–	455	–	–	–
Distribution of discontinued operations	–	–	(33)	(13)	(1,335)	(1,381)	(19)	(1,400)
<b>Balance at 31 March 2017</b>	<b>66</b>	<b>–</b>	<b>49</b>	<b>257</b>	<b>580</b>	<b>952</b>	<b>27</b>	<b>979</b>

Year ended 31 March 2016	Share capital (note 26(a)) £m	Share premium £m	Other reserves (note 27(a)) £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance at 1 April 2015	66	454	79	43	330	972	46	1,018
Profit for the year	–	–	–	–	71	71	(3)	68
<b>Other comprehensive income/(expense)</b>								
Cash flow hedges	–	–	(3)	–	–	(3)	–	(3)
Exchange differences	–	–	–	61	–	61	2	63
Revaluation gains realised in the year	–	–	1	–	–	1	–	1
Income tax	–	–	–	–	1	1	–	1
<b>Total comprehensive income/(expense) for the year</b>	–	–	(2)	61	72	131	(1)	130
Share options exercised	–	–	–	–	3	3	–	3
Other movements	–	–	–	–	4	4	(2)	2
Share-based payments in the year (note 9)	–	–	–	–	8	8	–	8
Dividends paid in the year	–	–	–	–	(141)	(141)	(2)	(143)
<b>Balance at 31 March 2016</b>	<b>66</b>	<b>454</b>	<b>77</b>	<b>104</b>	<b>276</b>	<b>977</b>	<b>41</b>	<b>1,018</b>

\* As part of the capital reorganisation, NEX Group plc acquired the ordinary shares of ICAP plc by way of the Scheme of Arrangement and undertook a capital reduction and share consolidation (as explained in note 26).

## COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017	Share capital (note 26(a)) £m	Retained earnings £m	Total £m
<b>Balance as at 1 April 2016</b>	—	—	—
Profit for the year	—	<b>1,238</b>	<b>1,238</b>
<b>Total comprehensive income for the year</b>	—	<b>1,238</b>	<b>1,238</b>
Share options exercised	—	<b>1</b>	<b>1</b>
Capital reorganisation	<b>66</b>	<b>379</b>	<b>445</b>
<b>Balance as at 31 March 2017</b>	<b>66</b>	<b>1,618</b>	<b>1,684</b>

Period ended 31 March 2016	Share capital (note 26(a)) £m	Retained earnings £m	Total £m
Balance as at 18 February 2016 and 31 March 2016	—	—	—

## CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

	Note	Group		Company	
		Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
<b>Cash flows from operating activities</b>	12(a)	<b>309</b>	164	<b>(1)</b>	—
<b>Cash flows from investing activities</b>					
Dividends received from associates		4	6	—	—
Dividends received from joint ventures		1	2	—	—
Other equity dividends received		—	1	—	—
Payments to acquire property and equipment		(19)	(17)	—	—
Intangible development expenditure		(75)	(54)	—	—
Proceeds from disposal of available-for-sale investments		—	1	—	—
Acquisition of available-for-sale investments		(9)	(5)	—	—
Acquisition of interests in businesses net of cash acquired		(46)	—	—	—
Acquisition of associates and joint ventures		(5)	(17)	—	—
Monies received in satisfaction of completion receivable		330	—	—	—
Derecognition of cash held in discontinued operations		(384)	—	—	—
<b>Net cash flows from investing activities</b>		<b>(203)</b>	(83)	—	—
<b>Cash flows from financing activities</b>					
Dividends paid to non-controlling interest		(1)	(2)	—	—
Proceeds from exercise of share options		2	3	1	—
Dividends paid to owners of the Company		(142)	(141)	—	—
Repayment of borrowings		(151)	(126)	—	—
Funds received from borrowings, net of fees		51	171	—	—
Movement in restricted funds		(44)	(16)	—	—
<b>Net cash flows from financing activities</b>		<b>(285)</b>	(111)	<b>1</b>	—
<b>Net decrease in cash and cash equivalents</b>		<b>(179)</b>	(30)	—	—
Net cash and cash equivalents at the beginning of the year*		433	448	—	—
FX adjustments		67	15	—	—
<b>Net cash and cash equivalents at the end of the year*</b>	12(c)	<b>321</b>	433	—	—

\* Cash includes cash and cash equivalents of £321m (2015/16: £516m) and overdrafts of £nil (2015/16: £83m).

The consolidated cash flow statement for the year ended 31 March 2016 has been restated to include restricted funds in financing activities instead of operating activities. Restricted funds comprises cash held at a CCP clearing house or a financial institution providing NEX with access to a CCP.

### Cash flows of discontinued operations

Cash inflows from operating activities of £141m (2015/16: £23m), cash outflows from investing activities of £13m (2015/16: £15m) and cash outflows from financing activities of £1m (2015/16: £2m) were incurred in the year relating to discontinued operations. Cash flows of discontinued operations have been included in the consolidated statement of cash flow above.

## Preparation of financial statements

The consolidated financial statements of the Group and the separate financial statements of NEX Group plc have been prepared in accordance with IFRSs, as issued by the IASB and the interpretations issued by the IFRS Interpretations Committee (IFRIC) and their predecessor bodies, and as endorsed by the EU and the Companies Act 2006 applicable to companies reporting under IFRSs. In publishing the parent company financial statements here together with the Group financial statements, NEX Group plc 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. NEX Group plc 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.

The preparation of financial statements requires management to apply judgements and the use of estimates and assumptions about future conditions. Management considers impairment of goodwill and other intangible assets arising on consolidation (note 15), investment in joint ventures and associates (notes 22 and 23), provisions (note 16), contingent liabilities (note 17), technology development revenue (note 1) and the presentation of exceptional items (note 4) to be the areas where increased judgement is required. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant notes to the financial statements. Estimates and assumptions are continuously 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.

Segmental information and the number of employees analysed by operating segment for the year ended 31 March 2016 have been restated due to a change in accounting policy for operating segments (notes 1 and 9(b)). Earnings per share, dividends per share, treasury shares and shares held in the employee share trust as at 31 March 2016 have been restated as if the share consolidation had occurred at the beginning of the comparative year (notes 6, 7 and 26). The consolidated cash flow statement for the year ended 31 March 2016 has been restated to include restricted funds in financing activities instead of operating activities (note 12). Matched principal trade receivables and payables as at 31 March 2016 have been restated due to a change in accounting policy from trade date accounting to settlement date accounting (notes 5, 18 and 19). All notes to the financial statements have been restated for the year ended 31 March 2016 to be on a continuing operations basis, where possible.

The Company was incorporated on 18 February 2016 and on 15 December 2016 obtained control of the entire share capital of ICAP plc via the Scheme of Arrangement. There were no changes in rights or the proportion of control exercised as a result of this transaction. Although the Scheme of Arrangement resulted in a change of legal ownership, this was a common control transaction and therefore outside the scope of IFRS3. In substance these financial statements reflect the continuation of the pre-existing group headed by ICAP plc and the financial statements have been prepared applying the principles of a capital reorganisation.

As a result, the consolidated comparatives presented in these financial statements are the consolidated results of ICAP plc. The prior year consolidated balance sheet reflects the share capital structure of ICAP plc. The current year consolidated balance sheet presents the legal change in ownership of the Group, including the share capital of NEX Group plc and the reserves arising as a result of the Scheme of Arrangement. The consolidated statement of changes in equity on page 84 and the additional disclosures in note 26 explain the impact of the Scheme of Arrangement in more detail. The Company comparatives presented in these financial statements are those of NEX Group plc, not ICAP plc.

## Discontinued operations

On 30 December 2016, the Group completed the disposal of IGBB to TP ICAP.

The results of the IGBB business have been presented as discontinued operations in the consolidated income statement as the sale was a single co-ordinated plan to dispose of a separate major line of business. The assets and liabilities attributable to IGBB were presented as held for sale assets and liabilities on the face of the balance sheet as at 31 March 2016 because at that point the disposal met the criteria in IFRS5 for held for sale classification since the business was available for sale in its present condition and the sale was highly probable. The assets and liabilities attributable to IGBB are no longer presented on the balance sheet as at 31 March 2017 since the Transaction completed during the year. The shares in TP ICAP plc were fully transferred to NEX shareholders and are deemed as a distribution through equity.

## 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. This is the profit measure used to calculate trading EPS (note 6) and is considered to be the most appropriate as it better reflects the Group's trading earnings. Trading profit is reconciled to profit before tax on the face of the consolidated income statement, which also includes acquisition and disposal costs and exceptional items.

The column 'acquisition and disposal costs' includes: any gains, losses or other associated costs on the full or partial disposal of investments, associates, joint ventures or subsidiaries and 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 deferred contingent consideration which has been classified as a liability; and any gains or losses on the revaluation of previous interests. The column may also include items such as gains or losses on the settlement of pre-existing relationships with acquired businesses and the re-measurement of liabilities that are above the value of indemnification.

## BASIS OF PREPARATION CONTINUED

Items which are both of a non-recurring nature and material are disclosed separately to give a clearer presentation of the Group's results. These are shown as 'exceptional items' on the face of the consolidated income statement. For the year ended 31 March 2017, the gain on disposal of IGBB was presented in the column 'exceptional items' as opposed to the column 'acquisition and disposal costs' given the exceptional nature and size of the disposal.

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

### Basis of consolidation

The Group's consolidated financial statements include the results and net assets of the Company, its subsidiaries and the Group's share of joint ventures and associates.

### 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 for the purpose of securing a contribution to the Group's activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the costs of the acquisition are less than the fair value of the net assets acquired, the difference is recognised directly in the consolidated income statement.

Fees associated with an acquisition are expensed as incurred. When the Group increases its investment in an entity resulting in an associate becoming a subsidiary, the intangibles related to the acquisition are valued and the elements of those not previously recognised as a share of net assets are recorded as revaluation gains realised in the year in other comprehensive income. A change of ownership that does not result in a loss of control is classified as an equity transaction, with the difference between the amount by which the non-controlling interest is recorded and the fair value of the consideration received recognised directly in equity.

Where the Group has issued a put option over shares held by a non-controlling interest, the Group derecognises the non-controlling interest and instead recognises a contingent deferred consideration liability for the estimated amount likely to be paid to the non-controlling interest on exercise of those options. The residual amount, representing the difference between any consideration paid/payable and the non-controlling interest's share of net assets, is recognised in equity. Movements in the estimated liability after initial recognition are recognised within the consolidated income statement. Where the Group has a call option over shares held by a non-controlling interest, the Group continues to recognise the non-controlling interest until it is certain that the option will be called. At that point the accounting treatment is the same as for a put option.

The results of companies acquired during the year are included in the Group's results from the effective date of acquisition. The results of companies disposed of during the year are included up to the effective date of disposal.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

On consolidation, the accounting policies of Group companies (the Company and its subsidiaries) are consistent with those applied by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated as part of the consolidation process. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 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 for the purpose of securing a contribution to the Group's activities. Following the adoption of IFRS11 'Joint Arrangements' and IAS28 'Investments in Associates and Joint Ventures' on 1 April 2014, 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.

## 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.

## 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 investments 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 and whose fair value cannot be reliably measured are subsequently recorded at cost less impairment. All other available-for-sale investments are fair valued subsequently at each period end.

## Foreign currencies

In individual entities, transactions denominated in foreign currencies are recorded at the prior month closing exchange rate between the functional currency and the foreign currency. At each end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Exchange differences are recognised in the consolidated income statement, except for exchange differences arising on non-monetary assets and liabilities where these form part of the net investment of an overseas business or are designated as hedges of a net investment or cash flow and, therefore, the changes in value resulting from exchange differences are recognised directly in other comprehensive income. Non-monetary items carried at historical cost are translated in the balance sheet at the exchange rate on the original transaction date. Non-monetary items measured at fair value are translated using the exchange rate ruling when the fair value was determined.

On consolidation, the results of businesses with non-pound sterling functional currencies are translated into the presentational currency of the Group at the average exchange rates for the year where these approximate to the rate at the date of the transactions. Assets and liabilities of overseas businesses are translated into the presentational currency of the Group at the exchange rate prevailing at the end of the reporting period. Exchange differences arising are recognised within other comprehensive income. Cumulative translation differences arising after the transition to IFRSs are taken to the consolidated income statement on disposal of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a non-pound sterling entity are treated as assets and liabilities of that entity and translated into the presentational currency of the Group at the period closing rate. Where applicable, the Group has elected to treat goodwill and fair value adjustments arising before the date of transition to IFRSs as denominated in the presentational currency of the Group.

In the consolidated statement of cash flows, cash flows denominated in foreign currencies are translated into the presentational currency of the Group at the average exchange rates for the year or at the rate prevailing at the time of the transaction where more appropriate.

