NEX Group plc

Half-year results for the six months ended 30 September 2017

NEX Group plc ("NEX") (NXG.L), a financial technology company at the centre of the global markets, announces today its results for the six months ended 30 September 2017.

	Half year ended 30 September 2017 £m	Half year ended 30 September 2016 £m (restated)*
Revenue	**287**	254
Trading operating profit	**63**	75
Trading operating profit before one-off items	**66**	67
Operating profit (statutory)	**58**	82
Trading profit before tax	**52**	59
Profit before tax (statutory)	**48**	66
Trading operating profit margin	**22%**	30%
Trading EPS (basic)	**9.7**	13.6
EPS (basic) (statutory)	**8.9**	16.3
Dividend per share	**3.5**	11.5

* Half year ended 30 September 2016 has been restated due to a change in accounting policy to no longer present an exceptional items column.
Half year ended 30 September 2016 had discontinued operations but the numbers presented in the table above are for continuing operations only.

A reconciliation between statutory, trading and one-off items is provided on page 6.

Highlights:

- Revenue increased by 13% on a reported basis and by 7% on a constant currency basis to £287 million (H1 2016/17: £254 million).
- Trading operating profit decreased by 16% to £63 million (H1 2016/17: £75 million). Trading operating profit, excluding one-off items, decreased by 1% to £66 million (H1 2016/17: £67 million). Operating profit (statutory) decreased by 29% to £58 million (H1 2016/17: £82 million).
- £40 million of annualised cost savings over the next three years have been identified. This is an increase of £15 million on the £25 million target announced last May.
- Trading EPS (basic) is down 29% to 9.7p (H1 2016/17: 13.6p); excluding one-off items, down 13% to 10.3p (H1 2016/17: 11.8p). EPS (basic) (statutory) is down 45% to 8.9p (H1 2016/17 16.3p).
- Interim dividend of 3.5p per share declared (H1 2016.17: 11.5p per share).

Michael Spencer, Group Chief Executive Officer, said: "Now more than ever before we're focused on execution and delivering growth in revenue and earnings. Nevertheless, when necessary, we'll invest to ensure that NEX is best positioned to take advantage of the significant opportunities ahead of us, as we recently did in NEX Optimisation. The combination of our agile organisation, market leading products, investment in innovation and our experienced management team, will lead us to further success.

"We have identified a further £15 million of annualised cost savings in addition to the £25 million previously announced. Since the acquisition of Abide in October 2016, the rebranded Regulatory Reporting business has signed more than 300 new contracts and is on track to profitability. In NEX Markets, BrokerTec continues to win market share and EBS trading volumes in Asian currency pairs have reached new peaks.

"Despite market conditions remaining challenging, we see many opportunities ahead. We have a diverse global business, an expanding client base and a robust balance sheet. This is a transitional and transformational year for NEX and we are committed to our financial aspirations of achieving compound annual revenue growth of 7%-10% and operating margins for NEX Optimisation and NEX Markets of more than 40% by FY 2019/20."

Analysts and investors briefing

There will be a briefing for analysts and investors at 09:30am (GMT) on Monday 20 November 2017 at NEX, 2 Broadgate, London EC2M 7UR. The presentation will be webcast live and made available for replay at www.nex.com later that day.

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NEX offers client better ways to execute trades and manage risk. Our products and services underpin the entire trade lifecycle pre-, during and post-execution. Our electronic trading platforms are industry standards. Clients use our lifecycle management and information services to optimise portfolios, control risk and reduce costs. We partner with emerging technology companies to bring greater efficiency, transparency and scale to the world's capital markets. NEX is headquartered in London with offices around the world. For more information, go to www.nex.com

Presentation of information

This document comprises the half year results to 30 September 2017 for NEX and its subsidiary undertakings (together 'NEX' or 'the Group'). It contains the Interim Management Report, Directors' Statement of Responsibilities and Financial Statements together with the Independent Auditor's Review Report, as required by the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTR). The Financial Statements and related notes are prepared in accordance with IAS34 'Interim Financial Reporting'.

Cautionary statement regarding forward-looking statements

This half yearly financial report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. Certain statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'aspires', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or subsequent events.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

Interim Management Report

The interim management report focuses on the trading performance of the Group. A reconciliation between statutory, trading, and one-off items is provided on page 6 and commentary on statutory profit is provided on page 13. Acquisitions, disposals and similar items is defined on page 26 and the breakdown of this period's acquisitions, disposals and similar items are shown on page 13.

The trading measures in the trading column in the income statement remove acquisitions, disposals and similar items to reflect the underlying performance of the Group. Trading profit is the key indication of the Group's ability to pay dividends and finance future growth. The Board and management use trading measures for planning and reporting purposes and a subset of those measures are also used by management in setting director and management remuneration.

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

Financial performance

For the six months ended 30 September 2017, the Group reported revenue of £287 million, an increase of 13% on the prior six month period on a reported basis and 7% on a constant currency basis. On a constant currency basis, revenue from NEX Markets was up 8% and from NEX Optimisation up 5%. During the period, the Group's trading performance benefited from increases in market share and volatility across European repo and Asian NDFs. NEX Regulatory Reporting saw strong client growth underpinned by the upcoming implementation of MiFID II. This was partly offset by low euro interest rate volatility impacting the basis risk mitigation product.

The Group reported a trading operating profit of £63 million, a decrease of 16% on the prior period. Excluding one off items, trading operating profit decreased by 1% to £66 million (H1 2016/17: £67 million). One-off items in the current period are a £3 million one-off net expense, consisting of £6 million insured legal costs offset by £3 million one-off dividend receipts. A £6 million increase in trading operating profit in NEX Markets was offset by a £7 million decline in NEX Optimisation trading operating profit as investments were made in the NEX Infinity platform and regulatory reporting services.

Trading operating margin is 22%, 8 percentage points down on the prior period. Excluding one-off items, trading operating profit margin is down 3 percentage points from 26% to 23%, driven by a combination of factors including investment in NEX Infinity, in MiFID II services and new businesses including Abide and e-Mid.

The Group reported a trading profit before tax (PBT) of £52 million (H1 2016/17: £59 million), 12% down on the prior period. Excluding the year-on-year adverse impact of £11 million from one-off items, the trading profit before tax is £4 million up as the net finance expense was lower in the period. Trading EPS (basic) of 9.7p (H1 2016/17: 13.6p) was down from the prior period, reflecting the decline in trading PBT and a five percentage point increase in the underlying effective tax rate on the trading PBT. The increase in the underlying effective tax rate on the trading PBT results from the increase in the mix of taxable profits from jurisdictions with a higher tax rate, largely the US; together with the introduction of new UK tax legislation which restricts the deduction of certain interest payments.

Interim Management Report continued

NEX Transformation Programme

NEX is focused on driving revenue growth, increasing its trading operating profit margin and delivering value to its shareholders. Based on the Group's detailed three year plan, by the end of FY 2019/20 both divisions aspire to report an operating margin of at least 40%, with Group revenue compound annual growth rate at 7-10%.

The transformation programme remains on track and in addition to the £25 million of costs savings previously announced, a further £15 million of annualised cost savings have been identified, to be delivered over the next three years. These will be derived from the redesign of operating models in sales, product management, operation, technology and finance as well as the rationalisation of infrastructure across the Group. The total cost to achieve these savings will be approximately £16 million, which will not be treated as an exceptional item.

