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THE WORLD'S CAPITAL MARKET

ANNUAL REPORT 2009

OUR VISION

TO BE THE WORLD'S CAPITAL MARKET

WHERE TO FIND INFORMATION ABOUT LONDON STOCK EXCHANGE GROUP:
WWW.LONDONSTOCKEXCHANGEGROUP.COM

- WHAT WE DO
- GROUP HISTORY
- INVESTOR RELATIONS
- CORPORATE RESPONSIBILITY

- BORSA ITALIANA MERGER DELIVERED STRONG DIVERSIFICATION BENEFITS DURING THE YEAR
- SUCCESSFUL MIGRATION OF ITALIAN CASH EQUITY TRADING ONTO TRADELECT, CREATING EUROPE'S MOST LIQUID EQUITY TRADING PLATFORM
- A RECORD £106 BILLION OF EQUITY CAPITAL RAISED BY COMPANIES ON OUR MARKETS, UP 136 PER CENT ON LAST YEAR
- NEW STRATEGIC PARTNERSHIPS WITH OSLO BØRS AND TMX GROUP, FURTHER EXPANDING OUR NETWORK OF INTERNATIONAL PARTNERS

* London Stock Exchange Group uses Non-GAAP performance measures as key financial indicators. See the Non-GAAP definitions on page 94 for further information.

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WE WILL:

1. FACILITATE ACCESS TO CAPITAL FOR COMPANIES OF ALL SIZES, FROM

Ansaldo STS is listed on Borsa Italiana's MTA market (STAR segment) and is an S&P/MIB constituent. The company is a leading supplier of traffic management, planning, train control and signalling systems and services.

ANY SECTOR, FROM ANYWHERE IN THE WORLD

Halfords Group is a FTSE 250 company that listed on the London Stock Exchange's Main Market in 2004. The company has grown to establish itself in the UK as the leading retailer of bicycles, travel solutions, car parts and car enhancement.

WE WILL:

2. PROVIDE A WIDE RANGE OF PRODUCTS THAT ENABLE INVESTORS TO SHARE

Fresnillo is a leading precious metals producer with significant experience and expertise in all aspects of mining. A FTSE 100 company, it is the world's largest primary silver producer and Mexico's second largest gold producer and joined the London Stock Exchange's Main Market in May 2008, raising over £900 million.

IN WEALTH CREATION OPPORTUNITIES ACROSS ASSET CLASSES AND THE WORLD

FIAT Group is listed on Borsa Italiana's MTA market (Blue Chip segment) and is an S&P/MIB constituent. Established in 1899, Fiat was one of the founders of the European automobile industry and now operates in 190 countries. Automobile brands include Fiat, Lancia, Alfa Romeo, Ferrari and Maserati.

WE WILL:

3. DRIVE MARKET EFFICIENCY TO LOWER THE COST OF CAPITAL FOR COMPANIES

Majestic Wine floated on AIM in 1996 and has continuously expanded geographically as well as broadening its range of products and services. The company operates the largest wine warehouse chain in the UK.

AND THE COST OF TRADING AND INVESTMENT

Spice is a Leeds-based provider of outsourced support services to utilities and energy companies. The company transferred from AIM to the Main Market of the London Stock Exchange in July 2008, raising an additional £50 million shortly after.

GROUP AT A GLANCE

OUR STRATEGY

WE PERFORM A VITAL ROLE AT THE HEART OF THE REAL ECONOMY, ENABLING COMPANIES FROM ALL OVER THE WORLD TO RAISE CAPITAL FOR GROWTH BY PROVIDING LIQUID, TRANSPARENT, WELL REGULATED MARKETS

Our vision	TO BE THE WORLD'S CAPITAL MARKET	
Our strategy	ISSUER SERVICES	• Provide the most efficient and attractive listing venue for companies from all over the world • Develop our offering for growth companies from around the world, building on the success of AIM
	TRADING SERVICES	• Grow our customer network and product range in equities, fixed income and derivatives • Develop our services, technology and pricing structures to attract new types and increasing levels of order flow • Launch Baikal as a leading multi-asset pan-European dark pool and liquidity aggregator
	INFORMATION SERVICES	• Develop the international reach, speed and content of our real-time data products and network • Expand the range of new data products and services to continuously improve market transparency and efficiency
	POST TRADE SERVICES	• Deliver industry leading efficiency and operational performance • Broaden our product range and customer base, expanding services into the European market and internationally

GROUP RESULTS

A GOOD UNDERLYING PERFORMANCE REFLECTS CORE STRENGTHS IN DIFFICULT MARKET CONDITIONS

Year ended 31 March	2009	2008	Growth
Revenue	£671m	£546m	23%
Adjusted operating profit*	£339m	£289m	17%
Operating (loss)/profit	£(210)m	£265m	–
Adjusted profit before tax*	£305m	£259m	18%
(Loss)/profit before tax	£(251)m	£227m^	–
Adjusted basic earnings per share*	74.2p	73.1p	2%
Basic (loss)/earnings per share	(126.1)p	70.8p^	–

* **Measures**
London Stock Exchange Group uses Non-GAAP performance measures as key financial indicators.
See the Non-GAAP definitions on page 94 for further information.

^ Restated

GROUP AT A GLANCE

SEGMENTAL PERFORMANCE

THIS YEAR SAW MAJOR OPERATIONAL HIGHLIGHTS ACROSS OUR DIVERSE GROUP INCLUDING RECORD EQUITY CAPITAL RAISED BY COMPANIES AND THE SUCCESSFUL MIGRATION OF ITALIAN CASH EQUITY TRADING TO TRADELECT

Issuer Services

OPERATIONAL HIGHLIGHTS

- Record £99 billion equity capital raised from further issues
- London attracted 21 international IPOs
- Launch of AIM Italia and road show across Italy

Trading Services

OPERATIONAL HIGHLIGHTS

- Successful migration of Italian cash equities market to TradElect
- Strategic partnerships agreed with TMX Group and Oslo Børs
- Average equity trades per day grew seven per cent to 996,000
- Launch of IDEX, our energy derivatives market in Italy

Information Services

OPERATIONAL HIGHLIGHTS

- Growth of SEDOL Masterfile to five million instruments
- Revenue growth of 42 per cent for Unavista
- Introduction of server hosting service giving customers ultra-fast access to trading
- Professional terminals taking real time data remained broadly stable at 255,000

Post Trade Services

OPERATIONAL HIGHLIGHTS

- CC&G application to become a registered overseas clearing house in the UK
- Provision of routing service by X-TRM from IOB to CCP as part of new clearing service
- 325 million pre-settlement instructions processed by X-TRM
- 103 million contracts cleared by CC&G

CHAIRMAN'S STATEMENT

WE HAVE DELIVERED A GOOD UNDERLYING PERFORMANCE, UNDERPINNED BY ROBUST CASH FLOWS

DIVIDEND

24.4 pence

TOTAL DIVIDEND PER SHARE

"WHILE THE IMPACT OF THE VERY DIFFICULT ENVIRONMENT HAS BEEN REFLECTED IN THE SHARE PRICES OF MANY LISTED COMPANIES, INCLUDING YOUR OWN, OUR MARKETS HAVE BECOME EVER MORE ESSENTIAL, AS WE PERFORM OUR CENTRAL ECONOMIC FUNCTION AT THE HEART OF THE REAL ECONOMY, BRINGING TOGETHER COMPANIES WITH INVESTORS FROM AROUND THE WORLD."

The last 12 months have been extraordinary and turbulent as we have seen the banking crisis deepen and many of the world's economies slip into recession. While the Group's markets have been affected by the crisis, we have delivered a good underlying performance, underpinned by robust cash flows, as the benefits of a more diversified business emerge following our merger with Borsa Italiana.

While the impact of the very difficult environment has been reflected in the share prices of many listed companies, including your own, our markets have become ever more essential, as we perform our central economic function at the heart of the real economy, bringing together companies with investors from around the world.

Following a review of goodwill, we have taken a £484 million non-cash impairment charge, primarily in respect of the all-share Borsa Italiana merger. This impairment reflects the major deterioration in current economic conditions and the greater uncertainty about the future, but has no impact on our day-to-day operations, our ability to generate cash or our banking covenants. Given the strengthening of the euro, the assessed value in use of Borsa Italiana remains comfortably above the £1.3 billion value at the time of completion of the all-share merger.

We continue to make very good progress in bringing together the businesses and cultures of Borsa Italiana and the London Stock Exchange, and have benefited significantly from a more diversified business, with strong revenue growth in Post Trade Services for example.

The role of strategic partnerships between exchanges is increasingly important. Our TOKYO AIM joint venture with the Tokyo Stock Exchange, to deliver a new growth market in Japan and Asia, is progressing well. Meanwhile, I am delighted that the Group has added Oslo Børs and TMX Group, the Canadian equity and derivatives exchange, to its list of international partner exchanges.

The good overall performance is reflected in revenues of £671.4 million. Adjusted basic earnings per share for the year, excluding goodwill impairment, amortisation of purchased intangibles and exceptional items, was up two per cent to 74.2 pence.