## Future accounting developments

At 31 March 2017, the following standards have been issued by the IASB which are not effective for these consolidated financial statements:

- in July 2014, the IASB issued IFRS9 'Financial Instruments', which will replace IAS39 'Financial Instruments: Recognition and Measurement'. NEX expects some classification and measurement changes in relation to its available-for-sale investments and some impairment changes in relation to its financial assets, but these are not expected to be significant from a Group perspective. The standard will become effective for annual periods beginning on or after 1 January 2018. NEX intends to adopt IFRS9 for its financial statements for the year ending 31 March 2019. NEX does not expect to restate comparatives on initial application of IFRS9 on 1 April 2018 but will provide detailed transitional disclosures in accordance with the amendment requirements of IFRS7;
- in May 2014, the IASB issued IFRS15 'Revenue from Contracts with Customers', which will replace IAS18 'Revenue' and IAS11 'Construction Contracts' and other related interpretations on revenue recognition. Adoption of the standard is not expected to have a significant impact on NEX's main revenue streams of transaction fees and subscription fees. Efforts will be focused on preparing and sourcing information necessary to comply with the enhanced disclosure requirements introduced by IFRS15. The standard will become effective for annual periods beginning on or after 1 January 2018. NEX intends to adopt IFRS15 for its financial statements for the year ending 31 March 2019; and
- in January 2016, the IASB issued IFRS16 'Leases', which will replace IAS17 'Leases' and other related interpretations on leases. NEX expects an increase in both assets and liabilities for transactions currently accounted for as operating leases. The standard will become effective for annual periods beginning on or after 1 January 2019. NEX intends to adopt IFRS16 for its financial statements for the year ending 31 March 2020.

The impact on NEX's financial statements from the adoption of these IFRS standards is currently being assessed and will be disclosed closer to the time of the adoption.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Segmental information

The Group has determined its operating segments based on the management information including trading revenue and trading operating profit reviewed on a regular basis by the Company's board. The Group considers the executive members of the Company's board to be the Chief Operating Decision Maker (CODM). The management information reviewed by the Company's board changed during the year due to the disposal of IGBB. NEX now has two reportable segments: NEX Markets and NEX Optimisation. NEX now also presents a 'NEX Group and other' column, which includes the Group's remaining activities that do not meet the definition of reportable segments, and a 'Hedging impact' column, which also does not meet the definition of a reportable segment. The 'NEX Group and other' column includes the activities of Shipping, Argentina, NEX Exchange, certain joint venture and associate investments and corporate costs. The 'Hedging impact' column shows the effect of hedging which is done centrally. IFRS8 requires entities to present segmental information in the same way that the CODM reviews the information when directing resources and managing the business. We believe that the new segmental disclosure achieves this more accurately. Segmental information for the year ended 31 March 2016 has been restated due to the change in accounting policy for operating segments and to be on a continuing operations basis.

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 average trading volumes. The Group also charges 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, including the completion of services provided for post delivery service support. This process requires the exercise of significant judgement by management.

#### 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 provides risk mitigation solutions for OTC derivatives, primarily through the elimination and reconciliation of outstanding transactions. Traiana operates market infrastructure for pre and post trade processing, risk management and regulatory compliance across multiple asset classes. NEX Data 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 is a provider of risk mitigation services, reducing basis risk within trading portfolios in interest rate, FX, equity index and inflation derivatives. ENSO 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 counterparties, delivering insights on counterparty credit risk, collateral management, portfolio financing and treasury. Abide Financial provides regulatory reporting technology services, ensuring market participants are compliant with evolving reporting obligations. Abide Financial acts as a reporting hub for EMIR, Approved Reporting Mechanism for MiFID and a Regulatory Reporting Mechanism for REMIT.

## 1. Segmental information continued

### Segmental results relating to the Group's total operations

	Year ended 31 March 2017				
	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Continuing operations:					
<b>Revenue</b>	<b>313</b>	<b>240</b>	<b>7</b>	<b>(17)</b>	<b>543</b>
<b>Operating expenses</b>	<b>(197)</b>	<b>(171)</b>	<b>(30)</b>	<b>–</b>	<b>(398)</b>
<b>Trading operating profit/(loss)</b>	<b>116</b>	<b>69</b>	<b>(23)</b>	<b>(17)</b>	<b>145</b>
Profit/(loss) from associates	–	(3)	3	–	–
<b>Trading EBIT*</b>	<b>116</b>	<b>66</b>	<b>(20)</b>	<b>(17)</b>	<b>145</b>
Reconciliation to the consolidated income statement:					
Trading net finance cost** (note 10)					<b>(31)</b>
<b>Trading profit before tax</b>					<b>114</b>
Acquisition and disposal costs					<b>1</b>
Exceptional items (note 4)					<b>5</b>
<b>Profit before tax from continuing operations</b>					<b>120</b>
Tax on continuing operations					<b>(22)</b>
<b>Profit for the year from continuing operations</b>					<b>98</b>
Profit for the year from discontinued operations, net of tax (note 5)					<b>1,213</b>
<b>Profit for the year</b>					<b>1,311</b>
Continuing operations:					
Other segmental information:					
Trading operating profit margin	<b>37%</b>	<b>29%</b>	<b>n/m</b>	<b>n/m</b>	<b>27%</b>
Trading depreciation	<b>7</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>11</b>
Trading amortisation	<b>19</b>	<b>9</b>	<b>1</b>	<b>–</b>	<b>29</b>
Trading EBITDA***	<b>142</b>	<b>79</b>	<b>(19)</b>	<b>(17)</b>	<b>185</b>
Capital expenditure on intangible developments	<b>30</b>	<b>28</b>	<b>1</b>	<b>–</b>	<b>59</b>

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

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

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

The Group did not earn more than 10% of its total revenue from any individual client. The Group earned revenue from continuing operations of £57m (2015/16: £47m) from entities in the UK, £221m (2015/16: £187m) from entities in the US, £86m (2015/16: £72m) from entities in Sweden and £38m (2015/16: £37m) from entities in Singapore. NEX's regulated companies will meet CRD IV disclosure requirements, to the extent in scope, by disclosing the information in their 2016/17 financial statements or on the NEX website.

Continuing revenue from the rendering of services recognised in the year was £530m (2015/16: £460m). Continuing revenue from technology development recognised in the year was £13m (2015/16: £nil). The Group used the costs-incurred method to estimate the stage of completion of technology development revenue. Progress on technology development projects is on track to date.

The hedging impact relates primarily to NEX Markets.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 1. Segmental information continued

## Segmental results relating to the Group's total operations continued

	Year ended 31 March 2016 (restated)				
	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Continuing operations:					
<b>Revenue</b>	261	194	11	(6)	460
<b>Operating expenses</b>	(169)	(124)	(28)	—	(321)
<b>Trading operating profit/(loss)</b>	92	70	(17)	(6)	139
Profit from joint ventures	—	—	1	—	1
Profit/(loss) from associates	—	(3)	2	—	(1)
<b>Trading EBIT*</b>	92	67	(14)	(6)	139
Reconciliation to the consolidated income statement:					
Trading net finance cost** (note 10)					(29)
<b>Trading profit before tax</b>					110
Acquisition and disposal costs					(74)
Exceptional items (note 4)					(9)
<b>Profit before tax from continuing operations</b>					27
Tax on continuing operations					(5)
<b>Profit for the year from continuing operations</b>					22
Profit for the year from discontinued operations, net of tax (note 5)					46
<b>Profit for the year</b>					68
Continuing operations:					
Other segmental information:					
Trading operating profit margin	35%	36%	n/m	n/m	30%
Trading depreciation	5	3	—	—	8
Trading amortisation	17	5	—	—	22
Trading EBITDA***	114	75	(14)	(6)	169
Capital expenditure on intangible developments	25	10	1	—	36

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

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

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

Segmental information for the year ended 31 March 2016 has been restated due to the change in accounting policy for operating segments and to be on a continuing operations basis.

## 2. FX exposure

The table below shows the actual impact on the Group's 2016/17 results of the movement during the year of the dollar and euro exchange rates in terms of translational exposure.

	For the year ended 31 March 2017			For the year ended 31 March 2016		
	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Group:						
<b>Group trading operating profit</b>	<b>15</b>	<b>7</b>	<b>22</b>	9	(3)	6
Other	–	–	–	–	–	–
<b>Group operating profit</b>	<b>15</b>	<b>7</b>	<b>22</b>	9	(3)	6

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 2017	Closing rate as at 31 March 2016	Average rate year ended 31 March 2017	Average rate year ended 31 March 2016
Dollar	<b>1.25</b>	1.44	<b>1.31</b>	1.50
Euro	<b>1.17</b>	1.26	<b>1.20</b>	1.36

The table below shows the impact on the Group's 2016/17 results of a 10 cent appreciation, which the Group considers to be an appropriate sensitivity measure, in the dollar and euro in terms of translational exposure.

	Dollar £m	Euro £m	Total £m
<b>Group trading operating profit</b>	<b>10</b>	<b>5</b>	<b>15</b>
Other	–	–	–
<b>Group operating profit</b>	<b>10</b>	<b>5</b>	<b>15</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**3. Operating expenses**

The table below is presented on a continuing operations basis. Operating expenses for the year ended 31 March 2016 have been restated to be on a continuing operations basis.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
<b>Profit before tax is stated after charging:</b>		
Continuing operations:		
<b>Trading operating expenses</b>		
Employee costs (note 9)	222	172
IT costs*	84	80
Professional and legal fees (including auditors' remuneration)	22	21
Depreciation and impairment of property and equipment (excluding IT)	4	2
Operating lease rentals – minimum lease payments	15	12
Exchange adjustments	(2)	(4)
Other	53	38
<b>Trading operating expenses</b>	<b>398</b>	<b>321</b>
<b>Acquisition and disposal costs</b>		
Amortisation of intangible assets arising on consolidation	20	38
Impairment of investment in associates	–	25
Other acquisition and disposal costs	1	12
<b>Acquisition and disposal costs</b>	<b>21</b>	<b>75</b>
<b>Exceptional items (note 4)</b>	<b>(5)</b>	<b>9</b>
<b>Operating expenses</b>	<b>414</b>	<b>405</b>

\* Continuing IT costs include £38m (2015/16: £28m) of continuing depreciation and amortisation charges. The remaining £46m (2015/16: £52m) of continuing costs incurred include the 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.

The table below is presented on a total Group basis, including discontinued operations.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
Group:		
<b>Auditors' remuneration</b>		
Fees payable to the Company's auditors for the audit of the parent Company's and consolidated financial statements	1.0	0.8
Fees payable to the Company's auditors for other services:		
– the auditing of any subsidiary of the Company	2.2	3.2
– audit-related assurance services	–	–
– taxation compliance services	–	0.1
– taxation advisory services	0.2	0.1
– other assurance services**	0.3	1.0
– corporate finance transaction services**	0.7	2.4
	<b>4.4</b>	<b>7.6</b>

\*\* Other assurance services and corporate finance transaction services relate to services provided in connection to the disposal of IGGB.

### 3. Operating expenses continued

#### Contractual arrangements

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

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

### 4. Exceptional items

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
<b>Exceptional items before tax</b>		
Onerous lease provisions release	7	–
Legal expenses insurance claim	3	–
Regulatory matters	(5)	–
Other costs	–	(9)
<b>Total exceptional items before tax</b>	5	(9)
Tax credit	–	2
<b>Total exceptional items after tax</b>	5	(7)

For the year ended 31 March 2017, continuing exceptional items consist of income of £3m which relates to a legal expenses insurance claim, income of £7m which relates to the release of onerous lease provisions in Singapore and London and an expense of £5m which relates to legal expenses incurred in relation to past regulatory matters. Exceptional items for the year ended 31 March 2016 have been restated to be on a continuing operations basis.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**5. Discontinued operations**

On 30 December 2016, the Group completed the disposal of its IGBB business to TP ICAP.

The results of the IGBB business have been presented as discontinued operations as the sale was a single co-ordinated plan to dispose of a separate major line of business. The assets and liabilities attributable to IGBB were presented as held for sale assets and liabilities on the face of the balance sheet as at 31 March 2016. These assets and liabilities were transferred to held for sale at carrying value. The assets and liabilities attributable to IGBB are no longer presented on the balance sheet as at 31 March 2017 since the Transaction completed during the year.

	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
<b>Nine months ended 30 December 2016</b>				
<b>Revenue</b>	<b>587</b>	<b>–</b>	<b>–</b>	<b>587</b>
<b>Operating expenses</b>	<b>(504)</b>	<b>(1)</b>	<b>(28)</b>	<b>(533)</b>
Other income	2	–	–	2
<b>Operating profit from discontinued operations</b>	<b>85</b>	<b>(1)</b>	<b>(28)</b>	<b>56</b>
Net finance income	2	–	–	2
Share of profit of associates and joint ventures after tax	4	–	–	4
Gain on sale of discontinued operations	–	–	1,162	1,162
<b>Profit before tax from discontinued operations</b>	<b>91</b>	<b>(1)</b>	<b>1,134</b>	<b>1,224</b>
Tax on ordinary activities from discontinued operations	(18)	1	6	(11)
<b>Profit for the year from discontinued operations</b>	<b>73</b>	<b>–</b>	<b>1,140</b>	<b>1,213</b>
<b>Attributable to:</b>				
Owners of the Company	74	–	1,140	1,214
Non-controlling interests	(1)	–	–	(1)
	<b>73</b>	<b>–</b>	<b>1,140</b>	<b>1,213</b>
<b>Year ended 31 March 2016</b>				
	Trading £m	Acquisition and disposal costs £m	Exceptional items £m	Total £m
<b>Revenue</b>	741	–	–	741
<b>Operating expenses</b>	(661)	–	(31)	(692)
Other income	2	–	–	2
<b>Operating profit from discontinued operations</b>	82	–	(31)	51
Net finance income	4	–	–	4
Share of profit of associates and joint ventures after tax	7	–	–	7
<b>Profit before tax from discontinued operations</b>	93	–	(31)	62
Tax on ordinary activities from discontinued operations	(20)	–	4	(16)
<b>Profit for the year from discontinued operations</b>	73	–	(27)	46
<b>Attributable to:</b>				
Owners of the Company	77	–	(27)	50
Non-controlling interests	(4)	–	–	(4)
	73	–	(27)	46

£1,162m gain on sale of IGBB consists of the £1,381m distribution received by ICAP plc shareholders less IGBB's adjusted net assets of £209m and costs of sale of £28m plus £18m of reserves relating to IGBB that were recycled to the income statement. The gain on sale of discontinued operations is exempt from UK tax.