Dividend

An interim dividend of 3.5p per share (H1 2016/17: 11.5p per share) covering the six month period to 30 September 2017 will be paid on 2 February 2018 to shareholders on the register at 22 December 2017. The shares will be quoted ex-dividend from 21 December 2017. Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 10 January 2018. NEX has adopted a progressive dividend policy which for the full year will be at between 40% and 50% of post-tax trading profit.

Board and management changes

In May 2017, Anna Ewing was appointed to the Board as a non-executive director. She has also been appointed to the Audit Committee and Risk Committee. At the end of May 2017, Stuart Bridges, Group Chief Financial Officer (Group CFO), stepped down from the Board. Samantha Wren, formerly Chief Commercial Officer of NEX Markets, was appointed to the role of Group CFO and also joined the Board. In addition, Ken Pigaga, Global Chief Operating Officer (Global COO), joined the Board. Following the announcement in October 2017 that Jenny Knott has decided to step down as the Chief Executive Officer (CEO) of NEX Optimisation, Ken Pigaga has taken on the role of CEO of NEX Optimisation. Sam Wren has been appointed as Global COO in addition to her other duties.

Outlook

Market conditions remain challenging as banks and other market participants continue to report a lack of volume and volatility in FICC markets. The NEX transformation programme remains on track and annualised cost savings of £40 million over the next three years have been identified. The normalisation of financial markets remains a protracted process but NEX has the scale, people and technology to capitalise on the long-term growth opportunities.

Interim Management Report continued

Review of operations

Group segmental results

	Half year ended 30 September 2017				
	NEX Markets £m	**NEX Optimisation £m**	**NEX Group and other £m**	**Hedging Impact £m**	**Group £m**
Revenue	**161**	**126**	**3**	**(3)**	**287**
Trading operating profit/(loss) before one-off items	**55**	**25**	**(12)**	**(2)**	**66**
One-off items (see below)	**-**	**-**	**(3)**	**-**	**(3)**
Trading operating profit/(loss)	**55**	**25**	**(15)**	**(2)**	**63**
Acquisitions, disposals and similar items (page 13)					**(5)**
Operating profit (statutory)					**58**

	Half year ended 30 September 2016 (restated)*				
	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging Impact £m	Group £m
Revenue	143	113	4	(6)	254
Trading operating profit/(loss) before one-off items	49	32	(8)	(6)	67
One-off items (see below)	-	-	8	-	8
Trading operating profit/(loss)	49	32	–	(6)	75
Acquisitions, disposals and similar items (page 13)					7
Operating profit (statutory)					82

*Restated due to the change in accounting policies for operating segments and exceptional items column.

One-off items	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m (restated)
Insured legal costs	**(6)**	-
One-off dividend receipts	**3**	-
Onerous lease provision release	**-**	5
Legal expenses insurance claim	**-**	3
Total one-off items	**(3)**	8

Interim Management Report continued

NEX Markets

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

Revenue	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m (restated)*	Change %
BrokerTec	**77**	72	7%
EBS	**75**	67	12%
CFETS contract	**9**	4	125%
Total – reported	**161**	143	13%
– constant currency		149	8%
Trading operating profit	**55**	49	12%
Trading operating profit margin	**34%**	34%	-

*Restated due to the change in accounting policy for operating segments

For the six months ended 30 September 2017, revenue increased by 8% on a constant currency basis and by 13% on a reported basis to £161 million (H1 2016/17: £143 million). Growth was principally driven by an increase in trading activity in emerging markets currency pairs and the China Foreign Exchange Trade System (CFETS) contract which started in July 2016. The trading operating profit increased to £55 million (H1 2016/17: £49 million) and the trading operating profit margin was flat at 34% compared to the prior period.

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 six months ended 30 September 2017, revenue increased by 3% on a constant currency basis and by 7% on a reported basis to £77 million (H1 2016/17: £72 million). This performance reflects a 2% increase in US Treasury average daily volume to $157 billion, a 5% increase in US repo to $224 billion and a 32% increase in European repo to €228 billion.

During the period, volatility in US Treasuries remained low despite the prospect of another rate rise and the expectation that the Federal Reserve will start to unwind its balance sheet. BrokerTec's market share in US Treasuries reached a new high, and although there are some competitive pressures from other venues, none of these have gained any market share. BrokerTec remains the standard and primary source for trading and reference pricing.

Interim Management Report continued

Trading activity in EU repo remains strong with elevated activity on the platform as banks require high quality liquid assets for capital and liquidity ratios. Changing macro-economic conditions within the EU have started to prompt further activity with speculation around how the ECB will exit its quantitative easing programme. Following geo-political events in Spain, EU repo had a record volume day on 2 October with more than €260 billion traded. Trading activity in US repo continues to grow. Activity in the secondary market for European government bonds has reduced in line with the reduction in issuance, however BrokerTec' s market share has remained stable.

EBS

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

For the six months ended 30 September 2017, revenue increased 7% on a constant currency basis and by 12% on a reported basis to £75 million (H1 2016/17: £67 million) and average daily volume increased by 7% to $84 billion. Revenue growth was underpinned by emerging markets currency pairs, while revenue trends in G10 currency pairs were mixed.

EBS Market, the exchange-like central limit order book, remains the benchmark for the professional FX trading community. It has maintained its position as a primary interbank venue for the trading of the world's most actively traded currency pairs, including euro/dollar and dollar/yen. The recently launched EBS Live Ultra service has helped augment EBS Market's market share. It provides clients with faster market data at 5 milliseconds (previously 100 milliseconds) in exchange for meeting certain market-maker criteria.

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

NEX Markets continues to innovate. In September, it launched NEX Quant Analytics, the FX market's most comprehensive community-based analytics tool for clients trading on the EBS platform. Using benchmark data taken from the entire EBS ecosystem, the analytics service delivers real and measurable insight for clients into their own trading activities and the ability to look at their performance versus that of their peers.

EBS Direct is a platform that allows liquidity providers to stream tailored prices directly to liquidity consumers. Interest in the platform continues to grow and the platform has more than 50 liquidity providers and 400 liquidity consumers using the service. The EBS Direct platform had a 5% increase in average daily volume over the prior period to $21 billion. FX forwards continue to grow with a 177% increase in average daily volume to $9 billion over the prior period.

EBS eFix, the matching service that enables customers to execute Fix interest electronically on the EBS Market platform has continued to deliver significant growth. Average daily volume has increased by more than 20% over the comparable period to more than $2 billion matched per day.

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, which is over a three-year period, will see NEX expand into China, a key growth market for the business.

Interim Management Report continued

NEX Optimisation

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

NEX Optimisation continues to build the NEX Infinity platform which will provide clients with a single platform that will 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.

Revenue	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m (restated)*	Change %
Trade and portfolio management	**49**	43	14%
Analytics	**4**	3	33%
Regulatory reporting	**4**	1	300%
Financial resource optimisation	**44**	45	(2%)
Data insights	**25**	21	19%
Total – reported	**126**	113	12%
– constant currency		120	5%
Trading operating profit	**25**	32	(22%)
Trading operating profit margin	**20%**	28%	(8 ppt)

*Restated due to the change in presentation of NEX Optimisation results from by businesses to by service offerings (NEX Optimisation pillars)

For the six months ended 30 September 2017, revenue increased by 5% on a constant currency basis and by 12% on a reported basis to £126 million (H1 2016/17: £113 million). The trading operating profit fell to £25 million (H1 2016/17: £32 million) and the trading operating profit margin reduced by eight percentage points to 20%. As outlined in the trading update on 2 October 2017, to ensure the business is best positioned to take advantage of the significant opportunities it has identified, NEX Optimisation has chosen to increase its investment spend in the first six months as part of the ongoing project to transform the business to a more client-centric structure. NEX Optimisation has also decided to increase investment in its sales activities and associated marketing campaigns in relation to the MiFID II services provided by NEX Regulatory Reporting. The combined effect of these investments, together with the ongoing low volatility impacting the basis risk mitigation business, have had a temporary impact on NEX Optimisation's trading operating profit margin in the first half, which is expected to normalise in the second half of the year.