Reflecting the year's performance, the Board is proposing a final dividend of 16 pence per share, making a total of 24.4 pence for the year, an increase of two per cent. The payment reflects the resilience of the business balanced by the Board's belief that it is appropriate to remain cautious at this stage while market conditions remain exceptionally uncertain.

I would like to offer my and the Board's sincere thanks to all our employees in Italy, the UK and across the world for their hard work in delivering such a robust performance. These times of change have brought into sharp relief the quality and calibre of the Group's employees.

On 13 February we announced that Clara Furse would be stepping down as Chief Executive, to be replaced by Xavier Rolet. Clara has made a major contribution to the success and history of your Company, leading our transformation from mutual organisation to a dynamic international business. I would like to offer the Board's considerable gratitude for her hard work, dedication and leadership.

Xavier Rolet formally assumes the role of Chief Executive on 20 May, and brings to the Group some 25 years of experience and a thorough understanding of capital markets. Xavier's deep knowledge and extensive customer network means he is highly qualified to lead the Group through the next stages of its development and progress.

I would also like to take the opportunity to welcome formally Doug Webb as our Chief Financial Officer. He joined the Board on 2 June 2008.

As we look to the future, and markets and the economic environment remain challenging, I believe the exchange model will be seen as vital. Over the next year, I expect companies to continue to seek equity funds and we will continue to justify the trust that investors place in our well regulated, highly efficient and price forming service.

We are working closely with governments and other policy makers to help ensure that the response to the banking and economic crisis is proportionate and internationally coordinated. We also continue to lobby in the UK and Italy for a tax system that recognises the essential and positive role of equity markets to our economic well-being.

Although market conditions are expected to remain testing, the Board believes the Group is well placed for the future. We remain at the heart of global equity capital markets at a time when such markets are fundamental to the recovery of the real economy.

Chris Gibson-Smith
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

OUR BUSINESS LINKS COMPANIES LARGE AND SMALL TO THE WORLD'S CAPITAL FLOWS

"THIS PERFORMANCE UNDERLINES THE RESILIENCE OF OUR BUSINESS MODEL, THE REAL AND MEANINGFUL BENEFITS ARISING FROM A FULL YEAR'S CONTRIBUTION FROM OUR MERGER, AND THE HARD WORK AND QUALITY OF OUR STAFF."

In the last year, against the backdrop of extraordinarily difficult financial markets and economic circumstances, we have facilitated access to unprecedented amounts of equity capital for companies quoted on our markets and have continued to provide transparent, liquid and price forming trading services.

Operating profit, excluding goodwill impairment, amortisation of purchased intangibles and exceptional items, increased 17 per cent to £338.6 million. This performance underlines the resilience of our business model, the real and meaningful benefits arising from a full year's contribution from our merger, and the hard work and quality of our staff.

We have had a busy year integrating London Stock Exchange and Borsa Italiana and I am grateful to our colleagues at Borsa Italiana for their hard work and dedication in developing the many assets that Borsa Italiana brings to the Group.

In November, we reached a key milestone in successfully migrating our Italian cash equities market onto our TradElect platform, creating the largest and most liquid equity market in Europe. AIM Italia was established in December and six Italian intermediaries had already been admitted as Nominated Advisers by year end, with a road show across Italy to promote AIM Italia to hundreds of entrepreneurs taking place.

By year end, £19 million of cost synergies had been delivered and we now expect total cost synergies from the merger to be at least £32 million, an increase of 60 per cent on our original forecast. The full run rate of at least £32 million will be delivered in the coming financial year.

I would also acknowledge the engagement and support we received throughout the year from our customers and the regulatory authorities, CONSOB and Banca d'Italia, in Italy. This has been fundamental to the success of our merger.

Demonstrating the critical role that our equity market plays in supporting the real economy, we saw a record £106 billion of money raised in new and further issues across the Group. This included a total of 160 new issues and a record £99 billion of further money raised as companies issued new equity to fund growth or repay debt and strengthen balance sheets.

To build on our position as the world's most international capital market, we continued to promote London around the world. In the last year we held a series of events for global companies and investors from the Americas, the Middle East and Asia. We attracted 21 international IPOs, raising £3 billion between them, once again more than all of our major exchange competitors put together. Highlights from the year included nine companies joining us from the Middle East raising a combined £1.4 billion, and the Mexican mining company Fresnillo joining our Main Market, raising over £900 million.

Equity trading for the full year was resilient, although it weakened in the second half as the de-leveraging effects of the financial crisis were felt. As a number of new entrants emerged, our market share in the electronic trading of FTSE 100 securities remained around 75 to 80 per cent and over 90 per cent in S&P/MIB securities. We continue to offer best execution; the tightest spreads and the greatest certainty of execution in the shares of the companies listed on our market. For the full year in London, average daily value traded decreased 24 per cent to £6.9 billion per day, reflecting the 22 per cent fall in the average value of the FTSE 100 index and general de-leveraging. However, the average daily number of trades continued to grow, increasing 15 per cent to 740,000 trades per day. In Italy, average trades per day declined 12 per cent on a pro forma basis to 256,000 although volumes increased in March, as share prices started to recover from recent lows.

The growth in the number of trades in London reflects the increasing importance of high frequency, highly automated electronic trading which we have highlighted in previous years. Indeed, new specialist trading firms continue to join our markets, supporting volume growth. This high frequency trading flow requires a very high speed service and a different fee structure. To incentivise their participation, we launched a new equity price list in September that introduced a tiered credit scheme for liquidity provision.

We also continue to invest in the speed and capacity of our trading platform and are busy preparing the next stage of our technology development.

Our derivatives business performed well, with Group volumes increasing 14 per cent on a pro forma basis to a record total for the year of 98 million contracts. This growth was driven in particular by very strong trading in our Russian derivatives service. In November we launched a new Italian power derivatives market, IDEX, which has started well with 14 trading members already using the service.

Information Services also delivered a strong performance, reflecting the quality and value of our trading information. Demand for professional terminals receiving real time London Stock Exchange data was resilient throughout most of the year with a small decline in the last quarter to 104,000. Professional users of Borsa Italiana data were down 9,000 to 151,000. As part of our continuing development and diversification, in September we launched our Hosting service, providing speed-hungry trading firms with even faster access to our trading and information services. This is one example of a number of new initiatives being developed by the Group.

Throughout the financial crisis our clearing service, CC&G, performed its crucial function as central counterparty very effectively, highlighting the quality of its risk management processes and operational excellence. Working with LCH.Clearnet in London, we also launched a new central counterparty service for the 50 most liquid depositary receipts on the London Stock Exchange's International Order Book. Monte Titoli's post trade router, X-TRM, is now being used in the UK market for the first time as part of this service.

We continued to build our international network, entering into a strategic partnership with Oslo Børs which will use TradElect for Norwegian equities and fixed income trading. In March we also partnered with TMX Group. As part of this collaboration, our London derivatives business, EDX London, will use TMX Group's derivatives trading platform by the end of the year and TMX Group has recently invested in EDX London, with a view to building new products and services together.

As I step down after eight eventful and very enjoyable years, I am delighted that Xavier Rolet will assume the role of Chief Executive. I believe he is exceptionally well qualified to take the Company forward.

I would particularly like to extend my deepest gratitude to my Chairman and Board, my colleagues, our customers, shareholders and advisors for their steadfast support over the last eight years. I wish you all very well in the years ahead.

Clara Furse
CHIEF EXECUTIVE

MARKET POSITION AND TRENDS

OVER THE LONG TERM, THE FUNDAMENTALS THAT DRIVE GLOBALISATION REMAIN STRONG AND AS THE WORLD'S PRE-EMINENT INTERNATIONAL LISTING VENUE THE GROUP IS WELL PLACED TO BENEFIT FROM THE LONG TERM DEMAND FOR CAPITAL

"SINCE 1951, GLOBAL GDP PER CAPITA HAS INCREASED IN ALL BUT THREE YEARS."

THE FINANCIAL CRISIS AND GLOBALISATION

The world economy is facing a period of unprecedented challenge with global GDP expected to decline this year. A severe dislocation in financial markets has been characterised by high volatility and risk aversion, very difficult credit market conditions, declining equity prices and very low interest rates.

In response, we are seeing governments and regulators take action to restore confidence in markets and the banking sector in particular. Equally, the crisis is highlighting the value and importance of the exchange business model and the role of regulated equity markets in the real economy as companies raise record sums. We are working with relevant authorities to try and ensure regulatory changes are focused, proportionate and internationally coordinated.

Since 1951, global GDP per capita has increased in all but three years. Over the long term, the fundamentals of globalisation remain strong with newer markets growing faster than more established economies, and world trade continuing to expand, facilitated by the financial services industry; cross border capital flows grew at 15 per cent per annum from 1990 to 2007. As the world's pre-eminent international listing venue, the Group is well placed to facilitate, and benefit from, the long term demand for capital.