The Group previously applied trade date accounting but the Group has changed its accounting policy in the year to recognise matched principal receivables and payables at the settlement date (as explained in note 18). Matched principal receivables and payables as at 31 March 2016 have been restated as a result of the change in accounting policy. Held for sale assets and liabilities as at 31 March 2016 included some of the Group's matched principal trade receivables and payables. The restated 31 March 2016 held for sale trade and other receivables balance is £2,507m and the restated 31 March 2016 held for sale trade and other payables balance is £2,456m.

## 6. Earnings per share

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

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

As explained in the basis of preparation accounting policy, the Group's financial statements reflect the continuation of the pre-existing group headed by ICAP plc. As explained in note 26, the number of shares in 2016/17 changed significantly as a result of the share consolidation. The 2016/17 weighted average number of shares has been stated as the weighted average number of shares in the period from the date of the share consolidation to the balance sheet date. The 2015/16 weighted average number of shares has been restated as if the share consolidation had occurred at the beginning of the comparative year.

### EPS relating to the Group's total operations

	Year ended 31 March 2017			Year ended 31 March 2016 (restated)		
	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
<b>Trading basic and diluted</b>						
Trading basic (continuing operations)	86	371	23.2	87	368	23.6
Trading basic (discontinued operations)	73	371	19.7	73	368	19.8
<b>Trading basic (continuing and discontinued operations)</b>	<b>159</b>	<b>371</b>	<b>42.9</b>	<b>160</b>	<b>368</b>	<b>43.4</b>
Dilutive effect of share options (continuing and discontinued operations)	–	12	(1.3)	–	12	(1.3)
Trading diluted (continuing operations)	86	383	22.5	87	380	22.9
Trading diluted (discontinued operations)	73	383	19.1	73	380	19.2
<b>Trading diluted (continuing and discontinued operations)</b>	<b>159</b>	<b>383</b>	<b>41.6</b>	<b>160</b>	<b>380</b>	<b>42.1</b>

	Year ended 31 March 2017			Year ended 31 March 2016 (restated)		
	Earnings £m	Shares millions	Earnings per share pence	Earnings £m	Shares millions	Earnings per share pence
<b>Basic and diluted</b>						
Basic (continuing operations)	98	371	26.4	22	368	6.0
Basic (discontinued operations)	1,213	371	327.2	46	368	12.5
<b>Basic (continuing and discontinued operations)</b>	<b>1,311</b>	<b>371</b>	<b>353.7</b>	<b>68</b>	<b>368</b>	<b>18.5</b>
Dilutive effect of share options (continuing and discontinued operations)	–	12	(11.0)	–	12	(0.6)
Diluted (continuing operations)	98	383	25.6	22	380	5.8
Diluted (discontinued operations)	1,213	383	317.0	46	380	12.1
<b>Diluted (continuing and discontinued operations)</b>	<b>1,311</b>	<b>383</b>	<b>342.7</b>	<b>68</b>	<b>380</b>	<b>17.9</b>

Weighted average number of ordinary shares excludes the weighted average number of shares held as treasury shares of nil (2015/16: 8m) and those held in the employee share trusts relating to employee share schemes on which dividends have been waived, being 7m shares (2015/16: 3m). Further information is contained in note 26.

The earnings for the year ended 31 March 2017 include nine months of discontinued operations while the earnings for the year ended 31 March 2016 include 12 months of discontinued operations.

The 2015/16 weighted average number of shares, number of treasury shares and number of shares held in the employee share trust have been restated as if the share consolidation had occurred at the beginning of the comparative year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**7. Dividends payable**

The Company recognises the final dividend payable only when it has been approved by the shareholders of the Company in a general meeting. The interim dividend is recognised when the amount due has been paid.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m
<b>Amounts recognised as distributions to equity holders in the year</b>		
Final dividend for the year ended 31 March 2016 of 27.0p per ordinary share (2015: 27.0p)	<b>100</b>	99
Interim dividend for the year ended 31 March 2017 of 11.5p per ordinary share (2016: 11.5p)	<b>42</b>	42
Total dividend recognised in the year	<b>142</b>	141

The final dividend for the year ended 31 March 2016 was satisfied in full with a cash payment of £100m which was paid to the shareholders of ICAP plc prior to the disposal of IGGB. The interim dividend for the year ended 31 March 2017 was satisfied in full with a cash payment of £42m. The interim dividend for the year ended 31 March 2017 was paid to the shareholders of ICAP plc who were on the register at 9 December 2016. The shares were quoted ex-dividend from 8 December 2016.

The directors have proposed a final dividend of 27.0p per share for the year ended 31 March 2017. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end, the total amount payable would be £100m. Therefore, subject to shareholders' approval of the proposed final dividend of 27.0p per share, including the interim dividend of 11.5p per share, the full-year dividend will be 38.5p per share. The full-year dividend of 38.5p per share will be covered 1.1 times (2015/16: 1.1 times) by the trading EPS (basic) from continuing and discontinued operations of 42.9p per share (2015/16: 43.4p per share).

The right to receive dividends has been waived in respect of the shares held in employee share trusts.

The 2015/16 final dividend per share and the 2016/17 interim dividend per share have been restated on the basis that the share consolidation occurred at the beginning of the comparative year. The proposed current year full-year dividend of 38.5p per share is equivalent to the full-year dividend disclosed in the Annual Report for the year ended 31 March 2016 of 22.0p per share (on a pre-share consolidation basis).

**8. 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.

## 8. Tax continued

### Tax charged to the consolidated income statement in the year

The following tax charge breakdown is based on a continuing operations basis.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
<b>Current tax</b>		
Current year	29	33
Adjustment to prior years	(5)	(9)
	24	24
<b>Deferred tax</b>		
Current year	3	(5)
Adjustment to prior years	1	4
	4	(1)
<b>Tax charge on trading profit</b>	28	23
<b>Tax credit on acquisition and disposal costs</b>		
Current year	–	(3)
Deferred tax current year	(7)	(13)
Deferred tax adjustment to prior years	1	–
<b>Tax credit on acquisition and disposal costs</b>	(6)	(16)
<b>Tax credit on exceptional costs</b>		
Current year	–	(2)
<b>Tax credit on exceptional costs</b>	–	(2)
<b>Tax charge to the consolidated income statement</b>	22	5

The Group's share of profit of associates from continuing operations in the consolidated income statement is shown net of tax of £1m (2015/16: £1m).

The Group's share of joint ventures from continuing operations in the consolidated income statement is shown net of tax of £nil (2015/16: £1m).

The total tax charge to the consolidated income statement for discontinued operations is £11m (2015/16: £16m).

The following reconciliation of the tax charge is based on a continuing operations basis.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
<b>Trading profit before tax</b>	114	110
Tax on trading profit at the standard rate of Corporation Tax in the UK of 20% (2015/16: 20%)	23	22
Reconciling items:		
Expenses not deductible for tax purposes	5	7
Non-taxable income	(3)	(4)
Impact of overseas tax rates and bases	7	4
Movement in provisions	1	–
Prior year adjustment to current and deferred tax	(4)	(5)
Impact of change in rates	(1)	(1)
	5	1
<b>Tax charge on trading profit</b>	28	23

The total tax charge on trading profit from discontinued operations is £18m (2015/16: £20m).

The Group's 2016/17 effective tax rate on trading profit for continuing operations is 25% (2015/16: 21%).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 8. Tax continued

## Tax charged to the consolidated income statement in the year continued

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
<b>Profit before tax</b>	<b>120</b>	27
Tax on profit at the standard rate of Corporation Tax in the UK of 20% (2015/16: 20%)	<b>24</b>	5
Reconciling items:		
Trading profit (see above)	<b>5</b>	1
Acquisition and disposal costs and exceptional items not deductible for tax purposes	<b>(5)</b>	3
Impact of overseas tax rates on adjusted items	<b>(3)</b>	(2)
Impact of change in rates on adjusted items	<b>–</b>	(2)
Impact of prior years' adjustments on adjusted items	<b>1</b>	–
	<b>(2)</b>	–
<b>Tax charged to the consolidated income statement</b>	<b>22</b>	5

The standard rate of Corporation Tax in the UK will change from 20% to 19% with effect from 1 April 2017 and 17% from 1 April 2020. UK deferred tax will therefore unwind at a rate of 19% for periods from 1 April 2017 to 31 March 2019.

Tax charged to the consolidated income statement for the year ended 31 March 2016 has been restated to be on a continuing operations basis.

## Deferred tax balances recognised on the balance sheet

	Year ended 31 March 2017 £m	As at 31 March 2016 £m
Deferred tax assets	<b>21</b>	13
Deferred tax liabilities	<b>(96)</b>	(67)
<b>Net balances</b>	<b>(75)</b>	(54)

## Deferred tax – movement of Group balances before offset within countries

	Goodwill £m	Intangible assets arising on consolidation £m	Employee- related items £m	Deferred income and accrued expenses £m	Other £m	Total £m
Net balances at 1 April 2016	(66)	(3)	12	3	–	(54)
Tax (charge)/credit	(6)	6	4	(1)	–	3
Movement (to)/from equity	–	(7)	2	–	(9)	(14)
FX adjustments	(9)	(1)	1	(1)	–	(10)
<b>Net balances as at 31 March 2017</b>	<b>(81)</b>	<b>(5)</b>	<b>19</b>	<b>1</b>	<b>(9)</b>	<b>(75)</b>

(Restated)	Goodwill £m	Intangible assets arising on consolidation £m	Employee- related items £m	Deferred income and accrued expenses £m	Other £m	Total £m
Net balances at 1 April 2015	(78)	(15)	26	2	(2)	(67)
Tax (charge)/credit	4	12	2	1	(2)	17
FX adjustments	(2)	–	1	1	(2)	(2)
Transfer to held for sale	10	–	(17)	(1)	6	(2)
Net balances as at 31 March 2016	(66)	(3)	12	3	–	(54)

Continuing deferred tax assets of £9m (2015/16: £9m) have not been recognised in respect of certain trading losses because it is not probable that future profits will be available against which the Group can utilise the benefits. The principal movement in deferred tax relates to the ongoing increase of accelerated tax allowances on goodwill and a release of amortisation on separately identifiable intangible assets. The movement of Group deferred tax balances before offset within countries as at 31 March 2016 has been restated due to a reclassification between categories.

## 9. Employee information and expense

NEX operates a number of defined contribution pension plans throughout the Group. Payments to defined contribution pension plans 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.

### (a) Analysis of employee costs

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
Gross salaries (including bonuses)	237	185
Social security costs	18	11
Share-based payments (note 9(c))	4	6
Pension costs	8	5
<b>Gross employee costs</b>	<b>267</b>	<b>207</b>
Employee costs capitalised as internally generated intangible assets (note 14)	(45)	(35)
<b>Net employee costs</b>	<b>222</b>	<b>172</b>

Employee costs for the year ended 31 March 2016 have been restated to be on a continuing operations basis.

### (b) Number of employees analysed by operating segment

	Average		Year end	
	Year ended 31 March 2017	Year ended 31 March 2016 (restated)	Year ended 31 March 2017	Year ended 31 March 2016 (restated)
Continuing operations:				
NEX Markets	694	647	728	679
NEX Optimisation	782	627	906	644
NEX Group and other	341	361	307	361
<b>Total</b>	<b>1,817</b>	<b>1,635</b>	<b>1,941</b>	<b>1,684</b>

The average number of employees for the year ended 31 March 2016 and the number of employees as at 31 March 2016 have been restated due to the change in the accounting policy for operating segments in the year (note 1) and to be on a continuing operations basis. The average number of employees in discontinued operations up to the date of completion of the Transaction was 2,572 (year ended 31 March 2016: 2,608). The number of employees in discontinued operations as at 31 March 2017 was nil (2015/16: 2,587). Employees in discontinued operations were predominantly in the global broking business, which was an operating segment as at 31 March 2016 but is no longer an operating segment as at 31 March 2017 due to the change in accounting policy for operating segments (note 1).

### (c) Share-based payments

The total charge to the consolidated income statement in respect of employee share awards in the year from continuing operations was £4m (2015/16: £6m), which includes £nil (2015/16: £1m) charged to acquisition and disposal costs. Share-based payments for the year ended 31 March 2016 have been restated to be on a continuing operations basis.

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
Deferred Share Bonus Plan (DSBP)	1	—
Performance Share Plan (PSP)	2	1
Long Term Incentive Plan (LTIP)	1	2
Other share-based payments schemes	—	3
<b>Total</b>	<b>4</b>	<b>6</b>



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**9. Employee information and expense** continued**(c) Share-based payments** continued

The DSBP is a long term incentive plan for the executive directors, GEMG members and certain other senior managers in the Group. These awards are delivered as a proportion of the annual bonus deferred into NEX Group plc shares for three years. The awards do not have performance conditions but are subject to certain service conditions, malus and clawback.

The PSP is a long term incentive plan for the executive directors, GEMG members and certain other senior managers in the Group. Recipients are granted a number of NEX Group plc shares with a maximum award potential of 300% of salary. These awards are subject to certain service and performance conditions, malus and clawback.