Trade and portfolio management

Trade and portfolio management comprises portfolio and margin reconciliation via triResolve and triResolve margin; messaging and matching via the Harmony Message Center and ClientLink; and portfolio management via ENSO Core and Edge.

Interim Management Report continued

For the six months ended 30 September 2017, revenue increased by 7% on a constant currency basis and by 14% on a reported basis to £49 million (H1 2016/17: £43 million). Revenue growth was driven by triResolve and triResolve Margin, which automates the reconciliation of swap portfolios and calculates the variation margin allowing clients to meet the new regulatory requirements which took effect in March 2017. There are now more than 2,000 institutions using triResolve compared to 1,900 at the end of the prior year and more than 100 clients have signed up to triResolve Margin. Additional asset classes, such as FX forwards and swaps, will be mandated for bilateral margining in early 2018.

Messaging and Matching is an established network of cross-asset trade work flow solutions. The services provided by the Harmony Message Center and ClientLink connect more than 1,000 global banks, broker/dealers, buy side firms and trading platforms. New pricing structures which incentivise long-term client contracts are driving client retention and are core to the overall NEX Infinity strategy.

Portfolio Management services provided by ENSO provide workflow tools that allow clients to act on exposure, financing, cash and collateral management opportunities. During the period, ENSO's client acquisitions included a tier 1 asset manager. In October, the launch of PIVOT was announced, the first partnership between NEX Optimisation and NEX Markets. PIVOT allows ENSO clients to invest excess cash balances with NEX Treasury’s money market funds.

Analytics

Analytics comprises credit and risk management by CreditLink and LimitHub; derivative pricing and risk analytics via triCalculate; and margin and funding replication via ENSO. These services eliminate the complexity in risk, finance and regulatory calculations, by calculating and analysing client risk. For the six months ended 30 September 2017, revenue increased 33% on both a constant currency and on a reported basis to £4 million (H1 2016/17: £3 million). Revenue growth was driven by an increase in the number of clients using CreditLink and LimitHub.

Regulatory reporting

Regulatory reporting comprises end-to-end multi-regime reporting, data normalisation, enrichment, validation and cross-jurisdictional matching. The service acts as a reporting hub for European Market Infrastructure Regulation (EMIR) and as an Approved Reporting Mechanism for Markets in Financial Instruments Directive (MiFID).

For the six months ended 30 September 2017, revenue increased by 300% on a constant currency basis and on a reported basis to £4 million (H1 2016/17: £1 million). Revenue growth was driven by the acquisition of Abide Financial in October 2016. MiFID II which comes into force in January 2018 is driving client growth with 240 new contracts signed for regulatory reporting services up to 30 September 2017 and more than 60 contracts signed since the period end. NEX is currently awaiting the approval of the European Securities and Markets Authority (ESMA) to become a trade repository and recently announced its intention to become a trade repository for the Securities Financing Transactions Regulation (SFTR).

Financial resource optimisation

Financial resource optimisation comprises portfolio balancing and compression via triReduce and triBalance; basis risk mitigation via Reset; and settlement and payment netting via ENSO. Collectively these allow clients to manage risk, capital and liquidity and redistribute resources.

Interim Management Report continued

For the six months ended 30 September 2017, revenue decreased by 8% on a constant currency basis and by 2% on a reported basis to £44 million (H1 2016/17: £45 million), as the basis risk mitigation service 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. 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 moves.

The stringent leverage ratio included within the Basel III rules continues to drive demand from banks for the compression service triReduce. During the period, the compression service terminated $100 trillion of gross notional outstanding (H1 2016/17: $94 trillion). Since launch, more than 250 financial institutions have participated in eliminating $1.1 quadrillion in total notional outstanding from the OTC derivatives market. triReduce continues to innovate and expand its product and market coverage. In September, the first cycle for cleared Brazilian real non-deliverable interest rate swap compression at the CME Group clearing house took place.

Data Insights

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

For the six months ended 30 September 2017, revenue increased by 14% on a constant currency basis and 19% on a reported basis to £25 million (H1 2016/17: £21 million), driven by the organic growth on existing services, the launch of new pricing and analytics products and electronic transaction-backed indices.

The increased demand for transparency in the FX market and for data sourced from actual transactions and orders fuelled a collaboration of NEX Markets’ EBS data with Data Insights’ technical expertise to create EBS FX Benchmarks, a series of 30-minute transaction backed FX fixings for 15 major currency pairs. Additional product development has seen Data Insights and ENSO release the ‘ENSO Market Rate’, a reference rate which provides securities lending data from 100 of the largest asset managers.

NEX Opportunities

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

Interim Management Report continued

Summary consolidated income statement

Continuing operations	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m (restated)*
Trading revenue	**287**	254
Trading operating profit	**63**	75
Trading net finance costs	**(12)**	(16)
Trading share of profit of associates and joint ventures after tax	**1**	-
Trading profit before tax	**52**	59
Tax on trading profit	**(16)**	(10)
Trading profit for the period	**36**	49
Acquisitions, disposals and similar items, net of tax	**(3)**	10
Profit for the period (statutory)	**33**	59
Trading EPS (basic)	**9.7p**	13.6p
EPS (basic) (statutory)	**8.9p**	16.3p

* The summary consolidated income statement for the six months ended 30 September 2016 has been restated due to the change in accounting policy to no longer present an exceptional items column. Trading operating profit for the six months ended 30 September 2016 of £75 million includes £8 million of other income that was previously presented as exceptional items.

Trading revenue

Trading revenue for the six months ended 30 September 2017 was £287 million, which is £33 million (13%) up on the prior period. Revenue benefited primarily from the weaker pound, new businesses and the CFETS contract.

Trading profit before tax

The Group reported a £12 million (16%) decrease in trading operating profit for the six months ended 30 September 2017. The trading operating profit for the current period of £63 million includes one-off items totalling a £3 million expense. The trading operating profit for the prior period of £75 million includes £8 million other income that was one-off in nature and was presented as exceptional items in the prior period. Excluding one-off items, the trading operating profit was £1 million (1%) down on the prior period.

Trading profit before tax for the six months ended 30 September 2017 was £7 million (12%) down on the prior period. Excluding the year-on-year adverse impact of £11 million from one-off items, the trading profit before tax is £4 million up. There was a £4 million favourable movement in net finance cost primarily driven by no interest payments on the Revolving Credit Facility (RCF) during the current period, which was used in the prior period.

Interim Management Report continued

Tax on trading profit

The Group's tax charge of £16 million on trading profit before tax for the six months ended 30 September 2017 represents an Effective Tax Rate (ETR) of 31% (H1 2016/17: 17%). Excluding one-off prior year tax adjustments, the Group's underlying ETR is 27% (H1 2016/17: 22%) and this is comparable with the expected full year ETR. The increase in the Group's underlying ETR is primarily due to increased taxable profits, following recent changes to UK tax legislation that restricts the deduction of certain interest payments, and changes to the geographic mix of taxable profits.

Trading EPS

Trading EPS (basic) of 9.7p for the six months ended 30 September 2017 is 29% down from the prior period (H1 2016/17: 13.6p), primarily reflecting a £11 million year-on-year adverse impact from one-off items and an increase in the trading ETR.