RE-EQUITISATION

While the origins of the current global financial crisis lie in global macro-imbalances which resulted in very low real interest rates and a rapid increase of debt, facilitated by OTC credit market innovations in the banking sector, companies are returning to equity markets to repay debt and strengthen balance sheets. Across the world, almost $1 trillion has been raised by companies in the last year. On the Group's markets a record £99 billion of further money was raised in the year. We expect this trend to continue in the coming year.

THE CENTRAL ROLE OF EXCHANGES AND EFFICIENT POST TRADE SERVICES

At a time of great uncertainty and increasing competition from alternative trading venues, neutral, well regulated exchanges have demonstrated their value, withstanding market turmoil and continuing to provide liquid, price forming and transparent trading services.

The financial crisis has highlighted the importance of counterparty risk management and the benefits of the simplicity and safety of exchange trading and central counterparty guarantees. The Group's regulated markets and Italian post trade services are well placed to benefit from a move away from complex, less transparent OTC products and we will aim to use our post trade assets more broadly as we develop new trading services across the Group.

BENEFITING FROM DIVERSIFICATION

The Group is beginning to achieve significant benefit from diversification. Today we are able to offer our broad and international customer base a variety of products and services across a range of markets such as equities, bonds, Exchange Traded Funds (ETFs) and derivatives, as well as post trade services.

The strategic significance of our fixed income presence is increasing for three very important reasons. Firstly, there is a trend for a significant increase in government debt issuance as tax revenues fall and government deficits increase responding to the challenges of the current economic downturn. Secondly, the credit crisis has made simple, central counterparty cleared debt products more attractive. Finally, the crisis has highlighted the value of open, transparent and neutral exchange organised debt markets. The Group is therefore well positioned for future growth, both in the wholesale and retail customer markets.

We can be confident that our diversity and international strength will be powerful assets for the Group, complementing the unique strength of London as a financial centre.

TECHNOLOGY, EFFICIENCY AND NEW TYPES OF TRADING

While the financial crisis has affected some key trading customers, in particular investment banks and highly leveraged hedge funds, the trend to high frequency, highly automated trading continues. Given the very strong growth of high frequency trading in the United States, this trend has much further to go in Europe. Technology is also key in the development of smart order routing services and non-display execution venues, often referred to as 'dark pools'.

As trading customers develop ever faster trading systems and demand different ways of trading we are investing and innovating to meet these changing needs – increasing the speed and capacity of our trading services as well as providing new functionality. In the coming year we will launch Baikal, a liquidity aggregation and dark pool trading service.

SUCCEEDING IN AN EVOLVING INDUSTRY

There has been considerable restructuring and consolidation in the exchange industry over the last few years. This has been driven by the scale economies of exchange services and the major benefits mergers can bring to customers, as well as the benefits of diversification and synergies for shareholders. There remain significant strategic opportunities for cooperation or combination.

Our partnerships with the Tokyo Stock Exchange, TMX Group and Oslo Børs are examples of mutually beneficial cooperation which will bring significant strategic benefits to the Group and our customers.

BUSINESS REVIEW

WHILE A COMBINATION OF MARKET VOLATILITY AND SUBDUED ASSET VALUATIONS DEPRESSED THE IPO MARKET DURING THE YEAR, COMPANIES NEVERTHELESS RAISED RECORD SUMS OF CAPITAL ON THE GROUP'S MARKETS, PRINCIPALLY THROUGH FURTHER ISSUES

ISSUER STRATEGY

- PROVIDE THE MOST EFFICIENT AND ATTRACTIVE LISTING VENUE FOR COMPANIES FROM ALL OVER THE WORLD
- DEVELOP OUR OFFERING FOR GROWTH COMPANIES FROM AROUND THE WORLD, BUILDING ON THE SUCCESS OF AIM

With 3,304 companies on the markets of London Stock Exchange and Borsa Italiana, and with 47 per cent of the market capitalisation of the FTSEurofirst 100, we are Europe's largest equity exchange business. With 656 international companies from 72 countries on our markets in London alone, we also remain the international listing venue of choice.

HIGHLIGHTS

The Group welcomed 160 new companies to its markets, including 21 international IPOs as London retained its leadership in international IPOs. This compares with 411 new companies in the previous year, of which 84 were international IPOs, and reflects the volatility and depressed valuations associated with the economic downturn.

Our markets remained busy despite turbulent market conditions during the second half of the year. A record amount of capital was raised in London during the year at over £98 billion. This included £7 billion from new admissions and £91 billion raised from further issues, an overall increase of 158 per cent on the previous year.

British firm Resolution and New World Resources from the Czech Republic led the IPOs, and we attracted our first three issuers to the Specialist Fund Market, developed for quoted alternative investment vehicles.

There were six IPOs on Borsa Italiana. While this was a marked reduction on the previous year, over €9 billion was raised in further issues.

AIM Italia, launched in December 2008, has made encouraging progress. By the year end, six Nomads had already been registered. Massimo Capuano, Deputy CEO of the Group, led a road show across Italy, which has identified a pipeline of potential listings. Neurosoft and IKF were the first two companies to join AIM Italia in May 2009.

The global economic downturn is particularly testing for smaller companies, which tend to be at an earlier stage of development and less diversified. Mindful of this, we have developed a series of initiatives to support and enhance liquidity, including the launch of PSQ Analytics in London, an independent research service focused on investment research into smaller companies.

Investor road shows across Italy, the UK and internationally (including Egypt, the Middle East and China) informed investors about new investment opportunities in our different markets and the Group continues to focus on bringing together companies and investors.

In addition, Borsa Italiana's Partnership Equity Markets programme brings together the whole financial community which can support companies during and after the listing process. The programme now has 80 members from the corporate adviser community participating in joint marketing and education programmes.

PRIORITIES

We continue to expand into new regions. Fresnillo provided our first IPO from Mexico, raising over £900 million, and we attracted two IPOs from Kuwait, one from Qatar, as well as others from Egypt and Bahrain. Indian companies raised £233 million, representing 64 per cent of all capital raised by Indian companies on overseas exchanges.

CASE STUDY: SPICE

Our progress in Russia and Eastern Europe continued. Magnit, the food retailer from Russia, became the 100th company on our markets from this region, raising $239 million through global depositary receipts.

Our cooperation with MICEX on joint marketing initiatives continues. We will shortly launch a joint website, providing a valuable global connection with market participants.

We are also developing our successful AIM model in other jurisdictions. In addition to the development of AIM Italia, our collaboration with the Tokyo Stock Exchange has resulted in the launch of TOKYO AIM, a joint venture between the two exchanges.

Spice was one of the 140 UK companies that successfully raised equity capital on the London Stock Exchange's Main Market in the past financial year.

Spice is a Leeds-based company that provides outsourced infrastructure support services, principally to the utility sector and energy companies. The company is listed on the Main Market, having started life as a publicly quoted company on AIM. Spice was admitted to our market for smaller, growing companies in August 2004 with a market capitalisation of £48.5 million, raising a total of £23 million.

Following an ambitious growth strategy, Spice transferred to the Main Market in July 2008. Shortly after this, in September 2008 the company was able to use our equity markets for a placement of new ordinary shares to raise £50 million of additional capital to reduce levels of bank debt.

The company was founded in 1996 through a management buy-out from Yorkshire Electricity. From a single contract worth £3 million per annum, Spice grew organically and by acquisition to in excess of £300 million turnover per annum. Currently around 4,500 people are employed by Spice, mainly in the UK but also in the USA.

Spice works in partnership with a large number of commercial, public and utility organisations. Operating from more than 30 locations across the UK, the company provides bespoke and added value solutions to its customers. The variety of services the company offers ranges from maintaining overhead power lines to reading and installing water meters.

[1] Pro Forma figures as if Borsa Italiana was part of the Group for the periods covered

BUSINESS REVIEW

THE GROUP'S TRADING OPERATIONS HAVE DEMONSTRATED THEIR RESILIENCE WITH SETS TRADES PER DAY INCREASING 15 PER CENT. BORSA ITALIANA'S MTA AND EXPANDI CASH EQUITY MARKETS WERE SUCCESSFULLY MIGRATED ONTO TRADELECT

TRADING STRATEGY

- GROW OUR CUSTOMER NETWORK AND PRODUCT RANGE IN EQUITIES, FIXED INCOME AND DERIVATIVES
- DEVELOP OUR SERVICES, TECHNOLOGY AND PRICING STRUCTURES TO ATTRACT NEW TYPES AND INCREASING LEVELS OF ORDER FLOW
- LAUNCH BAIKAL AS A LEADING MULTI-ASSET PAN-EUROPEAN DARK POOL AND LIQUIDITY AGGREGATOR

HIGHLIGHTS FOR EQUITY TRADING

Taken as a whole, electronic trading of equities across the Group's markets was resilient in 2009. We remain the number one platform in Europe by value and volume traded. However, volatility across all financial markets led to noticeable variances in volume, month to month, and also market by market, while falls in share prices depressed the value traded.