The LTIP is a long term incentive plan previously awarded to GEMG members and certain other senior managers in the Group. The 2014 share awards consisted of basic and matching awards. Under the basic awards, a certain percentage of the pre-tax bonus was deferred in NEX Group plc shares for three years with no performance conditions attached. The matching awards equalled the basic awards but were subject to certain service and performance conditions. The 2015 matching award was replaced with a PSP award. Basic LTIP awards were last made to GEMG members in 2015 and to certain other senior managers in 2016. From 2017 LTIP basic awards will be replaced with DSBP awards.

More information is provided in the remuneration report on pages 56 to 72.

The total charge to the discontinued income statement in respect of employee share awards in the year was £7m (2015/16: £2m). The current year charge predominantly relates to an accelerated charge that was recognised on the disposal of IGGB.

**(d) Key management remuneration**

Key management consists of the members of the GEMG, including the executive directors of the board. The aggregate remuneration for key management from continuing operations was £17m (2015/16: £11m). The executive directors' remuneration of £6m (2015/16: £5m) is disclosed separately in the remuneration report.

A charge of £3m (2015/16: charge of £2m) was recognised in the continuing consolidated income statement relating to share options held by key management.

Retirement benefits accrued to four (2015/16: three) continuing members of the GEMG under defined contribution schemes and during the year key management received £0.1m (2015/16: £0.1m) in continuing post retirement benefits.

**10. Net finance expense**

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
<b>Finance income</b>		
<b>Other finance income</b>		
Dividends received on equity investments	–	1
Revaluation of deferred considerations	–	1
<b>Total finance income</b>	–	2
<b>Finance costs</b>		
<b>Interest payable and similar charges</b>		
Bank loans and overdrafts	(27)	(28)
Other finance costs	(4)	(2)
<b>Total finance costs</b>	(31)	(30)
<b>Net finance expense</b>	(31)	(28)

**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.

## 10. Net finance expense continued

### Interest rate risk exposure continued

At 31 March 2017, after taking into account the impact of the euro to pound sterling cross currency swaps, the interest rate profile of the Group's cash and debt from continuing operations was as follows:

	Year ended 31 March 2017			Year ended 31 March 2016 (restated)		
	Floating rates £m	Fixed rates £m	Total £m	Floating rates £m	Fixed rates £m	Total £m
Continuing operations:						
<b>Pound sterling</b>						
Cash	202	–	202	23	–	23
Debt	–	(330)	(330)	(110)	(321)	(431)
<b>Dollars and currencies closely related to the dollar</b>						
Cash	70	–	70	98	–	98
<b>Other currencies</b>						
Cash	49	–	49	36	–	36
Debt	–	(177)	(177)	–	(152)	(152)
<b>Total</b>						
Cash	321	–	321	157	–	157
Debt	–	(507)	(507)	(110)	(473)	(583)

The Group has no floating debt other than the RCF, which was undrawn as at 31 March 2017. A 100 basis-points parallel increase in Libor and Libid rates, which the Group considers to be an appropriate sensitivity measure, would decrease net finance costs by £2m in relation to pound sterling cash and by £1m in relation to dollar cash.

At 31 March 2016, £359m of cash and cash equivalents and £81m of debt were presented within held for sale assets and liabilities on the balance sheet.

Net finance expense and interest rate risk exposure for the year ended 31 March 2016 have been restated to be on a continuing operations basis.

### Company

The Company is not exposed to interest rate movements since it does not hold variable rate cash or debt.

## 11. Borrowings

Long-term borrowings are recognised initially at fair value, being their issue proceeds net of issuance costs incurred. At subsequent reporting dates long-term 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.

The borrowings note is presented on a continuing basis.

### (a) Long-term borrowings

	Group 2016/17 £m	Group 2015/16 £m	Company 2016/17 £m	Company 2015/16 £m
As at 1 April (Group)/18 February (Company)	519	386	–	–
New long-term borrowings	–	108	–	–
Repayments	(108)	–	–	–
Exchange adjustment	24	25	–	–
<b>As at 31 March</b>	<b>435</b>	<b>519</b>	<b>–</b>	<b>–</b>

	Fair value as at 31 March 2017 £m	Group as at 31 March 2017 £m	Fair value as at 31 March 2016 £m	Group as at 31 March 2016 £m	Company as at 31 March 2017 £m	Company as at 31 March 2016 £m
<b>Analysis of long-term borrowings</b>						
Five-year senior notes repayable 2019	316	298	280	276	–	–
RCF repayable 2019	–	–	110	108	–	–
Retail bond repayable 2018	131	125	131	124	–	–
Ten-year senior notes repayable 2023	15	12	14	11	–	–
	<b>462</b>	<b>435</b>	<b>535</b>	<b>519</b>	<b>–</b>	<b>–</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**11. Borrowings** continued**(a) Long-term borrowings** continued

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 as a result of the notes being 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 a number of cross currency swaps to convert its obligations over the life of €250m of the notes from euros to pounds 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 2017 have a fair market value of £7m asset (2015/16: £7m liability) and they offset the effect of FX on the notes. The remaining €100m of the notes remain in euros and have been designated as a net investment hedge of the Group's euro-denominated net assets.

The Group's £300m RCF was undrawn as at 31 March 2017 (2015/16: £110m drawn) resulting in committed headroom of £300m (2015/16: £315m). During the year, the RCF's maturity date was extended by one year to 31 March 2019. The RCF incorporates a \$200m swingline facility of which \$75m is available as a late day fronted solution. The weighted average effective interest rate for the year was 2.1% (2015/16: 2.2%).

The Group's bank facilities contain a number of customary financial and operational covenants. Included in these, the Company is required to remain as the ultimate holding company in the Group. The Group and Company remained in compliance with the terms of all its financial covenants throughout the year ended 31 March 2017.

Fair values of the five-year senior notes repayable 2019 and the retail bond repayable 2018 have been measured using level 1 fair value measurement inputs. The fair value measurements of the ten-year senior notes repayable 2023 use level 2 fair value measurement inputs, which are derived from the fair values of similar bonds.

**Committed facilities**

	Group as at 31 March 2017 £m Drawn	Group as at 31 March 2017 £m Undrawn*	Group as at 31 March 2016 £m Drawn	Group as at 31 March 2016 £m Undrawn*
Less than one year	72	—	62	—
Between one and two years	423	—	108	315
Between two and five years	—	300	400	—
More than five years	12	—	11	—
	507	300	581	315

\* The undrawn balance has been classified based on the maturity date of the facility.

As at 31 March 2017, the Group's long-term issuer ratings were unchanged at Baa3 (stable) by Moody's and BBB (stable) by Fitch.

**(b) Short-term borrowings**

	Fair value as at 31 March 2017 £m	Group as at 31 March 2017 £m	Fair value as at 31 March 2016 £m (restated)	Group as at 31 March 2016 £m (restated)	Company as at 31 March 2017 £m	Company as at 31 March 2016 £m
<b>Analysis of short-term borrowings</b>						
Japanese yen loan	72	72	62	62	—	—
Overdrafts	—	—	2	2	—	—
	72	72	64	64	—	—

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.

Bank overdrafts are for short-term funding and are repayable on demand and are generally repaid within a very short time period.

Short-term borrowings as at 31 March 2016 have been restated to be on a continuing operations basis.

## 12. 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.

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, 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.

### (a) Reconciliation of Group profit before tax to net cash flow from operating activities

	Group year ended 31 March 2017 £m	Group year ended 31 March 2016 £m (restated)
Profit before tax from continuing operations	120	27
Profit before tax from discontinued operations (note 5)	1,224	62
Operating exceptional items	23	40
Share of profit of associates after tax	(2)	(3)
Share of profit of joint ventures after tax	(2)	(4)
Amortisation of intangible assets arising on consolidation	20	38
Impairment of property and equipment	2	–
Impairment of investment in associates	–	25
Amortisation and impairment of intangible assets arising from development expenditure	39	37
Depreciation and impairment of property and equipment	16	11
Other acquisition and disposal costs	–	12
Gain on equity interest	(20)	–
Gain on disposal of discontinued operations	(1,162)	–
Share-based payments (trading)	7	7
Net finance expense	26	24
Increase of trading provision	3	2
<b>Operating cash flows before movements in working capital</b>	<b>294</b>	<b>278</b>
(Increase)/decrease in trade and other receivables	(18)	12
Timing differences on unsettled matched principal trades	80	(40)
Increase in trade and other payables	65	–
<b>Cash generated by operations before exceptional items</b>	<b>421</b>	<b>250</b>
Exceptional items paid	(48)	(29)
<b>Cash generated by operations</b>	<b>373</b>	<b>221</b>
Interest received	2	3
Interest paid	(22)	(26)
Tax paid	(44)	(34)
<b>Cash flow from operating activities</b>	<b>309</b>	<b>164</b>

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 net cash flow from operating activities for the year ended 31 March 2016 has been restated to include restricted funds in financing activities instead of operating activities.

The reconciliation of Group profit before tax to net cash flow from operating activities includes discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**12. Cash** continued**(b) Net debt**

Net debt comprises cash and cash equivalents less gross debt. Net debt as at 31 March 2016 has been restated to be on a continuing operations basis.

	Group year ended 31 March 2017 £m	Group year ended 31 March 2016 £m (restated)
Gross debt (note 11)	<b>(507)</b>	(583)
Cash and cash equivalents	<b>321</b>	157
<b>Net debt</b>	<b>(186)</b>	(426)

**(c) Total cash**

	Group year ended 31 March 2017 £m	Group year ended 31 March 2016 £m (restated)
Cash and cash equivalents	<b>321</b>	157
Overdrafts	<b>–</b>	(2)
<b>Net cash and cash equivalents</b>	<b>321</b>	155
Restricted funds	<b>103</b>	26
<b>Total cash</b>	<b>424</b>	181

**(d) Client money**

At 31 March 2017, the Group held client money from continuing operations of £26m (2015/16: £nil). This amount, together with the corresponding liabilities to clients, is not included in the Group's consolidated balance sheet.

**(e) Restricted funds**

Restricted funds comprises 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 the continuing amount increased during the year by £77m to £103m as at 31 March 2017 (2015/16: decreased by £17m to £26m).

### 13. 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 as a result of trades executed as matched principal which result in margin and collateral requirements from clearing houses, clearing banks and as a result 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 \$200m swingline facility to manage its liquidity requirements. The liquidity requirements of the Group have decreased significantly following the disposal of IGBB.

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 in order 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 2017, the Group had continuing gross debt of £507m (2015/16: £583m), the maturity analysis of which is set out in note 11, and continuing cash and cash equivalents of £321m (2015/16: £157m) (see note 12(c)). Cash held at clearing houses, or a financial institution providing NEX with access to a CCP to which the Group has no immediate access in practice, is disclosed as restricted funds in the financial statements (note 12(e)).

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. With the exception of some small, local cash management balances, surplus cash is invested with strong institutions holding investment grade ratings.

#### Company

The Company's policy is to ensure that it has constant access to an appropriate level of liquidity to enable it to finance its forecast ongoing operations, proposed acquisitions and other reasonable unanticipated events on cost-effective and attractive terms. If the Company has any cash, it is loaned intra-Group for further investment.

#### Capital management

The Group's capital strategy is to maintain an efficient and strong capital base which maximises the return to its shareholders, while also maintaining flexibility. The capital structure of the Group consists of debt (note 11) and equity, including share capital (note 26), share premium, other reserves (note 27) and retained earnings.

The Group seeks to ensure that it has sufficient regulatory capital in each of its eight 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**14. Intangible assets arising from development expenditure**

Development expenditure on software is recognised as an intangible asset in accordance with the provisions of IAS38 '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 five 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. When a project is abandoned in the development phase, costs are charged to the income statement. Prior to this stage, costs incurred in the research phase, including undertaking feasibility studies, are recorded in 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. 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.

The Group has an internal threshold for capitalisation of £5,000 for individual assets and £125,000 for software-related projects. The key component of the development costs is compensation of employees. Each of the Group's businesses and the Group's infrastructure area have their own dedicated IT project development teams.

Amortisation and impairment of intangible assets arising from development expenditure is charged within operating expenses. Amortisation is charged against assets from the date at which the asset becomes available for use.

Group	2016/17 £m	2015/16 £m
<b>Cost</b>		
As at 1 April	191	274
Additions*	59	54
Disposals	–	(58)
Transfer to held for sale	–	(85)
Exchange adjustments	16	6
<b>As at 31 March</b>	<b>266</b>	<b>191</b>
<b>Accumulated amortisation and impairment</b>		
As at 1 April	103	166
Amortisation charge for the year	29	37
Impairment in the year	–	4
Disposals	–	(58)
Transfer to held for sale	–	(49)
Exchange adjustments	7	3
<b>As at 31 March</b>	<b>139</b>	<b>103</b>
Net book value		
<b>As at 31 March</b>	<b>127</b>	<b>88</b>

\* Included within additions are £45m (2015/16: £35m) of employee costs (note 9(a)).

Intangible assets arising from development expenditure as at 31 March 2017 include assets under development of £44m (2015/16: £39m). No amortisation charge was recorded on these assets. The additions and amortisation charge during the year is disclosed by operating segments in note 1. Disposals represents retirement of fully amortised assets, and those that are no longer in use, from the fixed assets register.



## 15. 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 'Acquisition and disposal costs'. 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 22.

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 'Interests in associates' and is not tested separately for impairment. See note 23.