Trading EPS (basic) for the six months ended 30 September 2016 has been restated using the weighted number of shares in the period from the date of the share consolidation to the balance sheet date. For further details, see note 3.

Acquisitions, disposals and similar items

Acquisitions, disposals and similar items	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m
Operating expenses:		
Impairment of joint ventures and AFS investments	**(6)**	-
Transaction costs provision release	**3**	-
Amortisation of intangible assets arising on consolidation	**(2)**	(12)
Gain on equity interest	**-**	19
	(5)	7
Net finance expense:		
Release of contingent consideration	**2**	-
Unwind of the discount of contingent consideration	**(1)**	-
	1	-
Total acquisitions, disposals and similar items	**(4)**	7

Acquisitions, disposals and similar items for the six months ended 30 September 2017 were an expense of £4 million (H1 2016/17: £7 million income) before a tax credit of £1 million (H1 2016/17: £3 million tax credit). The current period acquisitions, disposals and similar items include a £6 million impairment charge in relation to joint ventures and available-for-sale investments and a £2 million amortisation charge for intangible assets arising on consolidation. The acquisitions, disposals and similar items also include a £3 million release of an unutilised provision held at 31 March 2017 which related to transaction costs for the sale of the voice broking business (IGBB).

Profit for the period (statutory) and EPS (statutory)

Profit for the period (statutory) is £33 million (H1 2016/17: £59 million) and EPS (statutory) is 8.9p (H1 2016/17: 16.3p). The £26 million decrease in profit for the period (statutory) is driven by a combination of factors including the £11 million year-on-year adverse impact from one-off items, £11 million year-on-year

Interim Management Report continued

adverse impact from acquisitions, disposals and similar items (explained above), £8 million increase in tax charge (explained above), partially offset by £4 million favourable movement from net finance expenses and profit from associates.

Free cash flow

The Group's free cash flow (FCF) is calculated as cash generated by operations adjusted for one-off items plus dividends received from associates, joint ventures and available-for-sale investments, less capital expenditure, less tax cash payments, less net interest paid including interest on derivatives hedging net debt. The Group uses the FCF measure because it provides the amount of cash available to finance dividend payments to the shareholders, pay material one-off obligations and pay for other financing and investing activities including the associated costs of those activities.

Group	**Half year ended 30 September 2017 £m**	Half year ended 30 September 2016 £m (restated)*
Cash generated by operations before one-off items	**51**	148
Interest and tax	**(36)**	(33)
Cash flow from trading activities	**15**	115
Capital expenditure	**(46)**	(41)
Dividends from associates, joint ventures and investments	**-**	6
Trading free cash flow	**(31)**	80
Free cash flow conversion (%)	**(86)%**	84%

* Free cash flow for the period ended 30 September 2016 has been restated due to a change in accounting policy to no longer present an exceptional items column and to include movement in restricted funds in investing activities instead of operating activities. 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.

Free cash flow for the six months period ended 30 September 2016 includes discontinued operations.

During the period, the Group had a negative trading free cash flow of £31 million (H1 2016/17: positive trading free cash flow of £80 million). Prior period trading free cash flow represents that of the Group at that time including IGBB and included a £41 million favourable impact from timing differences on unsettled matched principal trades in the IGBB business. The current period has £nil impact.

The first half cash conversion has always been lower due to seasonality as full year discretionary bonus accruals from the prior year are paid during this period. Additionally, the prior full year cashflow benefitted from receipts in advance of revenue recognised during the period and there has been a further drag on cash conversion in the period due to the timing of payments of some taxes by instalment that will normalise in the second half of the year. Excluding £53 million adverse effects on the half year free cash flow from working capital timing differences (including tax payments), which are largely expected to normalise in the second half of the year, the Group generated free cash flow of £22 million, which represents a 61% cash conversion for the period and this is comparable with the full year expected cash conversion rate.

In line with our plan and as communicated to shareholders in May 2017, we invested significantly in technology during the period. As such, there was a £22 million excess in capital expenditure, primarily IT spend, over amortisation and depreciation. We expect the technology spend to peak in the current year and reach a steady state by FY 2019/20, at which point the amortisation and depreciation and capital

Interim Management Report continued

expenditures are expected to converge. Over the medium term, we expect the cash conversion to be in the range of 80% to 90%.

Balance sheet

The Group's net assets at 30 September 2017 were £860 million (31 March 2017: £979 million), principally reflecting a £66 million loss for the retranslation of foreign currency net assets and the £101 million payment of the 2016/17 final dividend. This was partially offset by the profit for the period (statutory) of £33 million.

Continuing operations	**As at 30 September 2017 £m**	As at 31 March 2017 £m	As at 30 September 2016 £m
Intangible assets arising on consolidation	**972**	1,026	982
Cash and cash equivalents	**217**	321	174
Borrowings	**(511)**	(507)	(722)
Restricted funds	**50**	103	45
Other net assets	**132**	36	671
Total net assets	**860**	979	1,150

Liquidity and funding

Continuing operations	**As at 30 September 2017 £m**	As at 31 March 2017 £m	As at 30 September 2016 £m (restated)*
Long-term borrowings	**(320)**	(435)	(585)
Short-term borrowings	**(191)**	(72)	(137)
Total borrowings	**(511)**	(507)	(722)
Cash and cash equivalents	**217**	321	174
Net debt	**(294)**	(186)	(548)
Restricted funds	**50**	103	45
Net debt including restricted funds	**(244)**	(83)	(503)

* Long-term borrowings, short-term borrowings, cash and cash equivalents and restricted funds as at 30 September 2016 have been restated to be on a continuing operations basis.

The Group's overall funding position remains strong. As at 30 September 2017, the Group had committed undrawn headroom under its core credit facilities of £300 million (31 March 2017: £300 million). The gross debt position increased by £4 million (1%) to £511 million as at 30 September 2017. The increase relates entirely to foreign exchange movements. At 30 September 2017, the Group's long-term issuer ratings were unchanged at Baa3 (stable) by Moody's and BBB (stable) by Fitch.

Net debt including restricted funds increased by £161 million (194%) in the period to £244 million as at 30 September 2017. The primary driver behind the increase in net debt position is the payment of £101 million in July 2017 of the final dividend, which was kept at the same level as prior years. Additionally, a combination of factors including seasonality of working capital effects on cash in the first half year and significant investments in technology assets also increased net debt.

Risk

Details of the Group's approach to risk management and its principal risks were set out on pages 20 to 23 of the Annual Report for the year ended 31 March 2017 (the 2017 Annual Report). As at 30 September 2017, the directors have reviewed the Group's risk profile in the context of current market conditions and the outlook for the remaining six months of the financial year. In addition, they have reconsidered previous statements made on risk appetite, risk governance and internal controls and do not consider there to be any significant changes since the 2017 Annual Report.

Directors' statement of responsibilities

The directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report and the condensed set of financial statements herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the 2017 Annual Report.

Going concern basis

The financial statements are prepared on the going concern basis, as the directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including the Group's profitability, liquidity requirements, plans and financing arrangements.

Changes in directors

The following directors resigned and were appointed during the six months ended 30 September 2017:

S Bridges	(resigned 30 May 2017)
A Ewing	(appointed 15 May 2017)
K Pigaga	(appointed 30 May 2017)
S Wren	(appointed 30 May 2017)

A list of current directors is maintained on the NEX Group plc website www.nex.com.