Overall, the average daily number of SETS trades increased 15 per cent to 740,000. The value traded during the year, impacted by lower company valuations, was 22 per cent lower than in the previous year.

Equity trading on Borsa Italiana was also affected by market conditions, though the pattern throughout the year differed. Overall, the average daily number of trades was 12 per cent lower at 256,000, though volumes have increased since January as share prices have started to recover.

The trading environment across Europe has changed with an increase in multilateral trading facilities (MTFs) seeking to establish pan-European trading services. These venues, although competing for business, have also helped attract new liquidity from high frequency traders.

A major milestone in the integration of our markets was the successful migration of Borsa Italiana's MTA and Expandi markets onto TradElect. This will be followed this year by the migration of the Italian ETF, retail fixed income and securitised derivatives markets.

In London, we enhanced our trading services offering with:

- A new fee structure which rewards liquidity provision;
- The introduction of a central counterparty (CCP) service for the International Order Book (IOB) in the 50 most liquid depositary receipts; and
- The introduction of Member Authorised Connection, enabling member firms to offer their customers direct and higher speed access to our trading platform.

The Group continues to maintain its position as the European leader by volume of order book trades in ETFs and Exchange Traded Commodities (ETCs). Our ETF and ETC business experienced a 64 per cent increase in turnover.

HIGHLIGHTS FOR DERIVATIVES AND FIXED INCOME TRADING

Derivatives trading volumes held up well in the face of challenging market conditions, with growth in Group volumes of 14 per cent to a record total of 98 million contracts traded.

IDEX, a new energy derivatives segment of IDEM, was launched in November 2008. Already, 14 companies are active trading members of the new segment.

EDX London enjoyed a record year. Russian derivatives contracts have grown to 30 per cent of the total contract volumes on the EDX markets and EDX achieved over 90 per cent of all trading in Russian options.

Trading on MTS, Europe's largest wholesale electronic government bond market, contracted, reflecting the crisis in the credit markets. However, we remain the leading provider in wholesale electronic bond trading in Europe, with a stable market share of approximately 70 per cent in the interdealer markets.

CASE STUDY: FINECOBANK

We experienced a record year on MOT, our Italian retail fixed income market, with the average daily number of trades increasing 23 per cent to over 13,000.

FURTHER DEVELOPMENTS

The introduction of Baikal, our dark pool MTF, will provide a market solution that will enable larger trades in a neutral and trusted environment, with execution on exchanges and MTFs across Europe via smart order routing technology.

During the year, we established strategic partnerships with Oslo Børs and TMX Group. The cash equity and fixed income markets of Oslo Børs will migrate to our trading system by mid 2010, offering members a wider range of investment and trading opportunities. EDX and Oslo Børs derivatives markets will migrate onto TMX Group's derivatives trading platform by the end of 2009.

We continue to invest in enhancements to SETS, including pegged and hidden limit order trading functionality, which will be introduced this year.

FinecoBank is a customer of Borsa Italiana and is the leading online bank in Italy measured by number of clients, and number one broker by number of trades. It is part of the Unicredit Group, based in Milan.

FinecoBank delivers a full range of customer-focused brokerage, banking and credit services. The firm targets mass-market online retail investors, offering a wide variety of products for trading including shares, ETFs and securitised derivatives as well as asset management services through a network of 2,700 personal financial advisers.

From 1999 to 2001 Fineco grew from scratch to 250,000 customers and became Europe's leading online trader by number of trades as well as priding itself on its levels of customer service.

The company has a close collaborative relationship with Borsa Italiana. Key to the success of FinecoBank, says Mr Ravaglia, General Manager is: "A simple business model built principally for the mass-market at a competitive price."

FinecoBank took part in the migration of the Borsa Italiana markets to TradElect in 2008.

"We initially thought that the migration to TradElect would merely mean switching to a more advanced platform, but now we recognise that the change has delivered a different way of trading, and that Italy now has access to the most liquid market in Europe."

From an IT perspective, Fineco found that the migration was one of the most straightforward projects they have ever implemented.

BUSINESS REVIEW

WE OFFER VALUABLE AND PRICE FORMING DATA PRODUCTS AND CONTINUE TO EXPAND OUR COMPETITIVELY PRICED RANGE OF PRODUCTS

INFORMATION STRATEGY

- DEVELOP THE INTERNATIONAL REACH, SPEED AND CONTENT OF OUR REAL-TIME DATA PRODUCTS AND NETWORK
- EXPAND THE RANGE OF NEW DATA PRODUCTS AND SERVICES TO CONTINUOUSLY IMPROVE MARKET TRANSPARENCY AND EFFICIENCY

HIGHLIGHTS

The number of terminals taking real time data held up well throughout most of the year with professional demand for London Stock Exchange data down by 8,000 to 104,000 at year end. We are making our market data more widely available to an international audience and driving strong growth.

A similar trend was experienced at Borsa Italiana with 151,000 professional terminals, down 9,000 on the previous year.

The year saw the launch in London of Performance Channels; a market data publishing service which ensures that our low latency for data delivery is maintained even during the highest peaks in trading activity. Already over 60 per cent of the professional market has taken advantage of this new product.

In addition, a server hosting service was launched, enabling latency sensitive customers to benefit from the improved performance of being located within the same building as our matching engines and data feeds. Phase one of the service has been fully allocated. In phase two, for which we already have a healthy pipeline of customers, a significant amount of additional space, power and choice of dedicated connectivity options will be provided to a greater number of trading participants.

Over the course of the year, our position as a provider of high quality information has been consolidated and our integrated trading and market data systems have achieved significant growth:

- In Italy, Market Connect now has 26,000 own screens and 65,000 third party screens, up 30 per cent and three per cent respectively from the previous year; and
- In London, Proquote achieved an increase in terminal numbers of 14 per cent from 4,200 to 4,800, of which 2,700 were carrying international data.

SEDOL Masterfile, our global reference data service, now covers over 5 million instruments, compared to 2.4 million in the previous year. A new SEDOL system was launched in 2008, providing 1,300 global customers with access to 3 million SEDOLs for global exchange traded derivatives and a range of new website services.

Revenues from Unavista, our new global data integration, validation and reconciliation service, grew by 42 per cent. This service helps customers reduce operational risks and costs through the provision of web based software solutions hosted at the London Stock Exchange's secure service centre.

FTSE Group, of which we own 50 per cent, has grown strongly. FTSE royalty revenue received by the Group was £8 million plus dividends of £3.5 million.

Last year 37 per cent of our Information Services revenue derived from services other than those related to real time data, up from 35 per cent in the previous year.

CASE STUDY: FIDESSA GROUP

FURTHER DEVELOPMENTS

New FTSE Italia indices will be launched this year, including the FTSE MIB index and a comprehensive set of complementary indices designed specifically for Italy, providing new investment opportunities for domestic and international investors.

We will provide new reference data content and the ability to validate customer data against the SEDOL Masterfile database using a new website service.

Unavista will expand its services into Italy with a range of business solutions in the areas of post trade, cash reconciliations and reference data management.

We are actively working with third parties from across the market to find new ways to deliver consistently higher quality post trade data, which can then be aggregated, disseminated and used with increased confidence in the fragmented, post-MiFID environment.

We work with many companies that supply trading software and act as vendors distributing Group data. Fidessa is one of those companies, and it has been listed on the London Stock Exchange since 1997. A FTSE 250 company, Fidessa serves over 22,000 users across 630 clients globally.

It is a leading supplier of multi-asset trading, portfolio analysis, decision support, compliance, market data and global connectivity solutions for the buy-side and sell-side globally. Fidessa also supplies sophisticated algorithmic trading and smart order routing services.

The company is an accredited Independent Software Vendor (ISV) and Vendor Access Network (VAN) provider for the London Stock Exchange. Much of the Group's customer base use Fidessa software to gain access to TradElect.

Fidessa also helps to connect the buy-side community to the Group's FIX Gateway service via FidessaNET.

Its global network carries over 180 million messages a month covering over 2,200 buy-side firms and 360 brokers across 115 markets worldwide.

We have recently announced the selection of Fidessa as a partner to develop order management and smart order routing technology for Baikal, our forthcoming pan-European dark pool multilateral trading facility (MTF) and liquidity aggregation service.

BUSINESS REVIEW

WE CONTINUE TO EXPAND ITALIAN POST TRADE SERVICES ACROSS THE GROUP. X-TRM WAS LAUNCHED IN THE UK IN THE LAST YEAR, AND CC&G WILL BECOME A CCP FOR BAIKAL IN THE YEAR AHEAD

POST TRADE STRATEGY

- DELIVER INDUSTRY LEADING EFFICIENCY AND OPERATIONAL PERFORMANCE
- BROADEN OUR PRODUCT RANGE AND CUSTOMER BASE, EXPANDING SERVICES INTO THE EUROPEAN MARKET AND INTERNATIONALLY

CLEARING AT CC&G

CC&G acts as a CCP, guaranteeing trades and eliminating counterparty risk in Italian cash equities, derivatives, government bonds and other financial instruments. It has 135 members, 45 per cent of which are based outside Italy.