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 second 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 the purpose of 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 judgement 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**15. Intangible assets arising on consolidation** continued**(a) Intangible assets arising on consolidation**

	Goodwill £m	Other £m	Total £m
<b>Cost</b>			
As at 1 April 2016	999	625	1,624
Additions	84	19	103
Deferred tax	7	–	7
Exchange adjustments	106	4	110
<b>As at 31 March 2017</b>	<b>1,196</b>	<b>648</b>	<b>1,844</b>
<b>Amortisation and impairment</b>			
As at 1 April 2016	188	610	798
Amortisation charge for the year	–	20	20
<b>As at 31 March 2017</b>	<b>188</b>	<b>630</b>	<b>818</b>
<b>Net book value</b>			
<b>As at 31 March 2017</b>	<b>1,008</b>	<b>18</b>	<b>1,026</b>
	Goodwill £m	Other £m	Total £m
<b>Cost</b>			
As at 1 April 2015	1,062	625	1,687
Additions	5	–	5
Transfers to held for sale	(92)	–	(92)
Exchange adjustments	24	–	24
As at 31 March 2016	999	625	1,624
<b>Amortisation and impairment</b>			
As at 1 April 2015	185	572	757
Amortisation charge for the year	–	38	38
Write off	3	–	3
As at 31 March 2016	188	610	798
<b>Net book value</b>			
As at 31 March 2016	811	15	826

The Group recognises £1,026m of intangible assets arising on consolidation (2015/16: £826m), with £1,008m relating to goodwill (2015/16: £811m) and £18m relating to other intangible assets (2015/16: £15m). 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.

Additions of £103m relate to the acquisition of ENSO, Abide Financial and e-MID, of which £84m is goodwill and £19m is other intangible assets.

## 15. Intangible assets arising on consolidation continued

### (b) Impairment testing of intangible assets arising on consolidation

CGU	Business segment	As at 31 March 2017			
		% 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
<b>Total</b>		<b>100</b>	<b>1,008</b>	<b>18</b>	<b>1,026</b>

CGU	Business segment	As at 31 March 2016			
		% of total goodwill and other intangibles	Goodwill £m	Other £m	Net book value £m
BrokerTec	NEX Markets	18	145	–	145
EBS	NEX Markets	44	357	5	362
Reset	NEX Optimisation	18	146	–	146
TriOptima	NEX Optimisation	7	57	–	57
Traiana	NEX Optimisation	13	106	10	116
<b>Total</b>		<b>100</b>	<b>811</b>	<b>15</b>	<b>826</b>

#### Impairment testing methodology

The recoverable amount of a CGU is determined using VIU calculations, which 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.

Key assumptions	Discount rate		Long-term growth rate	
	2017 %	2016 %	2017 %	2016 %
Abide Financial	8.5	n/a	3.9	n/a
BrokerTec	8.2	8.7	4.3	4.5
EBS	8.2	8.9	3.9	4.2
ENSO	8.1	n/a	4.4	n/a
Reset	8.2	9.0	0.0	4.3
TriOptima	7.6	8.4	4.2	4.3
Traiana	8.1	8.5	4.4	4.5

#### Discount rates

The Group's pre-tax WACC was 8.0% (2015/16: 8.6%). 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 a number of 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 judgement, which are subject to scrutiny by the GFC and the Audit Committee (see page 45). 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 2016/17 annual impairment testing of Abide Financial, ENSO and Traiana, management's cash flow projections for the three years ending 31 March 2020 were used. For all other CGUs, management cash flow projections for the year ending 31 March 2018 were used.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**15. Intangible assets arising on consolidation** continued**(b) Impairment testing of intangible assets arising on consolidation** continued

Based on the conditions at the balance sheet date and having assessed sensitivities of the key assumptions, management determined that a reasonably possible change in any of those key assumptions noted above would not cause an impairment in any of the CGUs.

**16. 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.

	Restructuring £m	Regulatory matters £m	Legal £m	Other £m	Total £m
<b>As at 1 April 2016</b>	<b>10</b>	<b>2</b>	<b>–</b>	<b>9</b>	<b>21</b>
Amounts recognised in the income statement	(3)	–	–	23	20
Settled during the year	(3)	–	–	(18)	(21)
Reclassified from accruals	–	–	–	1	1
Exchange adjustments	1	–	–	1	2
<b>As at 31 March 2017</b>	<b>5</b>	<b>2</b>	<b>–</b>	<b>16</b>	<b>23</b>
	Restructuring £m	Regulatory matters £m	Legal £m	Other £m	Total £m
<b>As at 1 April 2015</b>	<b>17</b>	<b>15</b>	<b>2</b>	<b>5</b>	<b>39</b>
Amounts recognised in the income statement	–	–	–	7	7
Settled during the year	(5)	(1)	(1)	–	(7)
Reclassified from accruals	–	–	(1)	–	(1)
Exchange adjustments	–	(1)	–	(1)	(2)
Transfer to held for sale	(2)	(11)	–	(2)	(15)
<b>As at 31 March 2016</b>	<b>10</b>	<b>2</b>	<b>–</b>	<b>9</b>	<b>21</b>

The expected maturity profile of the contractual provisions is disclosed in note 19.

Other provisions of £16m relate primarily to separation costs. Restructuring provisions of £5m as at 31 March 2017 relate to onerous lease provisions for the London, New York and Singapore offices (2015/16: £9m).

**17. 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. Judgements applied in concluding the appropriateness of contingent liabilities disclosure are confirmed after consultation with external counsel and discussion with the Audit Committee.

**Contingent liabilities**

The Company and its subsidiaries continue to co-operate with the government agencies in Europe and the US relating to their investigations into the setting of yen Libor. ICAP plc was dismissed from initial US civil litigation against various yen Libor and euroyen Tibor setting banks. However, the plaintiff in that litigation was given permission by the court to add ICAP Europe Limited (IEL) (which was sold to TP ICAP) as a defendant, and an amended complaint doing so was filed on 29 February 2016. IEL filed a motion to dismiss the amended complaint on 16 May 2016 and, following briefing on the motion, oral argument took place on 25 October 2016. On 10 March 2017, the court granted IEL's motion, and IEL has been dismissed from the lawsuit. It is unclear whether plaintiffs will appeal the court's decision.

On 24 July 2015, a new litigation was filed on behalf of two additional plaintiffs in the same court based on similar allegations. The new litigation includes claims against ICAP plc and IEL, both of which have filed motions to dismiss for lack of personal jurisdiction and have joined co-defendants' motion to dismiss for failure to state a claim. Oral argument on these motions was heard on 5 May 2016, and on 10 March 2017, the court granted ICAP plc's and IEL's motions, thus dismissing both parties from the lawsuit. On 3 April 2017, plaintiffs filed a notice to commence the appeal process.

Plaintiffs in the Euribor civil litigation named ICAP plc and IEL on 13 August 2015 as parties to that pre-existing litigation. ICAP plc and IEL have joined the other defendants in filing motions to dismiss for lack of personal jurisdiction and for failure to state a claim. On 21 February 2017, the court granted ICAP plc's and IEL's motions to dismiss in the Euribor case. Plaintiffs subsequently filed a motion for leave to amend their complaint, which the court denied. Barring an appeal or other application by plaintiffs, both parties remain out of the case. It is not possible to predict the ultimate outcome of these inquiries or the litigations and it is not possible to provide an estimate of any potential financial impact on the Group.

## 17. Contingent liabilities, contractual commitments and guarantees continued

### Contingent liabilities continued

The Group continues to co-operate with inquiries by the US government agencies into the setting of USD ISDAFIX rates. In 2014, civil lawsuits were filed in the US against USD ISDAFIX setting banks, where a subsidiary of the Company was originally named, but was subsequently replaced by ICAP Capital Markets LLC (ICM), as a defendant. Those suits have now been consolidated into a single action, which is in the discovery stage. ICM intends to defend these litigation claims vigorously. It is not possible to predict the ultimate outcome of these inquiries or the litigation and it is not possible to provide a reliable estimate of any potential financial impact on the Group.

From 25 November 2015 through present, ICM has been 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. Defendants intend to file a motion to dismiss for failure to state a claim. The consolidated litigation is in the early case management stage, and 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. The motions have been fully briefed and oral argument is presently scheduled for 2 May 2017, pending a request by defendants for a two to four week adjournment of such date. Discovery is presently suspended. 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.

On 16 August 2016, ICAP plc and ICAP Australia Pty Limited (which was sold to TP ICAP), along with a number of banks and two TP ICAP group entities, were named as defendants in a purported class action filed in the United States District Court for the Southern District of New York alleging antitrust, Commodity Exchange Act, and common law claims arising out of the alleged manipulation of the Australian Bank Bill Swap Reference Rate (BBSW), which plaintiffs contend harmed a class of individuals and entities that traded in the US in instruments priced, benchmarked and/or settled based on BBSW between 1 January 2003 and some indeterminate later time. ICAP plc and ICAP Australia Pty Limited accepted service while preserving the right to challenge the court's exercise of personal jurisdiction over the entities. Both defendants, along with other defendants in the case, filed motions to dismiss on 24 February 2017. Plaintiffs' opposition is due 28 April 2017, and defendants' reply papers are due 25 May 2017. It is not possible to predict the outcome of this litigation or to provide an estimate of any potential liability or financial impact on the Group.

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

For the sake of clarity, some of the matters described herein may not be the direct responsibility of the Group but may be its responsibility under indemnification and/or breach of warranty provisions agreed to by the Group with TP ICAP. The sale by ICAP plc of its global broking business to TP ICAP entailed customary warranties given by ICAP plc in the sale and purchase agreement and repeated at completion of the Transaction. Warranty claims are subject to customary limitations, including a de minimis and aggregate claims threshold, a cap, and time limits for bringing a claim. In addition to such warranties, ICAP plc also provided TP ICAP with indemnities for, among other things, certain known regulatory, litigation and employment claims. It is not possible to predict whether any of the matters described herein will give rise to liabilities under the warranties and/or indemnities given in connection with the Transaction.

Details of regulatory and other matters that have a provision recognised for them are detailed in note 16.

### 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 follows:

	As at 31 March 2017 £m	As at 31 March 2016 £m
Within one year	18	24
Between one and five years	45	53
After five years	5	11
	68	88

Operating lease commitments relate to the rental of premises for office space in Asia Pacific, Sweden, the UK and the US. The operating lease commitments include onerous lease provisions before estimated receipts under non-cancellable subleases. The operating lease commitments as at 31 March 2016 include commitments that have since transferred to TP ICAP.

### Guarantees

In the normal course of business certain Group companies enter into guarantees and indemnities to cover clearing and settlement arrangements and/or the use of third party services/software. 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 2017, the Group has given £1,024m (2015/16: £404m) of guarantees to counterparties.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**18. 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 through the use of 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 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 IAS39 '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 28.

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 19) settle within a short period of time, usually within three days of the trade date. The Group previously applied trade date accounting but the Group has changed its accounting policy in the year to recognise matched principal receivables and payables at the settlement date. Settlement date accounting provides more reliable and relevant information due to the change in the Group's principal business activities after the completion of the Transaction. Matched principal trade receivables and payables as at 31 March 2016 have been restated as a result of the change in accounting policy.

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.

	Group as at 31 March 2017 £m	Group as at 31 March 2016 £m (restated)	Company as at 31 March 2017 £m	Company as at 31 March 2016 £m
<b>Non-current receivables</b>				
Deposits	3	3	—	—
Derivative financial instruments	8	—	—	—
Other receivables	6	6	—	—
	17	9	—	—
<b>Current receivables</b>				
Matched principal trade receivables	—	55	—	—
Other trade receivables	76	69	—	—
Impairment of other trade receivables	—	(1)	—	—
Amounts owed by subsidiaries	—	—	194	—
Amounts owed by associates	3	—	—	—
Amounts owed by other related parties	1	1	—	—
Derivative financial instruments	6	3	—	—
Other receivables	70	58	—	—
Prepayments	18	9	—	—
	174	194	194	—

Matched principal trade receivables as at 31 March 2016 have been restated as a result of the change in accounting policy to settlement date accounting.

**(a) Credit risk management**

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 counterparties 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.

## 18. Trade and other receivables continued

### (a) Credit risk management continued

The Group manages its credit risk in these transactions through appropriate policies and procedures in order to mitigate this risk including on-boarding requirements, setting appropriate credit limits for all counterparties 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 between investment grade counterparts (rated BBB-/Baa3 or above) and sub-investment grade counterparts (rated BB+/Ba1 or lower). The Group's potential stressed counterparty credit risk is less than 5% of the Group's total capital resources.

The credit risk on core cash, cash equivalents and derivative financial instruments is monitored on a daily basis. 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. The majority 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.

### (b) 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 judgement 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, judgement is exercised in evaluating all relevant information on indicators of impairment, which is not restricted to the consideration of whether payments are contractually past due but includes broader consideration of factors indicating deterioration in the financial condition and outlook of clients affecting their ability to pay. For those receivables where objective evidence of impairment exists, management determines the size of the allowance required based on a range of factors including probability of default and, if defaulted, expectation of recovery. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the reversal is recognised in the income statement. As at 31 March 2017, £nil of continuing other trade receivables remain impaired (2015/16: £1m). 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. As at 31 March 2017 the following continuing other trade receivables were past due but not impaired.

Group	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
Less than 30 days overdue	46	44
Over 30 days, but less than 90 days overdue	24	16
Over 90 days, but less than 180 days overdue	4	4
Over 180 days overdue	2	5
	76	69

Other trade receivables past due but not impaired as at 31 March 2016 have been restated to be on a continuing operations basis.