Approved by the board of directors and signed on its behalf by:

Samantha Wren
Group Chief Financial Officer and Global Chief Operating Officer
20 November 2017

Consolidated income statement

Half year ended 30 September 2017

	Note	Trading £m	Acquisitions, disposals and similar items £m	Total £m
Revenue	2	**287**	**-**	**287**
Operating expenses		**(228)**	**(5)**	**(233)**
Other income		**4**	**-**	**4**
Operating profit		**63**	**(5)**	**58**
Finance income		**-**	**2**	**2**
Finance costs		**(12)**	**(1)**	**(13)**
Share of profits of associates after tax		**1**	**-**	**1**
Share of profits of joint ventures after tax		**-**	**-**	**-**
Profit before tax		**52**	**(4)**	**48**
Tax	5	**(16)**	**1**	**(15)**
Profit for the period		**36**	**(3)**	**33**
Attributable to:				
Owners of the Company		**36**	**(3)**	**33**
Non-controlling interests		**-**	**-**	**-**
		36	**(3)**	**33**
Earnings per ordinary share (pence)				
– basic	3	**9.7**		**8.9**
– diluted	3	**9.4**		**8.6**

Consolidated income statement continued

Half year ended 30 September 2016

(restated)	Note	Trading £m	Acquisitions, disposals and similar items £m	Total £m
Revenue	2	254	-	254
Operating expenses		(179)	(13)	(192)
Other income		-	20	20
Operating profit		75	7	82
Finance income		-	-	-
Finance costs		(16)	-	(16)
Share of profits of associates after tax		-	-	-
Share of profits of joint ventures after tax		-	-	-
Profit before tax from continuing operations		59	7	66
Tax	5	(10)	3	(7)
Profit for the period from continuing operations		49	10	59
Profit for the period from discontinued operations		46	(19)	27
Profit for the period		95	(9)	86
Attributable to:				
Owners of the Company		96	(9)	87
Non-controlling interests		(1)	-	(1)
		95	(9)	86
Earnings per ordinary share from continuing operations (pence) (restated)				
– basic	3	13.6		16.3
– diluted	3	13.2		15.8

Consolidated statement of comprehensive income

	Half year ended 30 September 2017 £m	Half year ended 30 September 2016 £m
Profit for the period	**33**	86
Other comprehensive income/(expense) from continuing operations		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Revaluation loss in the period	**(1)**	-
Net movement on cash flow hedges	**10**	(3)
Exchange differences	**(66)**	100
Deferred tax recognised in other comprehensive income	**(2)**	-
Other comprehensive (expense)/income for the period, net of tax, from continuing operations	**(59)**	97
Other comprehensive income for the period, net of tax, from discontinued operations	**-**	44
Total comprehensive (expense)/income for the period	**(26)**	227
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(25)**	223
Non-controlling interests	**(1)**	4
	(26)	227

Consolidated balance sheet

	Note	As at 30 September 2017 £m	As at 31 March 2017 £m	As at 30 September 2016 £m (restated)
Assets				
Non-current assets				
Intangible assets arising on consolidation		**972**	1,026	982
Intangible assets arising from development		**138**	127	104
Property and equipment		**39**	36	35
Investment in joint ventures		**4**	7	7
Investment in associates		**41**	42	46
Deferred tax assets		**17**	21	4
Trade and other receivables		**25**	17	20
Available-for-sale investments		**14**	20	12
		1,250	1,296	1,210
Current assets				
Trade and other receivables		**174**	174	280
Cash and cash equivalents	7	**217**	321	174
Restricted funds	7	**50**	103	45
Available-for-sale investments		**1**	1	-
Held for sale assets		**-**	-	3,358
		442	599	3,857
Total assets		**1,692**	1,895	5,067
Liabilities				
Current liabilities				
Trade and other payables		**(140)**	(197)	(278)
Borrowings	6	**(191)**	(72)	(137)
Tax payable		**(7)**	(28)	(39)
Provisions		**(3)**	(11)	(11)
Held for sale liabilities		**-**	-	(2,746)
		(341)	(308)	(3,211)
Non-current liabilities				
Trade and other payables		**(59)**	(61)	(24)
Borrowings	6	**(320)**	(435)	(585)
Deferred tax liabilities		**(96)**	(96)	(82)
Retirement benefit obligations		**(4)**	(4)	(4)
Provisions		**(12)**	(12)	(11)
		(491)	(608)	(706)
Total liabilities		**(832)**	(916)	(3,917)
Net assets		**860**	979	1,150
Equity				
Capital and reserves				
Called up share capital		**66**	66	66
Share premium account		**-**	-	454
Other reserves		**58**	49	74
Translation		**192**	257	243
Retained earnings		**518**	580	270
Equity attributable to owners of the Company		**834**	952	1,107
Non-controlling interests		**26**	27	43
Total equity		**860**	979	1,150

The consolidated financial statements and accompanying notes were approved by the board of directors on 20 November 2017 and signed on its behalf by:

Samantha Wren

Group Chief Financial Officer and Global Chief Operating Officer

Consolidated statement of changes in equity

Half year ended 30 September 2017

	Share capital £m	Share premium £m	Other reserves £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2017	**66**	**-**	**49**	**257**	**580**	**952**	**27**	**979**
Profit for the period	**-**	**-**	**-**	**-**	**33**	**33**	**-**	**33**
Other comprehensive income/(expense) for the period, net of tax								
Revaluation loss in the period	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Cash flow hedges	**-**	**-**	**10**	**-**	**-**	**10**	**-**	**10**
Exchange differences	**-**	**-**	**-**	**(65)**	**-**	**(65)**	**(1)**	**(66)**
Deferred tax	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Total comprehensive income/(expense) for the period	**-**	**-**	**9**	**(65)**	**31**	**(25)**	**(1)**	**(26)**
Share options exercised	**-**	**-**	**-**	**-**	**3**	**3**	**-**	**3**
Share-based payments in the period	**-**	**-**	**-**	**-**	**5**	**5**	**-**	**5**
Dividends paid in the period	**-**	**-**	**-**	**-**	**(101)**	**(101)**	**-**	**(101)**
Balance as at 30 September 2017	**66**	**-**	**58**	**192**	**518**	**834**	**26**	**860**

Consolidated statement of changes in equity continued

Half year ended 30 September 2016

	Share capital £m	Share premium £m	Other reserves £m	Translation £m	Retained earnings £m	Attributable to owners of the Company £m	Non-controlling interests £m	Total £m
Balance as at 1 April 2016	66	454	77	104	276	977	41	1,018
Profit for the period	-	-	-	-	87	87	(1)	86
Other comprehensive income/(expense) for the period, net of tax								
Cash flow hedges	-	-	(3)	-	-	(3)	-	(3)
Exchange differences	-	-	-	139	-	139	5	144
Total comprehensive income/(expense) for the period	-	-	(3)	139	87	223	4	227
Share options exercised	-	-	-	-	2	2	-	2
Other movements in non-controlling	-	-	-	-	-	-	(1)	(1)
Share-based payments	-	-	-	-	5	5	-	5
Dividends paid in the period	-	-	-	-	(100)	(100)	(1)	(101)
Balance as at 30 September 2016	66	454	74	243	270	1,107	43	1,150