HIGHLIGHTS FOR CC&G

CC&G has executed its crucial role as a CCP throughout the financial crisis, proving the efficiency of its counterparty risk management.

Despite turbulent market conditions, there were no calls on CC&G's default funds. In fact, since their creation, there has never been a call on a default fund.

103 million cash equity and derivatives contracts were cleared in the year, slightly down on last year's 111 million contracts, reflecting a decline in the number of equity trades in Italy. Open interest in derivatives remained strong at 4.6 million contracts, 1.6 million up on last year.

CC&G continues to expand and diversify its customer base. In November, CC&G began clearing for IDEX, the Group's new electric power derivatives market.

CC&G has applied to the UK's Financial Services Authority to be a Recognised Overseas Clearing House, in preparation for offering clearing services in the UK.

In the year ahead, CC&G will become a CCP for Baikal, the Group's pan-European dark pool MTF.

PRE-SETTLEMENT, SETTLEMENT AND CUSTODY AT MONTE TITOLI

Through X-TRM, our pre-settlement facility, and Express II, our securities settlement system, Monte Titoli provides efficient routing, netting and settlement services. Monte Titoli also provides highly automated custody services for a range of financial instruments.

HIGHLIGHTS FOR MONTE TITOLI

X-TRM

Technology is key to the continuing success of X-TRM, and in January we released X-TRM Online, a new range of web-based services which provide customers with easy to manage and cost-effective web access to our pre-settlement, settlement and custody services.

X-TRM is now used in the UK with the launch of a central counterparty service for trading in the 50 most liquid depositary receipts on the London Stock Exchange's IOB. X-TRM improves operational efficiency by ensuring that trades are routed from the IOB to the CCP service provider.

Challenging market conditions were reflected in a 9.7 per cent fall in pre-settlement instructions on X-TRM to 325 million.

In the year ahead, the processing capacity of X-TRM will be doubled and reach over 32 million instructions a day.

Express II

Express II continued to demonstrate its efficiency delivering a settlement rate in excess of 99.7 per cent, well above the Bank for International Settlement's quality standards.

CASE STUDY: MONTE TITOLI'S X-TRM

Monte Titoli is fully involved in the European Central Bank's 'Target 2 Securities' project, as a member of the project's Advisory Group. This will ensure that we are able to play an important role in the development of cross-border settlement services in Europe.

Monte Titoli is expanding its client base and in October, Express II began processing settlement instructions from EuroCCP and EMCF.

Custody

Monte Titoli's custody business has been resilient over the last year. At year end, the total value of securities held was stable at €2.7 trillion, with the value of corporate bonds in custody increasing 33 per cent to €840 billion and the value of government bonds increasing over seven per cent to €1,403 billion.

The value of corporate actions handled increased 23.3 per cent from €155.9 billion to €192.3 billion, reflecting the increased size of the fixed income securities under custody.

X-TRM lies at the heart of the Group's open and interoperable market model for post trade services.

It is a multi-purpose post trade, pre settlement engine. It can receive multiple transaction flows from different execution venues, including OTC trades, match trades and then route them to settlement.

It provides a single entry point for all Monte Titoli's customers, allowing them to centralise their post trade transaction and information flows.

The service supports competitive clearing and settlement by enabling the use of multiple central counterparties and by routing trades to different settlement systems as customers require.

"X-TRM is the heart of the post trading infrastructures in Italy, it is well integrated in our transaction processing procedures and, based on our experience as a key settlement agent on the Italian market, it has proved to be an efficient matching and routing engine", says Mr. Riccardo Lamanna, Head of Transaction Services at Intesa Sanpaolo.

[1] Pro Forma figures as if Borsa Italiana was part of the Group for the periods covered

FINANCIAL REVIEW

GROWTH IN REVENUE AND ADJUSTED BASIC EARNINGS PER SHARE REFLECTING THE MERGER WITH BORSA ITALIANA AND THE RESILIENCE OF THE BUSINESS MODEL IN CHALLENGING MARKET CONDITIONS

HIGHLIGHTS

- REVENUE AT £671.4 MILLION UP 23 PER CENT (2008: £546.4 MILLION)
- OPERATING PROFIT, BEFORE GOODWILL IMPAIRMENT, AMORTISATION OF PURCHASED INTANGIBLES AND EXCEPTIONAL ITEMS, INCREASED 17 PER CENT TO £338.6 MILLION (2008: £289.0 MILLION). OPERATING LOSS, AFTER GOODWILL IMPAIRMENT, AMORTISATION OF PURCHASED INTANGIBLES AND EXCEPTIONAL ITEMS, WAS £210.0 MILLION (2008: PROFIT OF £265.2 MILLION)
- ADJUSTED BASIC EARNINGS PER SHARE, BEFORE GOODWILL IMPAIRMENT, AMORTISATION OF PURCHASED INTANGIBLE ASSETS AND EXCEPTIONAL ITEMS, INCREASED TWO PER CENT TO 74.2 PENCE (2008: 73.1 PENCE). BASIC EARNINGS PER SHARE WERE NEGATIVE 126.1 PENCE (2008: POSITIVE 70.8 PENCE RESTATED)
- GOODWILL IMPAIRMENT OF £484.0 MILLION, PRIMARILY IN RESPECT OF BORSA ITALIANA, RECOGNISED AS A RESULT OF SIGNIFICANT CHANGE IN GLOBAL MARKET CONDITIONS
- CASH GENERATED FROM OPERATIONS INCREASED TO £352.6 MILLION (2008: £292.9 MILLION)
- LONG-TERM CREDIT RATING IMPROVED, WITH MOODY'S RATING UP FROM Baa3 (POSITIVE OUTLOOK) TO Baa2 (STABLE OUTLOOK), AND RATING OF A- (STABLE OUTLOOK) ASSIGNED BY STANDARD & POOR'S

REVENUE

Revenue increased 23 per cent to £671.4 million (2008: £546.4 million), reflecting a full year of Borsa Italiana results, compared with six months in 2008.

Issuer Services

Revenue in Issuer Services was up 10 per cent to £90.4 million (2008: £82.4 million) including a full year of Borsa Italiana revenues. The performance reflects a good first half for new issues, with the second half of the year seeing a reduction in activity levels due to poor market conditions for IPOs and lower overall market capitalisation partially offset by strong further issuance activity in the fourth quarter.

On the London markets, total equity raised was £98 billion (2008: £38 billion), principally due to large further issues undertaken by many companies, in particular banks, in response to the liquidity situation. Average market capitalisation of a Main Market new issue was up 15 per cent to £781 million (2008: £677 million). The number of Main Market, Specialist Fund Market (SFM) and Professional Securities Market (PSM) new issues decreased to 65 (2008: 116), while AIM new issues totalled 87 (2008: 262). In Italy, eight companies listed during the year (from 1 October 2007 to 31 March 2008: 10). At 31 March 2009 the total number of companies on all of our markets was 3,304 (2008: 3,579), of which 1,478 were on AIM (2008: 1,681) and 296 on the Italian market (2008: 306).

Trading Services

Trading Services revenue increased four per cent to £275.3 million (2008: £264.7 million), with the difficult market conditions offset by the inclusion of a full year of results from Borsa Italiana.

In cash equities, average trades per day on SETS increased 15 per cent to 740,000 (2008: 642,000), with value traded for the year at £1,771 billion (2008: £2,276 billion), a 22 per cent decrease from 2008. The fall in average trade size results from falling market values and the continued growth in high frequency, electronic trading strategies. In Italy, average daily bargains were 256,000 (1 October 2007 to 31 March 2008: 295,000) with total value traded at €838 billion (1 October 2007 to 31 March 2008: €685 billion).

On the fixed income markets, wholesale trading conditions were very challenging as a consequence of contraction in credit markets. MTS, the leading wholesale market in Europe for electronic trading of bonds, traded a nominal value of €18.3 trillion (from 1 October 2007 to 31 March 2008: €9.3 trillion). MOT, Borsa Italiana's retail electronic bond and government securities market, performed more strongly with value traded of €197 billion (1 October 2007 to 31 March 2008: €78 billion).

Derivatives grew strongly, with 26 per cent growth in the number of EDX London contracts traded to 61.1 million (2008: 48.6 million). The Italian derivatives market, IDEM, traded 37.0 million contracts in the year (1 October 2007 to 31 March 2008: 17.6 million).

Information Services

Revenue from Information Services was £182.9 million, an increase of 27 per cent (2008: £143.6 million), following robust demand for real time price and trading data and the contribution of a full year from Borsa Italiana.

Professional users receiving real-time London Stock Exchange data accounted for 104,000 terminals at 31 March 2009 (2008: 112,000), averaging 110,000 for the year (2008: 104,000 average). In Italy at 31 March 2009 there were 151,000 professional terminals (2008: 160,000) receiving real-time Italian market data, with an average of 157,000 (1 October 2007 to 31 March 2008: 157,000).