### (c) 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 2017

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Other trade receivables (net)	6	61	7	1	1	76
	6	61	7	1	1	76

#### Trade receivables as at 31 March 2016

Group	Pound sterling £m	Dollar £m	Euro £m	Yen £m	Other currencies £m	Total £m
Matched principal trade receivables	—	55	—	—	—	55
Other trade receivables (net)	5	55	5	—	3	68
	5	110	5	—	3	123

Trade receivables by currency as at 31 March 2016 have been restated to be on a continuing operations basis.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**19. 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 18). Details of the accounting policy relating to derivative financial instruments are included in note 28.

	Group as at 31 March 2017 £m	Group as at 31 March 2016 £m (restated)	Company as at 31 March 2017 £m	Company as at 31 March 2016 £m
<b>Current payables</b>				
Matched principal trade payables	1	55	—	—
Other trade payables	16	9	—	—
Amounts owed to associates	—	4	—	—
Amounts owed to related parties	1	1	—	—
Derivative financial instruments	11	12	—	—
Accruals	119	89	—	—
Other tax and social security	12	6	—	—
Deferred income	29	16	—	—
Other payables	8	4	—	—
Contingent deferred consideration	—	1	—	—
	197	197	—	—

	Group as at 31 March 2017 £m	Group as at 31 March 2016 £m	Company as at 31 March 2017 £m	Company as at 31 March 2016 £m
<b>Non-current payables</b>				
Contingent deferred consideration	27	3	—	—
Deferred consideration	15	—	—	—
Derivative financial instruments	—	8	—	—
Other payables	18	—	—	—
Deferred income	1	1	—	—
<b>Total</b>	61	12	—	—

As at 31 March 2017 the fair value of trade and other payables is not materially different from their book values. Contingent deferred consideration additions in the year are in relation to the acquisitions of ENSO, Abide Financial and e-MID (note 15). Matched principal trade payables as at 31 March 2016 have been restated as a result of the change in accounting policy to settlement date accounting.

**Maturity of trade and other payables and provisions**

The table below shows the maturity profile of the Group's financial liabilities (note 20) included within trade and other payables based on the contractual amount payable on the date of repayment:

**Maturity of trade and other payables and provisions as at 31 March 2017**

	Less than three months £m	Three months to one year £m	One to five years £m	Greater than five years £m	Total £m
Matched principal trade payables	1	—	—	—	1
Other trade payables	15	1	—	—	16
Derivative financial instruments	4	7	—	—	11
Amounts owed to related parties	1	—	—	—	1
Other payables	6	2	18	—	26
Contingent deferred consideration	—	—	27	—	27
Deferred consideration	—	—	15	—	15
Provisions (note 16)	—	4	1	—	5
Accruals	49	70	—	—	119
	76	84	61	—	221

## 19. Trade and other payables continued

### Maturity of trade and other payables and provisions continued

#### Maturity of trade and other payables and provisions as at 31 March 2016

(Restated)	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	55	—	—	—	55
Other trade payables	9	—	—	—	9
Derivative financial instruments	4	8	8	—	20
Amounts owed to associates	4	—	—	—	4
Amounts owed to related parties	1	—	—	—	1
Other payables	4	—	—	—	4
Contingent deferred consideration	—	1	3	—	4
Provisions (note 16)	1	3	5	1	10
Accruals	57	32	—	—	89
	135	44	16	1	196

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. The maturity of trade and other payables and provisions as at 31 March 2016 has been restated due to the change in accounting policy to settlement date for matched principal trade payables.

## 20. Financial assets and liabilities

### (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 2017 and 2016, the fair values of financial assets are not materially different from their book values.

#### Classification of financial assets as at 31 March 2017

	Hedging instruments £m	Available- for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 12)	—	—	321	321
Restricted funds (note 12)	—	—	103	103
Available-for-sale investments (note 24)	—	21	—	21
Deposits	—	—	3	3
Other trade receivables (net)	—	—	76	76
Amounts owed from other related parties	—	—	1	1
Amounts owed from associates	—	—	3	3
Derivative financial instruments	14	—	—	14
Other receivables	—	—	76	76
	14	21	583	618

#### Classification of financial assets as at 31 March 2016

(Restated)	Hedging instruments £m	Available- for-sale £m	Loans and receivables £m	Total £m
Cash and cash equivalents (note 12)	—	—	157	157
Restricted funds (note 12)	—	—	26	26
Available-for-sale investments (note 24)	—	9	—	9
Matched principal trade receivables	—	—	55	55
Deposits	—	—	3	3
Other trade receivables (net)	—	—	68	68
Amounts owed from other related parties	—	—	1	1
Derivative financial instruments	3	—	—	3
Other receivables	—	—	64	64
	3	9	374	386

The classification of financial assets as at 31 March 2016 has been restated due to the change in accounting policy to settlement date for matched principal trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**20. Financial assets and liabilities** continued**(a) Financial assets** continued

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

Group	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
Current receivables (note 18)	174	194
Non-current receivables (note 18)	17	9
Available-for-sale financial investments (note 24)	21	9
Cash and cash equivalents including restricted funds (note 12)	424	183
Excluded:		
Prepayments (note 18)	(18)	(9)
	618	386

Prepayments included within current receivables are not defined as financial assets under IAS39.

**(b) Financial liabilities**

As at 31 March 2017 and 2016, the fair values of financial liabilities are not materially different from their book values except for the fair value of the retail bond repayable in 2018 and five-year senior notes repayable in 2019 (note 11).

**Classification of financial liabilities**

	As at 31 March 2017			As at 31 March 2016 (restated)		
	Hedging instruments £m	Amortised cost £m	Total £m	Hedging instruments £m	Amortised cost £m	Total £m
Matched principal trade payables	–	1	1	–	55	55
Other trade payables	–	16	16	–	9	9
Derivative financial instruments	11	–	11	20	–	20
Amounts owed to associates	–	–	–	–	4	4
Amounts owed to related parties	–	1	1	–	1	1
Other payables	–	26	26	–	4	4
Contingent deferred consideration	–	27	27	–	4	4
Deferred consideration	–	15	15	–	–	–
Accruals	–	119	119	–	89	89
Borrowings and overdrafts (note 11)	–	507	507	–	583	583
Provisions (note 16)*	–	5	5	–	10	10
	11	717	728	20	759	779

The classification of financial liabilities as at 31 March 2016 has been restated due to the change in accounting policy to settlement date for matched principal trade payables.

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

Group	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
Current payables (note 19)	197	197
Non-current payables (note 19)	61	12
Borrowings and overdrafts (note 11)	507	583
Provisions (note 16)*	5	10
Excluded:		
Tax and social security (note 19)	(12)	(6)
Deferred income (note 19)	(30)	(17)
	728	779

\* Excludes non-contractual provisions.

Taxes payable, deferred income and certain provisions are not classified as financial liabilities under IAS39.

## 20. Financial assets and liabilities continued

### (b) Financial liabilities continued

#### Company

##### Financial assets and liabilities

All the Company's financial assets are classified as loans and receivables and the financial liabilities are held at amortised cost. The fair value of these assets and liabilities is not materially different from their book values.

## 21. Principal subsidiaries

An entity is regarded as a subsidiary if the Company has control over its strategic, operating and financial policies and intends to hold the investment on a long-term basis for the purpose of securing a contribution to the Group's activities.

### Investment in subsidiaries – Company

The Company's immediate subsidiary company is ICAP plc, which is incorporated in England and Wales and is 100% owned by the Company. At 31 March 2017 the book value of this investment was £1,490m (2015/16: £nil). There were no impairment charges recognised during the year.

All of the Company's other subsidiaries are indirectly owned. A complete list of subsidiaries, joint ventures and associates is given in note 31.

The Company's principal subsidiaries, their country of incorporation and the Group's ownership are listed below.

		% held
England and Wales	Abide Financial Limited	84.7
	BrokerTec Europe Limited	100
	EBS Group Limited	100
	ICAP plc	100
	NEX Data Services Limited	100
	NEX Exchange Limited	100
	NEX Group Holdings plc	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

The percentage held represents the percentage of issued ordinary share capital held (all classes) and also represents the voting rights of the Company. Abide Financial Limited has a 30 June year end. All other 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**22. Investments in joint ventures**

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 IAS39 'Financial Instruments: Recognition and Measurement'. Whenever application of IAS39 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 IAS36, by comparing the carrying amount with its recoverable amount (the higher of VIU and fair value less costs to sale).

The Group adopted IFRS11 'Joint Arrangements' and IAS28 'Investments in Associates and Joint Ventures' for the financial year beginning 1 April 2014. Previously, the Group proportionally consolidated the joint ventures' results and position of its joint ventures under IAS31. The Group determined that as a result of the adoptions of IFRS11 and IAS28 the joint ventures' results will not be proportionately consolidated in the Group financial statements but will be treated under the equity accounting method.

**Movements in investments in joint ventures**

	2016/17 £m	2015/16 £m
As at 1 April	6	13
Share of profit for the year	–	4
Dividends received	–	(2)
Exchange adjustments	1	–
Transfer to held for sale	–	(9)
<b>As at 31 March</b>	<b>7</b>	<b>6</b>

**Summary financial information of joint ventures**

The Group's share of joint ventures' assets, liabilities and profit for continuing operations is given below. The amounts for 31 March 2016 have been restated to be on a continuing operations basis.

	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
Assets	7	7
Liabilities	(4)	(3)

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
Revenue	10	10
Operating expenses	(10)	(9)
Profit before tax	–	1
<b>Share of profit of joint ventures after tax</b>	<b>–</b>	<b>1</b>

**Joint ventures – Group**

The Group's joint ventures and their country of incorporation are listed below.

		% held	Principal activity
England and Wales	TFS-ICAP Currency Options Limited	23.0	Broking
	TFS-ICAP Holdings Limited	45.0	Broking
	TFS-ICAP Limited	23.0	Broking
Germany	Tradition Financial Services GmbH	33.3	Broking
United States	TFS-ICAP Holdings LLC	45.0	Broking
	TFS-ICAP LLC	23.0	Broking

All joint ventures have a 31 December year end. The difference in the joint ventures' year ends from the Group's year end is not considered to have a material impact on their results.

## 23. Investments in 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 IAS39 'Financial Instruments: Recognition and Measurement'. Whenever application of IAS39 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 IAS36, by comparing the carrying amount with its recoverable amount (higher of VIU and fair value less costs to sell).

### Movements in investments in associates

	2016/17 £m	2015/16 £m
As at 1 April	52	68
Additions	5	39
Transfer from available-for-sale investment	–	1
Transfer to subsidiary	(19)	–
Share of profit for the year	–	3
Dividends received	–	(6)
Other movements	–	11
Impairment	–	(25)
Exchange adjustments	4	3
Transfer to held for sale	–	(42)
<b>As at 31 March</b>	<b>42</b>	<b>52</b>

### Additions

During the year, the Group spent £5m investing in new associates and increasing its stake in existing associates. Additions include a new investment in Research Exchange Limited and an increase in the Group's investment in OpenGamma, Inc., both of which are NEX Optimisation associates.

### Transfer to subsidiary

During the year, ENSO and Abide Financial became subsidiaries which resulted in a transfer to subsidiary of £13m and £6m, respectively.

### Summary financial information for associates

The Group's share of associates' assets (excluding goodwill), liabilities and profit for continuing operations is given below. The amounts for 31 March 2016 have been restated to be on a continuing operations basis.

	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
Assets	42	30
Liabilities	(20)	(15)

	Year ended 31 March 2017 £m	Year ended 31 March 2016 £m (restated)
Continuing operations:		
Revenue	31	26
Operating expenses	(30)	(26)
Profit before tax	1	–
Tax	(1)	(1)
<b>Share of profit of associates after tax</b>	<b>–</b>	<b>(1)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**23. Investments in associates** continued

The Group's associates and their country of incorporation are listed below.

		% held	Principal activity
Cayman Islands	BSN Holdings Limited	25.1	Broking
China	Shanghai CFETS-ICAP International Money Broking Co., Ltd	33.0	Broking
England and Wales	BSN Capital Partners Limited	25.1	Broking
	Duco Technology Limited	44.4	Optimisation
	Research Exchange Limited	19.4	Optimisation
Hong Kong	Capital Shipbrokers Limited	50.0	Broking
Singapore	Howe Robinson Partners Pte. Limited	35.0	Broking
United States	AcadiaSoft, Inc.	25.0	Optimisation
	BSN Capital Partners LLC	25.1	Broking
	CLS Aggregation Services LLC	42.5	Optimisation
	OpenGamma, Inc.	27.3	Optimisation

BSN Capital Partners Limited, Shanghai CFETS-ICAP International Money Broking Co., Ltd, CLS Aggregation Services LLC and OpenGamma, Inc. have 31 December year ends. Research Exchange Limited has a 30 September year end. The difference in these associates' year ends from the Group's year end is not considered to have a material impact on their results. All other associates have a 31 March year end.

**24. 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 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.

	2016/17 £m	2015/16 £m
As at 1 April	9	17
Additions	12	5
Disposals	–	(1)
Transfer to associates	–	(1)
Transfer to held for sale	–	(11)
<b>As at 31 March</b>	<b>21</b>	<b>9</b>

Additions of £12m include Cloud9 Technologies LLC, Schvey, Inc., OpenFin, Inc. and government bonds.



## 24. Available-for-sale investments continued

	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
<b>Non-current available-for-sale investments:</b>		
Held at fair value	2	—
Held at cost less impairment	18	9
<b>Total</b>	<b>20</b>	<b>9</b>
<b>Current available-for-sale investments:</b>		
Held at fair value	1	—
<b>Total</b>	<b>1</b>	<b>—</b>

The fair value of £3m (2015/16: £nil) was determined using level 1 inputs, being the quoted prices of the equity instruments.