Consolidated statement of cash flow

	Note	Half year ended 30 September 2017 £m	Half year ended 30 September 2016 £m (restated)**
Cash flows from operating activities	7	**3**	104
Cash flows from investing activities			
Dividends received from associates		-	4
Dividends received from joint ventures		-	1
Other equity dividends received		-	1
Payments to acquire property and equipment		**(11)**	(8)
Intangible development expenditure		**(35)**	(33)
Proceeds from disposal of available-for-sale investments		**1**	-
Acquisition of available-for-sale investments		-	(2)
Acquisition of interests in businesses, net of cash acquired		-	(36)
Acquisition of associates and joint ventures		-	(4)
Movements in restricted funds		**53**	(40)
Net cash flows from investing activities		**8**	(117)
Cash flows from financing activities			
Dividends paid to owners of the Company		**(101)**	(100)
Dividends paid to non-controlling interests		-	(1)
Proceeds from exercise of share options		**3**	2
Repayment of borrowings		**(6)**	-
Funds received from borrowing, net of fees		-	115
Net cash flows from financing activities		**(104)**	16
Net (decrease)/increase in cash and cash equivalents		**(93)**	3
Net cash and cash equivalents at beginning of period*	7	**321**	433
FX adjustments		**(11)**	41
Net cash and cash equivalents at end of period*	7	**217**	477

* Net cash and cash equivalents includes cash and cash equivalents of £217 million (H1 2016/17: £493 million) and overdrafts of £nil (H1 2016/17: £16 million). Cash and cash equivalents as at 30 September 2016 include £174 million from continuing operations and £319 million from discontinued operations. Overdrafts as at 30 September 2016 include £nil from continuing operations and £16 million from discontinued operations.
** The consolidated statement of cash flow for the period ended 30 September 2016 has been restated to include movement in restricted funds in investing activities instead of operating activities.

Cash flows of discontinued operations

The consolidated statement of cash flow above includes discontinued operations for the half year ended 30 September 2016. Cash inflows from operating activities of £6 million, cash outflows from investing activities of £5 million and cash outflows from financing activities of £1 million were incurred in the period ended 30 September 2016 relating to discontinued operations.

Notes to the Financial Statements

1 Basis of preparation

Preparation of financial statements

NEX Group plc (the Company) is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The address of its registered office is 2 Broadgate, London, EC2M 7UR.

The condensed consolidated interim financial statements for the half year ended 30 September 2017 comprise of the Company and its subsidiary companies (the Group). The condensed consolidated interim financial statements for the half year ended 30 September 2017 do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The condensed consolidated interim financial statements are unaudited but have been reviewed by the auditors and their report is set out at the end of this document. The 2017 Annual Report has been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements for the half year ended 30 September 2017 have been prepared in accordance with section 4.2 of the Disclosure Guidance and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and with IAS34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). The condensed consolidated interim financial statements should be read in conjunction with the 2017 Annual Report which was prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU at that date.

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. The significant judgements and estimates applied by the Group in these consolidated financial interim statements have been applied on a basis consistent with the 2017 Annual Report.

Management has considered materiality when determining the required disclosures for the condensed consolidated interim financial statements for the half year ended 30 September 2017.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the 2017 Annual Report, except the following two in relation to exceptional items and restricted funds. The consolidated income statement for the half year ended 30 September 2016 has been restated due to a change in accounting policy to no longer present an 'exceptional items' column in the consolidated income statement. The accounting policy was changed because the Group is no longer expected to have exceptional items and therefore removing the column provides reliable and more relevant information. Items that were presented as exceptional items from continuing operations in the income statement for the half year ended 30 September 2016 have been restated to be presented in the 'trading' column since they do not relate to acquisitions, disposals and similar items. Items that were presented as exceptional items from discontinued operations in the income statement for the half year ended 30 September 2016 have been restated to be presented in the 'acquisitions, disposals and similar items' column since they relate to the disposal of Group's global hybrid voice broking and information business (IGBB). The consolidated statement of cash flow for the half year ended 30 September 2016 has been restated due to a change in accounting policy to present restricted funds in investing activities instead of operating activities (note 7).

1 Basis of preparation continued

The following accounting policy changes were first introduced in the 2017 Annual Report. Segmental information for the half year ended 30 September 2016 has been restated due to a change in accounting policy for operating segments. Earnings per share as at 30 September 2016 has been restated as if the share consolidation had occurred at the beginning of the comparative year (note 3). Matched principal trade receivables and payables as at 30 September 2016 have been restated due to a change in accounting policy from trade date accounting to settlement date accounting. All notes to the financial statements have been restated for the half year ended 30 September 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 a scheme of arrangement made under part 26 of the Companies Act (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 condensed consolidated interim financial statements reflect the continuation of the pre-existing group headed by ICAP plc and the condensed consolidated interim financial statements have been prepared applying the principles of a capital reorganisation.

As a result, the 30 September 2016 comparatives presented in these condensed consolidated interim financial statements are the consolidated results of ICAP plc. The consolidated balance sheet as at 30 September 2016 reflects the share capital structure of ICAP plc. The consolidated balance sheet as at 31 March 2017 and 30 September 2017 present 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.

On 30 December 2016, the Group completed the disposal of IGBB to Tullett Prebon, now renamed TP ICAP plc (the Transaction). The results of the IGBB business were presented as discontinued operations in the consolidated income statement for the half year ended 30 September 2016 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 consolidated balance sheet as at 30 September 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 consolidated balance sheet as at 31 March 2017 and 30 September 2017 since the Transaction completed on 30 December 2016.

1 Basis of preparation continued

Presentation of primary statements

The Group maintains a columnar format for the presentation of its consolidated income statement. The columnar format enables the Group to continue its practice of improving the understanding of its results by presenting its trading profit separately from acquisitions, disposals and similar items. Trading profit is the profit measure used to calculate trading EPS (note 3) and is the key indication of the Group's ability to pay dividends and finance future growth. The Board and management use trading measures for planning and reporting purposes and a subset of those measures are also used by management in setting director and management remuneration. Trading profit is reconciled to profit before tax on the face of the consolidated income statement.

The column 'acquisitions, disposals and similar items' includes items that are not part of the organic growth activities of the business and therefore are shown separately from the trading items so that the underlying performance of the Group can be separately monitored. The column 'acquisitions, disposals and similar items' includes: any gains, losses or other associated costs on the full or partial disposal of 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 including amortisation and impairment of intangibles assets arising on consolidation, and impairment of investments in joint ventures, associates and available-for-sale investments. 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.

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.

Notes to the Financial Statements continued

1 Basis of preparation continued

Future accounting developments

As at 30 September 2017, the following standards have been issued by the IASB which are not effective for these condensed consolidated interim 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, some changes in impairment methodology in relation to its financial assets, including intercompany financial assets, and some changes to hedging documentation, 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, but an impact is expected in relation to professional services and licences. 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 main impact will be in relation to office rentals which are 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 continuing to be assessed. The impact on NEX’s financial statements from the adoption of IFRS9 and IFRS15 will be disclosed in the annual report for the year ended 31 March 2018. The impact on NEX’s financial statements from the adoption of IFRS16 will be disclosed closer to the date of adoption.

Notes to the Financial Statements continued

2 Segmental information

The basis of identifying segments and measuring segmental results is set out on page 90 of the 2017 Annual Report.

Half year ended 30 September 2017

	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Trading revenue	161	126	3	(3)	287
Trading operating expenses and other income before one-off items	(106)	(101)	(15)	1	(221)
Trading one-off items	-	-	(3)	-	(3)
Trading operating profit	55	25	(15)	(2)	63
Share of profit from associates and joint ventures after tax	-	(1)	2	-	1
Trading EBIT*	55	24	(13)	(2)	64
Reconciliation to the consolidated income statement:					
Trading net finance cost**					(12)
Trading profit before tax					52
Acquisitions, disposals and similar items					(4)
Profit before tax					48
Tax					(15)
Profit for the period					33
Other segmental information:					
Trading operating profit margin	34%	20%	n/m	n/m	22%
Trading depreciation	4	2	-	-	6
Trading amortisation	12	6	-	-	18
Trading EBITDA***	71	32	(13)	(2)	88
Capital expenditure on intangible developments	14	21	-	-	35

* 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, and 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.