Post Trade Services

Post Trade Services contributed £104.0 million to revenue (2008: £42.8 million), benefiting from high levels of interest received on cash balances and margins held, and reflecting the inclusion of only six months' revenue in the previous year. CC&G cleared 66.3 million equity contracts (1 October 2007 to 31 March 2008: 37.3 million) and 37 million derivative contracts (1 October 2007 to 31 March 2008: 17.6 million) in the year. The Monte Titoli settlement and custody business had average assets under custody of €2.7 trillion (1 October 2007 to 31 March 2008: €2.7 trillion), reflecting the strong weighting towards fixed income products, and 45.6 million settlement instructions (1 October 2007 to 31 March 2008: 24.8 million) during the period.

OTHER INCOME

Other Income grew 46 per cent to £18.8 million (2008: £12.9 million), primarily reflecting the inclusion of a full year of revenues from Borsa Italiana's IT consulting services to third parties and its congress and training centre.

EXPENDITURE

Administrative expenses, excluding exceptional items and amortisation of purchased intangible assets, increased to £332.8 million (2008: £257.4 million), principally due to only six months of Borsa Italiana expenses being included in 2008. Amortisation of purchased intangible assets was £49.4 million (2008: £21.5 million).

FINANCIAL REVIEW

GOODWILL IMPAIRMENT

The Group merged with the Borsa Italiana group in October 2007, valuing the Italian business at £1,308 million, including goodwill of £917 million. As a result of the strengthening of the euro against sterling, the carrying value of this euro-denominated goodwill balance was £1,221 million as at 31 March 2009.

Financial market and economic conditions have deteriorated significantly since the merger, leading to greater uncertainty about the future. Value in use calculations including revised estimates of future performance and discount rates now value the goodwill at £747.7 million, and the difference (£472.9 million) has been charged to the income statement. A further £11.1 million of goodwill impairment has been taken, relating to Proquote Ltd.

These impairments have no impact on the day-to-day operations of the Group, its ability to generate cash or its banking covenants. Given the strengthening of the euro against sterling, the assessed value in use of Borsa Italiana remains above the £1.3 billion value at the time of completion of the all share merger.

OTHER EXCEPTIONAL ITEMS

Other exceptional costs before tax included £15.2 million (2008: £2.3 million) for integration activities and £6.9 million (2008: £7.7 million restated) for costs associated with the closure of a gilt lock hedging transaction and the revaluation of the £250 million bond following an improvement to its credit rating.

PRIOR YEAR ADJUSTMENT

The Group carries its bank borrowings and bonds at amortised cost, with interest charged to the income statement over the period of the borrowings using the effective interest rate (EIR) method. Its July 2006 £250 million bond paid an initial coupon of 5.875 per cent per annum. Due to changes to the Company's long term credit rating, the coupon increased to 6.125 per cent and 6.375 per cent in July 2007 and January 2008 respectively. For the purposes of its annual financial statements at 31 March 2008, the Group treated this bond as a floating rate instrument and, accordingly, did not reflect the impact of the expected future cash flows at the original EIR in its calculations. Following further consideration, the directors decided that, although there were good arguments for treating elements of the bond as floating rate, it was more appropriate to have treated this as a fixed rate instrument. Accordingly, the prior period financial statements have been adjusted by restating the carrying amount of the debt instrument by discounting the revised cash flows using the original EIR, with the resulting adjustments being recorded in the income statement as an exceptional finance cost. The resulting net charge to the income statement of £5.5 million has been treated as a prior year adjustment.

PROFIT/LOSS FOR THE YEAR

Increased profit for the year, before goodwill impairment, amortisation of purchased intangible assets and exceptional items, resulted from including a full year of Borsa Italiana results and the translation benefits from a stronger euro against sterling. Profit before taxation on this basis showed an 18 per cent improvement at £304.7 million (2008: £258.5 million), while after allowing for goodwill impairment, amortisation of purchased intangible assets and exceptional items, the loss before taxation was £250.8 million (2008: £227.0 million profit restated). Net finance costs increased to £44.9 million (2008: £40.4 million restated) reflecting losses on a gilt lock contract, partly offset by a credit for bond revaluation, as well as a full year of borrowing to finance capital returns to shareholders. The taxation charge of £82.0 million (2008: £54.0 million restated) increased because the previous year's charge benefited from exceptional tax credit items of £24.1 million. The effective tax rate was 32.0 per cent (2008: 31.6 per cent), reflecting a full year of Borsa Italiana results and decreases in the UK and Italy rates of corporation tax. Loss attributable to equity holders for the year, after tax and minority interests, was £338.0 million (2008: £168.3 million profit), showing the impact of the goodwill impairment taken during the year.

EARNINGS PER SHARE

Adjusted basic earnings per share, excluding goodwill impairment, amortisation of purchased intangible assets and exceptional items, for the Group showed an increase of two per cent to 74.2 pence (2008: 73.1 pence), while basic earnings per share became negative 126.1 pence (2008: positive 70.8 pence restated), reflecting the goodwill impairment detailed above.

CASH FLOW AND BALANCE SHEET

Cash generated from operations increased by 21 per cent to £352.6 million (2008: £292.9 million), due to the consistent operating performance during the period, as well as the inclusion of Borsa Italiana cash flows for the full financial year.

The Group had net assets of £1,053.2 million at 31 March 2009 compared to net assets of £1,262.9 million restated at 31 March 2008, the change principally arising from foreign exchange gains of £274.6 million (2008: £201.5 million) and goodwill impairment of £484.0 million (2008: nil). The decrease also included recognised losses for the period of £76.6 million (2008: gains of £388.3 million restated), and dividends paid of £65.3 million (2008: £46.0 million). The central counterparty clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

NET DEBT, FACILITIES AND CREDIT RATING

The Group's net debt of £482.7 million (2008: £499.4 million) at 31 March 2009 comprises gross borrowings of £624.8 million (2008: £692.1 million) and £143.7 million of cash resources (2008: £200.6 million). £125 million of the Group's cash resources (2008: £125 million) are set aside to meet regulatory, clearing and commercial requirements, giving an operating net debt of £607.7 million (2008: £624.4 million).

At 31 March 2009, the Group's interest cover ratio remained strong at 10.1 times (2008: 9.8 times). This ratio is measured by the coverage of net finance expense (before exceptional items) by EBITA (EBITDA after deducting depreciation).

Committed funding totalled £905 million at 31 March 2009 (2008: £886 million), of which £700 million is committed until 2012 or beyond.

On 8 May 2008, Standard and Poor's assigned a long-term rating of A– (stable outlook) to London Stock Exchange Group. The Company's credit rating with Moody's improved during the year from Baa3 (positive outlook) to Baa2 (stable outlook), reflecting confidence in the robust nature of the Group's income streams.

The Group remains well within its bank covenants.

FOREIGN EXCHANGE MOVEMENT

A large part of the Group's net assets are denominated in euro, while the reporting currency is sterling. During the year there was a 14 per cent movement in the foreign exchange rate between these two currencies, which led to a strengthening in the reported balance sheet values. This has resulted in a translation gain of £274.6 million being taken to the foreign exchange reserve at 31 March 2009.

FINANCIAL RISK MANAGEMENT

Financial risk management has been specifically considered by the directors, and the policies in place appear in the disclosures in Risks and Uncertainties, on pages 32 to 33 of this report, and in the notes to the Financial Statements on pages 58 to 93.

SHARE BUYBACK PROGRAMME

During the year, the Company purchased 5.9 million of its own shares for a total consideration of £51.5 million through on-market repurchases (2008: £139.3 million). As at 31 March 2009 the number of ordinary shares in issue was 270.5 million (2008: 276.4 million). The Board remains committed to returning capital when it is in shareholders' interest to do so but believes that following the significant changes in global financial market conditions, it is prudent to retain a more robust balance sheet and to provide financial flexibility to pursue investment opportunities. During the year, it therefore brought to an end the £500 million share buyback programme.

PRO FORMA COMPARISONS

The results of the Group showed revenue up one per cent at £671.4 million (compared to unaudited pro forma results for the previous year as if Borsa Italiana had been acquired on 1 April 2007: £666.8 million). Operating profit, excluding goodwill impairment, amortisation of purchased intangible assets and exceptional items, was down one per cent at £338.6 million (2008: £343.0 million on a pro forma basis).

Doug Webb
CHIEF FINANCIAL OFFICER

OUR WIDER RESPONSIBILITIES

CAREFUL MANAGEMENT OF OUR IMPACT ON SOCIETY AND THE ENVIRONMENT IS AN INTEGRAL PART OF HOW WE DO BUSINESS

"WE HAVE INTRODUCED ADDITIONAL INITIATIVES TO REUSE AS WELL AS RECYCLE ITEMS, WHICH WILL FURTHER REDUCE OUR ENVIRONMENTAL IMPACT AND THAT OF OUR SUPPLY CHAIN."

We focus our efforts on areas where we believe we can have greatest impact:

COMMUNITY

We have a policy of making an active and responsible contribution to the communities in which we operate in both the UK and Italy. As well as our continuing charitable donations, we encourage employees to participate in activities aimed at supporting and strengthening these communities.