	As at 31 March 2017 £m	As at 31 March 2016 £m (restated)
<b>Listed securities</b>		
Equities listed in the rest of the world	3	—
<b>Total listed securities</b>	<b>3</b>	<b>—</b>
<b>Unlisted securities</b>		
Equity investments	18	9
<b>Total unlisted securities</b>	<b>18</b>	<b>9</b>
<b>Total available-for-sale investments</b>	<b>21</b>	<b>9</b>

Available-for-sale investments as at 31 March 2016 have been restated due to a reclassification between listed and unlisted securities.

Available-for-sale investments are denominated in the following currencies:

	Pound sterling £m	Dollar £m	Euro £m	Total £m
<b>As at 31 March 2017</b>	<b>7</b>	<b>11</b>	<b>3</b>	<b>21</b>
As at 31 March 2016	7	2	—	9

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**25. 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.

Group	2016/17			2015/16		
	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Total £m	Short leasehold property improvements £m	Furniture, fixtures and equipment £m	Total £m
<b>Cost</b>						
As at 1 April	3	58	61	45	97	142
Additions	1	17	18	2	15	17
Disposals	–	(3)	(3)	(1)	(26)	(27)
Reclassification	4	(4)	–	–	–	–
Exchange adjustments	1	10	11	2	3	5
Transfer to held for sale	–	–	–	(45)	(31)	(76)
<b>As at 31 March</b>	<b>9</b>	<b>78</b>	<b>87</b>	<b>3</b>	<b>58</b>	<b>61</b>
<b>Accumulated depreciation</b>						
As at 1 April	1	30	31	31	71	102
Charge for the year	2	9	11	3	8	11
Impairment	2	–	2	–	–	–
Disposals	–	(3)	(3)	(1)	(26)	(27)
Exchange adjustments	1	9	10	2	4	6
Transfer to held for sale	–	–	–	(34)	(27)	(61)
<b>As at 31 March</b>	<b>6</b>	<b>45</b>	<b>51</b>	<b>1</b>	<b>30</b>	<b>31</b>
<b>Net book value</b>						
<b>As at 31 March</b>	<b>3</b>	<b>33</b>	<b>36</b>	<b>2</b>	<b>28</b>	<b>30</b>

Additions during the year include assets under construction that are expected to become available for use of £5m (2015/16: £5m).

## 26. Share capital

Ordinary shares are recognised in equity as share capital at their nominal value. The difference between consideration received and the nominal value is recognised in the share premium account.

Company shares held in trust in connection with the Group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the Company's shares are disclosed as changes in the consolidated shareholders' equity. The assets and liabilities of the trust are consolidated in full into the Group's consolidated financial statements.

Treasury shares are recognised in equity and are measured at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and original cost being taken to retained earnings.

### (a) Issued share capital

	2016/17		2015/16	
	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
<b>Group – allotted, called up and fully paid</b>				
As at 1 April	665	66	665	66
Share consolidation	(285)	–	–	–
As at 31 March	380	66	665	66
	2016/17		2015/16	
	Number of shares millions	Nominal value £m	Number of shares millions	Nominal value £m
<b>Company – allotted, called up and fully paid</b>				
As at 1 April (2016/17)/18 February (2015/16)	–	–	–	–
Capital reorganisation	665	66	–	–
Share consolidation	(285)	–	–	–
As at 31 March	380	66	–	–

The share capital of the Group is represented by the share capital of the parent company, NEX Group plc. The Company was incorporated on 18 February 2016 and became the holding company of the Group on 15 December 2016. Prior to this, the share capital of the Group was represented by the share capital of the previous parent, ICAP plc.

The Company's number of ordinary shares in issue at 31 March 2017 was 379,735,432 (2015/16: 1). The Group's number of ordinary shares in issue as at 31 March 2017 was 379,735,432 (2015/16: 664,537,006) with nil (2015/16: 12,986,546) held as treasury shares and 7,457,286 (2015/16: 4,787,904) held in the employee share trust. The cost of shares held in the employee share trust is loaned to the trust by the Company and is reported as other receivables.

NEX Group plc was incorporated on 18 February 2016 and issued one ordinary share of 10p and 499,999 redeemable preference shares of 10p each. The following steps took place around the time of the completion of the Transaction:

- on 15 December 2016, NEX Group plc became the parent company of the Group by acquiring the 664,537,006 ordinary shares of ICAP plc for 275p per share by way of the Scheme of Arrangement;
- on 29 December 2016, NEX Group plc undertook a capital reduction, reducing the nominal value of its 664,537,006 shares in issue from 275p per share to 10p per share;
- on 29 December 2016, NEX Group plc cancelled and extinguished 499,999 redeemable preference shares; and
- on 30 December 2016, NEX Group plc undertook a share consolidation, reducing the number of shares in issue from 664,537,006 to 379,735,432 and increasing the nominal value of shares from 10p per share to 17.5p per share.

### (b) Potential issues of share capital

Certain employees hold 1,248,168 share options over the Company's shares, which are potentially issuable. These options were granted between 2012/13 and 2015/16 and the weighted average exercise price ranges from 302.0p to 452.0p.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**26. Share capital** continued**(c) Shares held in trust for employee share schemes**

The Company has established an employee share trust in respect of the SEEPP, BSMP, Traiana Plan, LTIP, DSBP, PSP, UCSOP and SAYE, which is funded by the Company and has the power to acquire shares in the open market to meet the Company's future obligations under these schemes. As at 31 March 2017, the NEX Trust owned 7,457,286 ordinary shares in the Company with a market value of £43m. As at 31 March 2016, the ICAP Trust owned 2,735,945 ordinary shares in ICAP plc with a market value of £23m. The number of shares held in trust for employee share schemes as at 31 March 2016 has been restated as if the share consolidation had occurred at the beginning of the comparative year.

	Number of shares millions	
	2016/17	2015/16 (restated)
As at 1 April	3	3
Exercised by employees during the year	(3)	—
Transferred from treasury shares	7	—
<b>As at 31 March</b>	<b>7</b>	<b>3</b>

**(d) Treasury shares**

During the year the Company did not purchase any of its own shares (2015/16: nil), but transferred 655,909 shares (2015/16: 1,330,267) to employees under its share-based payments schemes and 6,764,975 shares (2015/16: nil) to the employee share trust. As at 31 March 2017, the number of shares held as treasury shares was nil (2015/16: 7,420,883). The number of treasury shares as at 31 March 2016 has been restated as if the share consolidation had occurred at the beginning of the comparative year.

	Number of shares millions	
	2016/17	2015/16 (restated)
As at 1 April	8	9
Transferred to employees	(1)	(1)
Transferred to the employee share trust	(7)	—
<b>As at 31 March</b>	<b>—</b>	<b>8</b>

**27. Reserves****(a) Analysis of consolidated other reserves**

Group	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2016	28	1	(9)	57	77
Unrealised gain in the year (net of tax)	—	—	6	—	6
Capital reorganisation	—	(1)	—	—	(1)
Distribution of discontinued operations	(28)	—	—	(5)	(33)
<b>As at 31 March 2017</b>	<b>—</b>	<b>—</b>	<b>(3)</b>	<b>52</b>	<b>49</b>

Group	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Revaluation reserve £m	Total other reserves £m
As at 1 April 2015	28	1	(6)	56	79
Unrealised (loss)/gain in the year	—	—	(3)	1	(2)
As at 31 March 2016	28	1	(9)	57	77

The merger reserve was created on the merger of Garban and Intercapital in 1999 and also includes goodwill arising before 1 January 1998 written off to reserves. The merger reserve related to IGBB and therefore has been derecognised on the disposal of IGBB.

The capital redemption reserve was created as a result of shares cancelled in 1998 and 2005. The capital redemption reserve is a legal reserve relating to the previous parent of the Group, ICAP plc, and therefore has been derecognised due to the legal change in ownership of the Group to NEX Group plc.

The revaluation reserve represents revaluations of available-for-sale investments. The hedging reserve arises from fair value movements of derivative financial instruments that are designated as cash flow hedges on the balance sheet.

**(b) Company reserves**

The Company has retained earnings of £1,618m (2015/16: £nil) all of which is all distributable.

## 28. 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.

The method of recognising the movements in the fair value of a derivative depends on whether the instrument has been designated as a hedging instrument and, if so, the nature of the exposure being hedged. 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:** derivative 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 particular 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.

**Cash flow hedges:** derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to changes in the cash flows attributable to a particular 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 aforementioned 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 a number of other currencies, principally the dollar. Consequently the Group (both continuing and discontinued operations) 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. The majority 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 2017 which are designated as cash flow hedges.

Currency pair	Half year to 30 September 2017			Half year to 31 March 2018			Half year to 30 September 2018		
	Hedged amount m	Transaction rate	Fair value £m	Hedged amount m	Transaction rate	Fair value £m	Hedged amount m	Transaction rate	Fair value £m
<b>NEX Markets</b>									
Sell \$, buy £	\$68	1.38	(5)	\$60	1.31	(1)	\$24	1.27	–
Buy ILS*, sell £	ILS 46	5.16	1	ILS 31	4.96	1	ILS 15	4.63	–
Other currency pairs	£9	Various	–	£5	Various	–	£3	Various	–
<b>NEX Optimisation</b>									
Other currency pairs	£31	Various	–	£20	Various	–	£9	Various	–
<b>Total</b>			(4)			–			–

\* Israeli shekel.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**28. Currency risk management** continued**(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 as a result of the retranslation of the balance sheet of the Group's non-pound sterling operations, principally dollar and euro, into pounds 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 2017 the Group has \$235m of forward FX contracts, €100m of the 2019 five-year senior notes and the €15m 2023 ten-year senior notes, designated as hedging instruments against the underlying dollar and euro exposures respectively. As at 31 March 2017 these exposures were \$1.2bn (2015/16: \$1.4bn) and €0.1bn (2015/16: €0.2bn) including intangible assets arising on consolidation, but before \$0.2bn (2015/16: \$0.2bn) and €0.1bn (2015/16: €0.1bn) of hedging.

The table below shows the actual impact on the Group's equity of movements in the dollar and euro exchange rates due to transactional and translational exposures. The table below also discloses the anticipated impact on the Group's equity of a 10 cent weakening, which the Group considers to be an appropriate sensitivity measure, in the dollar and euro in terms of transactional and translational exposure.

	2016/17			2015/16		
	Dollar £m	Euro £m	Total £m	Dollar £m	Euro £m	Total £m
Actual impact	<b>128</b>	<b>9</b>	<b>137</b>	41	(8)	33
10 cent weakening	<b>(70)</b>	<b>(8)</b>	<b>(78)</b>	(65)	(8)	(73)

**(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 IAS39 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 2017		As at 31 March 2016	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward FX contracts – cash flow hedges	<b>3</b>	<b>(7)</b>	3	(12)
Forward FX contracts – net investment hedges	<b>2</b>	–	–	–
Forward FX contracts – other	<b>1</b>	<b>(4)</b>	–	–
Cross currency swaps – cash flow hedges	<b>8</b>	–	–	(8)
	<b>14</b>	<b>(11)</b>	3	(20)

No amounts (2015/16: £nil) were recognised in the consolidated income statement in the year as a result of ineffective hedges. Fair value hierarchy for the derivative financial instruments is shown below.

	As at 31 March 2017			As at 31 March 2016		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Derivative assets	–	<b>14</b>	–	–	3	–
Derivative liabilities	–	<b>(11)</b>	–	–	(20)	–

In deriving fair value of all derivative instruments as at 31 March 2017, valuation models were used which incorporated observable market data. There were no significant inputs used in the models 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 pounds sterling. While it is the Group's policy to hedge 100% of these exposures at Group level, at Company level these exposures can affect the Company's profit after tax.

At 31 March 2017, the Company had no financial assets or liabilities denominated in foreign currencies (2015/16: £nil).

## 29. Related party transactions

### Group

#### (a) Exotix Holdings Limited (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 Limited, a subsidiary of Exotix, £1.5m to enable them to purchase a shareholding. The Group collected revenue of £6m (2015/16: £15m) on behalf of Exotix. As at 31 March 2017, there was a balance due to Exotix from the Group of £1m (2015/16: £1m).

#### (b) Capital Shipbrokers Limited

The Group was responsible for the debtor management of associate Capital Shipbrokers Limited, an associate company. As at 31 March 2017, the outstanding balance due from the Group to Capital Shipbrokers Limited was £1m (2015/16: £2m).

#### (c) BSN Capital Partners Limited (BSN)

The Group provides BSN Capital Partners Limited, an associate undertaking, with office space and facility services and also has a preferred brokerage agreement with BSN Capital Partners Limited. As at 31 March 2017, the outstanding balance due to the Group was £4m (2015/16: £1m).

#### (d) CLS Aggregation Services LLC (CLSAS)

The Group re-charged CLSAS, an associate company, £3m (2015/16: £3m) as compensation for technical services during the year. As at 31 March 2017 the total outstanding balance due to the Group was £0.4m (2015/16: £0.3m).

#### (e) Howe Robinson Partners Pte. Limited (Howe Robinson)

The Group collects revenue for Howe Robinson, an associate company. The Group received £2m (2015/16: £3m) during the year and as at 31 March 2017, the total outstanding balance due from the Group was £1m (2015/16: £4m).

Throughout the year, NEX also had board representation and transactions with certain other associates, joint ventures and available-for-sale investments. None of these transactions were material or had material balances outstanding as at 31 March 2017.