Regarding translational exposure, a 10 cent appreciation of the dollar would give the Group a £7m favourable impact on trading operating profit and a 10 cent appreciation of the euro would give the Group a £5m favourable impact on trading operating profit.

Notes to the Financial Statements continued

2 Segmental information continued

Half year ended 30 September 2016 (restated)****

	NEX Markets £m	NEX Optimisation £m	NEX Group and other £m	Hedging impact £m	Group £m
Continuing operations:					
Trading revenue	143	113	4	(6)	254
Trading operating expenses and other income before one-off items	(94)	(81)	(12)	-	(187)
Trading one-off items	-	-	8	-	8
Trading operating profit	49	32	-	(6)	75
Share of profit from associates and joint ventures after tax	-	(1)	1	-	-
Trading EBIT*	49	31	1	(6)	75
Reconciliation to the consolidated income statement:					
Trading net finance cost**					(16)
Trading profit before tax					59
Acquisitions, disposals and similar items					7
Profit before tax from continuing operations					66
Tax on continuing operations					(7)
Profit for the period from continuing operations					59
Profit for the period from discontinued operations, net of tax					27
Profit for the period					86
Continuing operations:					
Other segmental information:					
Trading operating profit margin	34%	28%	n/m	n/m	30%
Trading depreciation	4	2	-	-	6
Trading amortisation	9	5	-	-	14
Trading EBITDA***	62	38	1	(6)	95
Capital expenditure on intangible developments	17	7	-	-	24

* 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, and 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 half year ended 30 September 2016 has been restated due to the change in accounting policy for operating segments, change in accounting policy to no longer present an exceptional items column and to be on a continuing operations basis.

Notes to the Financial Statements continued

3 Earnings per share

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. The number of shares in 2016/17 changed significantly as a result of the share consolidation which took place on 30 December 2016 in connection with the completion of the IGBB disposal. The weighted average number of shares for the half year ended 30 September 2016 has been restated as if the share consolidation had occurred at the beginning of the comparative period. The earnings for the half year ended 30 September 2016 have been restated due to the change in accounting policy to no longer present an 'exceptional items' column. Earnings are profit for the period attributable to owners of the Company.

	Half year ended 30 September 2017			Half year ended 30 September 2016 (restated)		
Trading basic and diluted	**Earnings £m**	**Shares millions**	**Earnings per share pence**	Earnings £m	Shares millions	Earnings per share pence
Trading basic (continuing operations)	**36**	**371**	**9.7**	50	368	13.6
Trading basic (discontinued operations)	**-**	**371**	**-**	46	368	12.5
Trading basic (continuing and discontinued operations)	**36**	**371**	**9.7**	96	368	26.1
Dilutive effect of share options (continuing and discontinued operations)	**-**	**13**	**(0.3)**	-	12	(0.8)
Trading diluted (continuing operations)	**36**	**384**	**9.4**	50	380	13.2
Trading diluted (discontinued operations)	**-**	**384**	**-**	46	380	12.1
Trading diluted (continuing and discontinued operations)	**36**	**384**	**9.4**	96	380	25.3

	Half year ended 30 September 2017			Half year ended 30 September 2016 (restated)		
Basic and diluted	**Earnings £m**	**Shares millions**	**Earnings per share pence**	Earnings £m	Shares millions	Earnings per share pence
Basic (continuing operations)	**33**	**371**	**8.9**	60	368	16.3
Basic (discontinued operations)	**-**	**371**	**-**	27	368	7.3
Basic (continuing and discontinued operations)	**33**	**371**	**8.9**	87	368	23.6
Dilutive effect of share options (continuing and discontinued operations)	**-**	**13**	**(0.3)**	-	12	(0.7)
Diluted (continuing operations)	**33**	**384**	**8.6**	60	380	15.8
Diluted (discontinued operations)	**-**	**384**	**-**	27	380	7.1
Diluted (continuing and discontinued operations)	**33**	**384**	**8.6**	87	380	22.9

Notes to the Financial Statements continued

4 Dividends

	Half year ended 30 September 2017 £m	Half year ended 30 September 2016 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 March 2017 of 27.0p per share (31 March 2016: 27.0p per share)	**101**	100

The final dividend for the year ended 31 March 2017 was satisfied with a cash payment of £101 million.

On 20 November 2017, the board approved an interim dividend for the year ending 31 March 2018 of 3.5p per share (31 March 2017: 11.5p per share). The dividend will be satisfied in cash.

The final dividend per share for the year ended 31 March 2016 and the interim dividend per share for the year ended 31 March 2017 have been restated on the basis that the share consolidation (see note 3) occurred at the beginning of the year ended 31 March 2016. The final dividend for the year ended 31 March 2016 of 27.0p per share is equivalent to the amount disclosed in the prior period half-yearly financial report of 15.4p per share (on a pre-share consolidation basis). The interim dividend for the year ended 31 March 2017 of 11.5p per share is equivalent to the amount disclosed in the prior period half-yearly financial report of 6.6p per share (on a pre-share consolidation basis).

5 Tax

The Group's income tax charge on trading profit for the period is £16 million (H1 2016/17: £10 million) and represents an effective tax rate of 31% for the half year ended 30 September 2017 (H1 2016/17: 17%). The Group's income tax charge on profit for the period is £15 million (H1 2016/17: £7 million) and represents an effective tax rate of 31% for the half year ended 30 September 2017 (H1 2016/17: 11%).

The income tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The Group's trading and statutory effective tax rate is higher than the applicable statutory rate in the UK of 19% primarily due to profits outside the UK taxed at higher statutory tax rates and the impact of prior period tax charges in the current period.

6 Borrowings

a) Long-term borrowings

	As at 30 September 2017 £m	As at 31 March 2017 £m	As at 30 September 2016 £m
Five-year senior notes repayable 2019	**308**	298	301
RCF repayable 2019	**-**	-	146
Retail bond repayable 2018	**-**	125	125
Ten-year senior notes repayable 2023	**12**	12	13
	320	435	585

Notes to the Financial Statements continued

6 Borrowings continued

No new debt was issued during the period.

The Group's £300 million RCF was undrawn as at 30 September 2017 (31 March 2017: £300 million undrawn) resulting in committed headroom of £300 million (31 March 2017: £300 million). The RCF incorporates a $200 million swingline facility of which $75 million is available as a late day fronted solution.

€100 million of the five-year €350 million senior notes and €15 million of the ten-year senior notes are designated as net investment hedges. The remaining foreign currency debt is swapped to GBP using a combination of long-term and short-term FX contracts.

b) Short-term borrowings

	As at 30 September 2017 £m	As at 31 March 2017 £m	As at 30 September 2016 £m (restated)*
Japanese yen loan	**66**	72	137
Retail bond repayable 2018	**125**	-	-
	191	72	137

* Short-term borrowings as at 30 September 2016 have been restated to be on a continuing operations basis.

For several years, the Group has entered into a series of yen term loans with Tokyo Tanshi Co Limited, borrowing each for a term of up to six months. These loans have been refinanced either immediately on maturity or a few days thereafter with similar terms.

The retail bond was presented under long-term borrowings as at 31 March 2017 and 30 September 2016 but has been presented under short-term borrowings as at 30 September 2017 as the maturity date is in July 2018.