We are delighted to be able to work with our partner charity, The Princess Royal Trust for Carers, which offers much needed support to people who give unpaid care to those who cannot manage on their own. Together with our employees, we have generated almost £230,000 for the Trust since the partnership began in August 2007.

Our total charitable donations for the year were £300,000. In line with our policy, most of our UK contributions were made to our partner charity and donations of €100,000 were made to several Italian charities including the Italian Foundation for Cancer and the Alzheimer's Association Rome.

We seek to motivate staff to become involved in charitable fundraising through the Group matching the amounts they raise. £26,000 of our charitable donations matched money that staff raised for charities through a variety of fundraising activities. In addition, we actively promote charitable giving by our employees and received the UK government sponsored Payroll Giving Quality Mark Gold Award in recognition of our employees' charitable donations through payroll giving.

We support organisations and initiatives close to our Group headquarters which benefit the City and the local community. We are a corporate member of St. Paul's Cathedral and an active supporter and sponsor of the Lord Mayor's Show.

EMPLOYEES

We aim to create a workplace where highly capable employees can maximise their talents, delivering results for the Group and its shareholders. We seek to achieve this by:

- Providing employees with a clear link between performance and their reward;
- Encouraging employees to develop their skills and knowledge to optimise their performance;
- Ensuring that managers provide regular open and honest assessment of employee performance and behaviours; and
- Offering a safe and supportive working environment in which employees feel comfortable about raising their concerns, including any perceived wrongdoing, supported by the development of a new Group whistleblowing policy.

A major part of our integration effort this year was invested in bringing our employees together. Specific initiatives to support the integration included:

- Running a successful leadership programme for the Group's top management focusing on bringing them together and identifying the leadership activities required to drive the combined Group forwards;
- Launching a Group-wide share scheme for all employees which was shortlisted for an IFS ProShare award; and
- Creating opportunities for employees to transfer between the Group companies.

A full health and safety audit is completed annually which includes advice from external consultants on new or changing legislation and best practice. There were no reportable illnesses, dangerous occurrences or liabilities, nor were any health and safety enforcement notices received during the year.

ENVIRONMENT

We invest considerable effort in minimising our impact on the environment and maintain a Group-wide energy management programme and substantial capital investment to help manage our carbon emissions.

In Italy, a high proportion of our energy comes from environmentally friendly hydroelectric supplies generated in the Alps and we have begun a full recycling collection system for paper, plastic, printer cartridges and food waste. We have introduced additional initiatives to reuse as well as recycle items, which will further reduce our environmental impact and that of our supply chain.

Once again, we have received the 'Gold Award' under the UK's Clean City Awards Scheme which recognises good practice to reduce consumption of energy and recycle where possible. Our environmental strategy and best practice have also contributed to our continued inclusion in the FTSE4Good index.

The greater international presence of the merged Group entails increased international travel. We therefore introduced a Group-wide travel policy this year which aims to reduce CO_2 emissions and associated cost by limiting travel to instances where the business purpose cannot be achieved via audio or video conference facilities.

In the UK, 2,700 tonnes of CO2 were emitted in the year, principally due to the power and cooling systems at the Group's IT data centres. Our energy consumed during 2008 will determine our participation in the UK Government's Carbon Reduction Commitment, a new carbon emissions trading scheme that will start operating in April 2010.

Our Environmental Policy Statement which provides a framework for developing and reviewing environmental objectives can be found on our website at www.londonstockexchangegroup.com.

PRINCIPAL RISKS AND UNCERTAINTIES

THE GROUP OPERATES MANDATORY GROUP-WIDE RISK MANAGEMENT PROCEDURES WHICH ALLOW MANAGEMENT TO MAKE BETTER, MORE INFORMED AND MORE CONSISTENT DECISIONS BASED ON A CLEAR UNDERSTANDING OF THE RISKS INVOLVED

Risks are identified at project, operational and strategic levels. Whilst the management of risk remains a line responsibility, risks are also monitored at a corporate level by the relevant Group committees.

Whilst our revenues and profitability, as a provider of services to the financial services sector, are highly dependent on the levels of activity within that industry, we as a Group do not carry the significant balance sheet risks or liabilities typically associated with that sector (see Counterparty/Credit Risk below). The financial services industry is dynamic and unpredictable and is directly affected by many macro-economic variables beyond our control. At the same time, other factors which could impact on the Group's long-term performance are specific to the business.

The following section covers the principal risks and uncertainties currently facing the Group. In addition, the main risks arising from the Group's use of financial instruments are discussed in note 1 to the financial statements.

RISKS RELATING TO THE INDUSTRY

Economic Environment

The ongoing recessionary environment could reduce customer demand for our services and the ability of our customers, lenders and other counterparties to meet their obligations to us. The current recession has reduced trading values across our markets and the pace of initial public offerings has declined to levels below those of recent years. The outlook for recovery in the market for initial public offerings is closely tied to the availability of risk capital which may not return to historic levels for some time. The demand for real time data may reduce due to cut backs in headcount and costs among customers.

The need for increased management of counterparty risk may result in a shift of OTC traded products on-exchange or extend the use of the CCP model, giving the Group's regulated markets a clear advantage and opportunity for growth.

Regulation

The securities industry is closely regulated and as such, in addition to having to comply with company law, local government and EU legislative requirements, Group companies are subject to authorisation and continuous oversight by regulatory bodies in the UK and Italy, which ultimately have the power to revoke these authorisations. The Directors are not aware of any circumstances which would result in the authorisations being revoked, and comprehensive procedures are in place to ensure ongoing compliance with all legal and regulatory requirements.

The securities markets have recently been the subject of increasing governmental and public scrutiny in response to the global economic crisis. During the coming months, it is possible that there will be significant changes in our regulatory environment. In the UK, the Turner Review and the FSA's accompanying Discussion Paper "A regulatory response to the global banking crisis" indicate a commitment to revise the FSA's regulatory philosophy and enhance its supervisory approach. The Group continuously monitors developments and engages in dialogue with regulatory and government authorities at both the national and EU level.

Competition

The implementation of MiFID in Europe has made it easier for multilateral trading facilities to establish themselves as low-cost alternatives to regulated exchanges, thereby increasing the number of liquidity pools, with several new entrants. This competition may further intensify in the near future especially as technological advances create pressure to reduce the

costs of trading. In addition, a high proportion of our trading business is concentrated in a small number of market participants which may lead to further pressure on pricing.

Both the European Code of Conduct, to which the Group is a signatory, and the plan by the European Central Bank to create a centralised settlement mechanism for Eurozone securities, may increase competition among post trading organisations.

The Group is well placed to respond to these developments and continues to focus on leveraging its post trade assets and on developing and delivering competitive products, technology, pricing structures and services to reduce the overall cost of trading which is key to maintaining strong customer relationships and deep pools of liquidity.

RISKS RELATING TO THE BUSINESS

Technology

To compete effectively, the Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The markets in which we compete are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands.

Our businesses depend on technology which is secure, stable and performs to high levels of availability and throughput. If our systems cannot expand to cope with increased demand or otherwise fail to perform, we could experience unanticipated disruptions in service, slower response times and delays in the introduction of new products and services.

The Group is investing continually to increase the capacity, responsiveness, functionality and accessibility of its systems. It employs rigorous software design methodologies, logistics planning and assembly and testing regimes to minimise implementation risk and maintains alternative computer facilities to reduce the likelihood of system disruptions.

Counterparty/Credit Risk

Acting as central counterparty, CC&G clears a range of equity-related, fixed-income-related and derivative products. It assumes the counterparty risk for all transactions that are cleared through its markets. CC&G closely monitors its exposure to clearing members, and addresses this exposure by holding collateral in the form of margin deposits from clearing members and by maintaining default funds of clearing members' contributions. During the year, the quantum of margins taken from, and default funds held for, its clearing members have increased significantly, demonstrating a prudent approach taken in light of prevailing financial market conditions. CC&G has not, to date, experienced a default of any of its clearing members and has never made use of default funds held.

The Group is exposed to credit risk from third parties, including customers, counterparties and clearing agents. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. The Group has stringent and proactive credit management processes in place to mitigate this risk and these processes have had, and continue to receive, very significant focus at managerial and Board level.

Brand Name & Reputation

The Group's strong reputation and brand names are a key competitive strength. Damage to the Group's reputation could have an adverse effect on revenue and can be caused by:

- Litigation;
- Negative publicity;
- Technology failures;
- Failure of market supervision;
- Instances of market abuse; and
- Inaccurate trade information, financial and market data.

The Group constantly monitors those areas of the business that could cause harm to the reputation of the business and evaluates its procedures accordingly.

Financing

The Group needs to invest in its operations to maintain and grow the business. Although the Group believes its current capital requirements can be met from internally generated funds, cash on hand and available borrowings under existing credit facilities, if the capital and credit markets continue to experience volatility, access to new/incremental capital or credit may not be available on acceptable terms or at all. Any additional equity financing may be dilutive to holders of ordinary shares, while any debt financing may require restrictions to be placed on the Group's future financing and operating activities.