Related party transactions are made on an arm's-length basis.

### Company

NEX Group plc is the Group's ultimate parent company and is incorporated and domiciled in the UK. For the year ended 31 March 2016, ICAP plc was the Group's ultimate parent company and was incorporated and domiciled in the UK.

On 15 December 2016 all shares in ICAP plc were exchanged for shares in NEX Group plc via the Scheme of Arrangement.

Amounts owed to the Company from subsidiaries are disclosed in note 18 and amounts owed by the Company to subsidiaries are disclosed in note 19.

## 30. Post balance sheet events

There have been no post balance sheet events.

## 31. 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 2017.

### Subsidiaries

Unless otherwise stated the subsidiary undertakings below are wholly-owned and the share capital disclosed comprises ordinary shares or common stock (or the local equivalent thereof) which are indirectly held by NEX Group plc. These undertakings are controlled by the Group and their results are fully consolidated into the Group's financial statements.

Wholly-owned subsidiaries

Note

#### England and Wales

##### 2 Broadgate, London EC2M 7UR

Astley & Pearce Limited

BrokerTec Europe Limited

BrokerTec Investments

Capital Shipbrokers LLP

Capital Shipbroking Limited

EBS Dealing Resources International Limited

EBS Group Limited

EBS Investments

EBS No. 2 Limited

Garban Broking Services Limited

Garban Harlow Resources Limited

Godsell, Astley & Pearce (Foreign Exchange) Limited

Godsell Astley & Pearce (Holdings) Limited

1



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**31. Group subsidiaries and related undertakings** continued

Wholly-owned subsidiaries	Note
Harlow Ueda Savage Limited	
ICAP plc	2, 3
Intercapital Limited	
Intercapital No. 1 Limited	
Intercapital No. 2 Limited	
Intercapital No. 3 Limited	
Midhurst Chartering Limited	
Municipal Brokers Limited	
NEX Data Services Limited	
NEX Exchange Limited	
NEX Finance Limited	
NEX Group Holdings plc	
NEX International Investments Limited	
NEX Markets Limited	
NEX Optimisation Limited	
NEX SEF Limited	
NEX Services Limited	
ReMatch Holdings Limited	
ReMatch Limited	
TriOptima UK Limited	
<b>15 Canada Square, Canary Wharf, London E14 5GL</b>	
BrokerTec Global Holdings Limited	4
EBS Global Holdings Limited	4
ICAP Hyde Holdings Limited	4
ICAP Shipping Derivatives Limited	4, 5
<b>30 Finsbury Square, London EC2P 2YU</b>	
Euclid Opportunities Limited	4
Garban-Intercapital Quest Trustee Limited	4
ICAP International Limited	4
ICAP US Investment Company	4
<b>Argentina</b>	
<b>Reconquista 365, Piso 8 of B, Buenos Aires</b>	
Intercapital Argentina S.A.	
Intercapital Lat Am Services S.A.	
<b>China</b>	
<b>Unit 368, Division 302, No. 211 North Fute Road, Shanghai, Pilot Free Trade Zone 200120</b>	
EBS (Shanghai) Information Technology Co., Ltd.	6
<b>Germany</b>	
<b>Alsterarkaden 13, 20354 Hamburg</b>	
Intercapital (Germany) GmbH	
<b>Gibraltar</b>	
<b>6A Queensway, Gibraltar GX11 1AA</b>	
ICAP Luxembourg Services	4
ICAP Services No. 1	4
ICAP Services No. 2	4
<b>Hong Kong</b>	
<b>6th Floor, Alexandra House, 18 Chater Road, Central</b>	
Intercapital (Hong Kong) Limited	
Nexstep HK 2 Limited	
Nexstep HK 3 Limited	

### 31. Group subsidiaries and related undertakings continued

Wholly-owned subsidiaries

Note

#### Israel

**Floor 22, 132 Menachem Begin Road, Triangle 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. Limited

Intercapital No. 2 Pte. Limited

NEX Services Pte. Limited

Reset Holdings Private Limited

Reset Private Limited

7, 8

**4 Robinson Road, #10-01, Singapore 048543**

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

9

BrokerTec Holdings Inc.

EBS Dealing Resources, Inc.

EBS Holdco Inc.

EBS No. 4 LLC

9

Euclid Investment Holdings Inc.

Intercapital Capital Markets LLC

9

Molten Markets, Inc.

NEX Group Investments Inc.

NEX Investments LLC

9

NEX Services North America LLC

9

TriOptima North America LLC

9

**108 West 13th Street, Wilmington, Delaware DE 19801**

ENSO Financial Management LLP

1

**4 Times Square, New York NY 10036**

Intercapital Securities, Inc.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**31. Group subsidiaries and related undertakings** continued

Subsidiaries where the effective interest is less than 100%	Percentage	Note
<b>England and Wales</b>		
<b>78 Cannon Street, London EC4N 6HL</b>		
Abide Financial DRSP Limited	84.7	
Abide Financial Limited	84.7	10
<b>St Mary Le Bow House, 54 Bow Lane, London EC4M 9DJ</b>		
Abide Financial Repository Limited	84.7	
<b>2 Broadgate, London EC2M 7UR</b>		
ENSO (UK) Limited	85.9	
Traiana Limited	86.7	
<b>Israel</b>		
<b>Floor 25, 132 Menachem Begin Road, Square Tower, Azrieli Center, Tel Aviv 6701101</b>		
Traiana Technologies Ltd.	86.7	
<b>Italy</b>		
<b>Via Giuseppe Marcora 11, 20121 Milan</b>		
e-MID SIM S.p.A.	93.13	
<b>Jersey</b>		
<b>PO Box 384, 6 Hilgrove Street, St Helier JE4 9ZH</b>		
ENSO LP	85.9	1, 11
<b>Sweden</b>		
<b>Box 270, 851 04 Sundsvall</b>		
Goldcup 14357 AB	84.7	
<b>United States</b>		
<b>The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801</b>		
Traiana, Inc.	86.7	8

**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
<b>England and Wales</b>		
<b>2 Broadgate, London EC2M 7UR</b>		
BSN Capital Partners Limited	25.1	
<b>15 St John Street, London EC1M 4AA</b>		
Duco Technology Limited	44.4	12
<b>1st Floor, Watson House, 54 Baker Street, London W1U 7BU</b>		
Exotix Holdings Limited	21.8	13
<b>Citypoint Level 28, One Ropemaker Street, London EC2Y 9AW</b>		
Exotix Investment Partners LLP	20.5	1, 13
<b>47 Dorset Street, London W1U 7ND</b>		
Research Exchange Limited	19.4	14
<b>Beaufort House, 15 St. Botolph Street, London EC3A 7QX</b>		
TFS-ICAP Currency Options Limited	23.0	
TFS-ICAP Holdings Limited	45.0	
TFS-ICAP Limited	23.0	
<b>Cayman Islands</b>		
<b>c/o Genesis Trust &amp; Corporate Services Limited, Elgin Avenue, George Town, Grand Cayman KY1 1106</b>		
BSN Holdings Limited	25.1	8

### 31. Group subsidiaries and related undertakings continued

Other related undertakings	Percentage	Note
<b>China</b>		
<b>Unit 2601-02, 05-08 Azia Center, No. 1233 Lu Jiazui Ring Road, Pudon, Shanghai 200120</b>		
Shanghai CFETS-ICAP International Money Broking Co., Ltd.	33.0	6
<b>Germany</b>		
<b>Carl-Ulrich-Strasse 2-6, 63263 Neu-Isenburg</b>		
Tradition Financial Services GmbH	33.3	
<b>Hong Kong</b>		
<b>22/F Punfet Building, 701 Nathan Road, Kowloon, Hong Kong</b>		
Capital Shipbrokers Limited	50.0	15
<b>Singapore</b>		
<b>8 Shenton Way, #13-01, AXA Tower, Singapore 068811</b>		
Howe Robinson Partners Pte. Limited	35.0	
<b>United States</b>		
<b>The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware DE 19801</b>		
AcadiaSoft, Inc.	25.0	16
CLS Aggregation Services LLC	42.5	9
TFS-ICAP LLC	23.0	9
<b>15th Floor, 4 Times Square, New York NY 10036</b>		
BSN Capital Partners LLC	25.1	9
<b>Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington, Delaware DE 19808</b>		
OpenGamma, Inc.	27.3	17
<b>National Corporate Research (NCR), 850 New Burton Road, Suite 201, Dover, Delaware DE 19904</b>		
TFS-ICAP Holdings LLC	45.0	9

#### Notes

- 1 Partnership interest
- 2 Directly held by NEX Group plc
- 3 Ordinary shares and R shares
- 4 In liquidation
- 5 Ordinary shares and junior redeemable non-cumulative preference shares
- 6 Registered capital
- 7 A ordinary shares or A ordinary common stock
- 8 B ordinary shares or B ordinary common stock
- 9 Membership interest
- 10 D ordinary shares and E ordinary shares
- 11 Class A units
- 12 A ordinary shares (96.9%)
- 13 Not consolidated or recognised using the equity method of accounting
- 14 Series A shares
- 15 A ordinary shares (50.0%) and B ordinary shares (45.0%)
- 16 Series B convertible preferred stock (11.1%) and series D convertible preferred stock (37.4%)
- 17 Series C preferred stock (74.5%) and series D preferred stock (29.5%)

## DEFINITIONS

In the Annual Report the following words shall have the following meanings:

**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

**BSMP**

ICAP 2003 and 2013 Bonus Share Matching Plan

**CCP**

central counterparty

**CDS**

credit default swaps

**CFETS**

China Foreign Exchange Trade System

**CGU**

cash generating unit

**CNH**

represents the exchange rate of renminbi that trades offshore in Hong Kong

**Code**

FRC's UK Corporate Governance Code published in September 2014

**Companies Act**

Companies Act 2006 (as amended)

**Company or 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

**CPI**

consumer price index

**CRD**

Capital Requirements Directive

**Deloitte**

Deloitte LLP

**dollar or \$**

unless otherwise specified all references to dollars or \$ dollar symbol are to the currency of the US

**DSBP**

Deferred Share Bonus Plan

**ECB**

European Central Bank

**e-MID**

e-MID SIM S.p.A.

**EMIR**

European Market Infrastructure Regulation

**EPS**

earnings per share

**ETR**

effective tax rate

**EU**

European Union

**ESMA**

European Securities and Markets Authority

**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

**GEMG**

Global Executive Management Group

**GFC**

Group Finance Committee

**GOC**

Global Operating Committee

**Group**

the Company and its subsidiary undertakings

**IAS**

International Accounting Standards

**IASB**

International Accounting Standards Body

**ICAAP**

Internal Capital Adequacy Assessment Process

**ICAP**

ICAP plc, a public limited company incorporated in England and Wales with registered number 03611426 whose registered office is at 2 Broadgate, London EC2M 7UR

**ICAP Trust**

ICAP Employee Share Trust

**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

**Intercapital**

Intercapital Limited (formerly Intercapital plc)

**IPGL**

IPGL (Holdings) Limited

**ISDA**

International Swaps and Derivatives Association

**IT**

information technology

**Libid**

London interbank bid rate

**Libor**

London interbank offered rate

**LTIP**

ICAP Long Term Incentive Plan

**merger**

the merger of Garban and Intercapital on 9 September 1999

**MiFID**

Markets in Financial Instruments Directive

**Moody's**

Moody's Investors Services

**Nasdaq**

a National Securities exchange

**NDF**

non-deliverable forward

**NEX Group shares**

NEX Group plc ordinary shares of 17.5p each

**NEX Trust**

NEX Group Employee Share Trust

**non-bank**

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

**n/m**

not material

**OTC**

over-the-counter markets in which instruments are traded directly between participants by telephone and/or electronically rather than via an exchange

**PSP**

Performance Share Plan

**PwC**

PricewaterhouseCoopers LLP

**RCF**

revolving credit facility

**REMIT**

Regulation on Wholesale Energy Market Integrity and Transparency

**RPI**

retail price index

**SAVE**

Sharesave Plan

**Scheme Effective Date**

15 December 2016

**Scheme of Arrangement**

the scheme of arrangement made under Part 26 of the Companies Act between ICAP plc and the Scheme Shareholders (as defined therein)

**SEEP**

ICAP 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

**Transaction**

the disposal of IGBB by the Group to TP ICAP which completed on 30 December 2016

**TSR**

total shareholder return

**UCSOP**

ICAP Unapproved Company Share Option Plan

**Forward-looking statements**

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

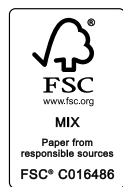
Printed by CPi Colour.

Cover and pages 1 to 72 are printed on Heaven42 and pages 73 to 136 are printed on Horizon Offset.

Both are FSC® Mix grade materials manufactured at ISO14001 certified paper mills.

CPi Colour and are ISO14001 certified and FSC® chain of custody certified. The inks used are vegetable oil based.

CPi Colour is also a CarbonNeutral printing company and reduces its CO<sub>2</sub> emissions to net zero in accordance with The CarbonNeutral Protocol. This carbon offsetting supports the Uchindile Mapanda reforestation programme in Tanzania, an environmental project to establish commercial forests at two locations in Africa.





*luminous*

Consultancy, design and production  
[www.luminous.co.uk](http://www.luminous.co.uk)



**NEX Group plc**  
2 Broadgate  
London EC2M 7UR  
United Kingdom

T: +44 (0)20 7818 9000  
E: [investor@nex.com](mailto:investor@nex.com)

Company number 10013770

 [www.nex.com](http://www.nex.com)