Notes to the Financial Statements continued

7 Cash

a) Reconciliation of profit before tax to net cash flow from operating activities

	Half year ended 30 September 2017 £m	Half year ended 30 September 2016 £m (restated)*
Profit before tax from continuing operations	48	66
Profit before tax from discontinued operations	-	37
Operating one-off items	2	14
Share of profit of associates after tax	(1)	(2)
Share of profit of joint ventures after tax	-	(1)
Amortisation of intangible assets arising on consolidation	2	12
Amortisation and impairment of intangible assets arising from development expenditure	18	21
Depreciation and impairment of property and equipment	6	8
Impairment of investment in joint ventures and available-for-sale investments	6	-
Gain on equity interest	-	(19)
Other acquisitions, disposals and similar items	(4)	-
Share-based payments (trading)	5	5
Net finance expense	11	15
Increase in provisions	1	2
Operating cash flows before movements in working capital	**94**	158
Decrease in trade and other payables	(49)	(22)
Decrease/(increase) in trade and other receivables	6	(29)
Timing differences on unsettled matched principal trades	-	41
Cash generated by operations before one-off items	**51**	148
Operating one-off items paid**	(12)	(11)
Cash generated by operations	**39**	137
Interest received	-	1
Interest paid	(10)	(12)
Tax paid	(26)	(22)
Cash flow from operating activities	**3**	104

* The reconciliation of profit before tax to net cash flow from operating activities for the half year ended 30 September 2016 has been restated to include restricted funds in investing activities instead of operating activities.

** This includes cashflows relating to one-off items in the trading income statement and those connected with acquisitions, disposals and similar items.

The reconciliation of Group profit before tax to net cash flow from operating activities includes discontinued operations for the half year ended 30 September 2016.

The cash flow movement in trade and other receivables includes the net movement on matched principal transactions and deposits for securities borrowed/loaned.

Notes to the Financial Statements continued

7 Cash continued

b) Total cash

	As at 30 September 2017 £m	As at 31 March 2017 £m	As at 30 September 2016 £m (restated)*
Cash and cash equivalents	**217**	321	174
Restricted funds	**50**	103	45
Total cash	**267**	424	219

* Total cash as at 30 September 2016 has been restated to be on a continuing operations basis.

8 Contingent liabilities

For 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.

The Company and its subsidiaries continue to co-operate with the government agencies in Europe and the US relating to their investigations into the setting of yen Libor. ICAP plc was dismissed from initial US civil litigation against various yen Libor and euroyen Tibor setting banks. However, the plaintiff in that litigation was given permission by the court to add ICAP Europe Limited (IEL) (which was sold to TP ICAP) as a defendant, and an amended complaint doing so was filed on 29 February 2016. IEL filed a motion to dismiss the amended complaint on 16 May 2016. On 10 March 2017, the court granted IEL's motion, and IEL has been dismissed from the lawsuit. It is unclear whether plaintiffs will appeal the court's decision. Discovery is proceeding in the case against the remaining defendants.

On 24 July 2015, a new litigation was filed on behalf of two additional plaintiffs in the same court based on similar allegations. The new litigation includes claims against ICAP plc and IEL, both of which filed motions to dismiss for lack of personal jurisdiction, and joined in co-defendants' motion to dismiss for failure to state a claim. On 10 March 2017, the court granted ICAP plc's and IEL's motions, thus dismissing both parties from the lawsuit. On 3 April 2017, plaintiffs filed a notice to commence the appeal process, and the appeal was placed on an expedited appeal calendar. However, plaintiffs then sought to remand the case back to the district court in order to move forward with settlements they had already reached with two of the bank defendants. On 13 June 2017, the appellate court remanded the case back to the trial court. The plaintiffs are in the process of pursuing next steps related to the settlements including a fairness hearing scheduled to take place in December 2017. Once the settlement process is complete, plaintiffs may re-file their appeal against the remaining defendants. It is not practicable to predict the ultimate outcome of these litigations and it is not possible to provide an estimate of any potential financial impact on the Group.

Notes to the Financial Statements continued

8 Contingent liabilities continued

Plaintiffs in the Euribor civil litigation named ICAP plc and IEL on 13 August 2015 as parties to that pre-existing litigation. ICAP plc and IEL joined the other defendants in filing motions to dismiss for lack of personal jurisdiction and for failure to state a claim. On 21 February 2017, the court granted ICAP plc's and IEL's motions to dismiss in the Euribor case. Plaintiffs subsequently filed a motion for leave to amend their Complaint, which the Court denied. Barring an appeal or other application by Plaintiffs, both parties remain out of the case. It is not practicable to predict the ultimate outcome of these inquiries or the litigations and it is not possible to provide an estimate of any potential financial impact on the Group.

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 Intercapital Capital Markets LLC (ICM), formerly called ICAP Capital Markets LLC, as a defendant. Those suits have now been consolidated into a single action, which is in the expert discovery and class certification stages. ICM intends to defend these litigation claims vigorously. It is not practicable to predict the ultimate outcome of these inquiries or the litigation and it is not possible to provide a reliable estimate of any potential financial impact on the Group.

Beginning 25 November 2015, ICM was named as a defendant, along with a number of banks and Tradeweb Markets LLC, in ten civil lawsuits relating to the interest rates swaps market. Eight of the lawsuits are class actions by alleged investors in the market, and the other two are single plaintiff cases brought by failed competitors. All of the suits make allegations that defendants together colluded to prevent buy side clients from accessing the interest rates swaps market on electronic, exchange-like platforms, including the boycott of any platform offering all-to-all trading. The actions generally assert claims of violation of antitrust laws and unjust enrichment. The cases have been consolidated and are being managed by the United States District Court for the Southern District of New York. All defendants filed motions to dismiss the complaints for failure to state a claim on 4 November 2016. Plaintiffs then filed an amended Complaint which, among other things, added ICAP SEF (US) LLC and ICAP Global Derivatives Limited (both of which were sold to TP ICAP plc) as defendants. All defendants filed new motions to dismiss on 29 January 2017. On 28 July 2017, the court issued a decision dismissing all claims as to ICM, as well as the two ICAP entities. The court also dismissed claims against Tradeweb and HSBC. While certain of the claims were dismissed against the other banks, the balance of the lawsuit is proceeding as to the banks. While there is no present indication that plaintiffs will seek to appeal the dismissal of the aforementioned entities from the suit, or otherwise seek to re-join them in the litigation, it is not possible to predict the outcome of these litigations or to provide an estimate of any potential liability or financial impact on the Group.

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 entities, were named as defendants in a purported class action filed in the United States District Court for the Southern District of New York alleging antitrust, Commodity Exchange Act, and common law claims arising out of the alleged manipulation of the Australian Bank Bill Swap Reference Rate (BBSW), which plaintiffs contend harmed a class of individuals and entities that traded in the U.S. in instruments priced, benchmarked and/or settled based on BBSW between 1January, 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 which are fully briefed and awaiting decision from the court. It is not possible to predict the outcome of this litigation or to provide an estimate of any potential liability or financial impact on the Group.

Notes to the Financial Statements continued

8 Contingent liabilities continued

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.

9 Related party transactions

The nature of the various services provided to some of the Group's joint ventures and associates are similar to those for the year ended 31 March 2017 and there have been no material transactions or changes during the period ended 30 September 2017.

The basis of remuneration of key management personnel remains consistent with that disclosed in the 2017 Annual Report.

10 Post balance sheet events

There have been no post balance sheet events.

Independent review report to NEX Group plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flow and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to NEX Group plc continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, UK

20 November 2017