In addition, further capital may not be available in the debt markets to support subsequent re-financing activities as these become due. During the year, the Group successfully arranged new committed five and three year credit facilities as well as extending existing facilities. Through these financing activities the Group has also broadened the number of its supporting banks from two to nine.

The Group maintains an active dialogue with its relationship banks as well as seeking independent advice on key factors affecting the equity and debt markets.

Employees

The calibre and performance of our senior management and other key employees are critical to the success of the Group. Our ability to attract and retain key personnel is dependent on a number of factors including prevailing market conditions, compensation packages offered by companies competing for the same talent and any regulatory impact thereon and the impact of share price performance on our share schemes. Failure to attract and retain key personnel may adversely affect our ability to conduct our business through an inability to execute business strategies effectively. To manage this, the Group regularly reviews its reward and incentive systems to ensure they are competitive, operates performance appraisal systems and provides executive development opportunities. Additionally, the Nominations Committee considers the succession plans for key positions.

Partnerships/Joint Ventures

New business initiatives, such as Baikal and AIM Italia, together with partnerships and joint ventures with third parties, for example, Oslo Børs and TSE, are an important part of our growth strategy. Such ventures may require significant resources, result in unanticipated losses, costs or liabilities, or fail to achieve the forecast benefits. Appropriate structures and processes are in place to ensure such initiatives progress smoothly and that there is sufficient management focus on delivering the projected benefits.

Foreign Exchange

Geographical expansion has meant that the Group is now exposed to volatility in the sterling/euro foreign exchange rate. The business has limited transactional foreign exchange exposure as most of its revenues and related costs arise in the currencies of its operations, whilst major monetary transfers between euro and sterling entities are hedged. Borsa Italiana S.p.A represents around 44 per cent of Group revenue and a one cent movement in the euro exchange rate has an impact on revenue of approximately £2 million. The Group partially hedges euro denominated net assets with euro borrowings, thus providing some mitigation of the economic risk as euro earnings are used to service and repay euro denominated debt.

BOARD OF DIRECTORS

[1] Member of the Audit Committee
[2] Member of the Remuneration Committee
[3] Member of the Nomination Committee

1. Chris Gibson-Smith (63) [2,3]
CHAIRMAN
Also Chairman of The British Land Company plc and Non-Executive Director of Qatar Financial Centre Authority. He is a Trustee of the London Business School. He was previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, Director of Lloyds TSB plc from 1999 to 2005, Group Managing Director of BP plc from 1997 to 2001, and a past Trustee of the Institute of Public Policy Research and the arts charity Arts & Business.

2. Angelo Tantazzi (69) [1,3]
DEPUTY CHAIRMAN AND
SENIOR INDEPENDENT DIRECTOR
Since July 2000 has held the position of Chairman and a Non-Executive Director of Borsa Italiana S.p.A., Monte Titoli S.p.A., CC&G S.p.A. and Prometeia S.p.A.. He is also Vice-Chairman of the publishing house "Il Mulino" and a Non-Executive Director of Banca Popolare dell'Emilia Romagna, Coesia S.p.A., Advanced Capital S.p.A. and Brenvey Asset Management.

3. Clara Furse (51)
CHIEF EXECUTIVE
Chief Executive from January 2001 to May 2009. Group Chief Executive of Credit Lyonnais Rouse from 1998 to 2000. At Phillips & Drew (now UBS) from 1983 to 1998; became a Director in 1988, Executive Director in 1992, Managing Director in 1995 and Global Head of Futures in 1996. Director of LIFFE from 1991 to 1999; Deputy Chairman from 1997 to 1999. She is a Non-Executive Director of LCH. Clearnet and a member of the Shanghai International Financial Advisory Council. She was a Non-Executive Director of Euroclear plc from 2002 to May 2009 and Non-Executive Director of Fortis from June 2006 to February 2009. She will join the Board of Legal & General Group plc on 1 June 2009.

4. Xavier Rolet (49)
CHIEF EXECUTIVE DESIGNATE
Joined the Board as a Director on 16 March 2009 and took over as Chief Executive on 20 May 2009. From 2000 to 2008 he was a senior executive at Lehman Brothers and, most recently, CEO of Lehman in France. Prior to Lehman Brothers, he held senior positions at Dresdner Kleinwort Benson from 1997 to 2000, Bayerische Vereinsbank A.G from 1996 to 1997, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994.

5. Massimo Capuano (54)
DEPUTY CHIEF EXECUTIVE
President and CEO Borsa Italiana S.p.A., Member of the Board of MTS and Vice Chairman of CC&G S.p.A. and Monte Titoli S.p.A. Chairman of the World Federation of Exchanges from 2007 to 2008 and an adviser to the Board of the Federation of European Securities Exchanges. He has been a Member of the International Advisory Committee of Egypt Stock Exchange since September 2006. At McKinsey from 1986 to 1997 he was Senior Partner, leader of the Milan office and member of the European banking industry group. Information Technology systems and marketing engineer for product layout at IBM from 1980 to 1986. Head of After Sales Service Department in South Area at Rank Xerox from 1979 to 1980. He is a Freeman of the City of London.

6. Doug Webb (48)
CHIEF FINANCIAL OFFICER
Appointed to the Board in June 2008. At QinetiQ Group plc from 2003 to 2008, became its Chief Financial Officer in 2005. Previously Chief Financial Officer and Chief Operating Officer, North America and then Finance Director, Continental Europe at Logica plc from 1994 to 2003 and at Price Waterhouse from 1982 to 1994, latterly as a Senior Manager in Audit and Business Advisory Services.

7. Baroness (Janet) Cohen (68) [1]
NON-EXECUTIVE DIRECTOR
A Life Peer. Vice Chairman of Borsa Italiana S.p.A., Non-Executive Chairman of Trillium Partners Ltd. Non-Executive Director of Management Consulting Group plc, and Proudfoot Trustees Limited. Previously Chairman of BPP Holdings plc and Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999, Charterhouse Financial Services Ltd from 1989 to 1993 and Freshwater UK plc from 2007 to February 2009. Governor of the BBC from 1994 to 1999.

8. Sergio Ermotti (49) [2]
NON-EXECUTIVE DIRECTOR
Group Deputy CEO of UniCredit Group. From January 2006 to July 2007 Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group. With Merrill Lynch & Co. from 1987 until 2004 where in his last function he was Senior Vice President, Co-Head of Global Equity Markets and Member of the Operating Committee. From 2002 to 2003 he was a Director of Virt-X Limited and of Virt-X Exchange Limited.

9. Oscar Fanjul (60) [1,2,3]
NON-EXECUTIVE DIRECTOR
Vice-Chairman of Omega Capital. Non-Executive Director of Acerinox, Marsh & McLennan Companies, Lafarge (Deputy Chairman) and Areva (Conseil de Surveillance). He is also a Trustee of the International Accounting Standards Committee (IASC) Foundation. Formerly Chairman and CEO of Repsol.

10. Andrea Munari (46) [1]
NON-EXECUTIVE DIRECTOR
Managing Director of Banca IMI (Intesa Sanpaolo group). Previously, a Managing Director of Morgan Stanley Fixed Income Division and, since 2006, CEO and Managing Director of Banca Caboto (now Banca IMI). In addition, a Director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January 2007 to September 2007.

11. Paolo Scaroni (62) [2,3]
NON-EXECUTIVE DIRECTOR
CEO of ENI S.p.A., Non-Executive Director of Assicurazioni Generali S.p.A., Veolia Environnement SA and Fondazione Teatro alla Scala. He is also a member of the Board of Overseers of Columbia University Business School New York. He was CEO of Pilkington plc from 1997 to 2002, Director of BAE Systems plc from 2000 to 2004 and of Invensys plc from 2001 to 2002. He was also CEO of Enel S.p.A. from 2002 to 2005 and a Director from 2002 to 2005 and Chairman from 2005 to 2006 of Alliance Unichem plc.

12. Nigel Stapleton (62) [1]
NON-EXECUTIVE DIRECTOR
Chairman Postal Services Commission. Non-Executive Director of Samruk Energy and KazPost, Chairman of the Mineworker's Pension Scheme. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996 and Chairman of Uniq plc from 2001 to 2006.

13. Robert Webb QC (60) [2,3]
NON-EXECUTIVE DIRECTOR
Non-Executive Chairman of Autonomy Corporation plc. Board member of the BBC, Hakluyt Ltd and Argent Group plc. Bencher, Inner Temple. General Counsel of British Airways from September 1998 to April 2009, responsible for law, government and industry affairs, safety, security and risk management. Formerly Head of Chambers at 5 Bell Yard London.

CORPORATE GOVERNANCE

LONDON STOCK EXCHANGE GROUP PLC IS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS INTEGRITY IN ALL ITS ACTIVITIES. THE COMPANY HAS COMPLIED WITH ALL PROVISIONS OF THE COMBINED CODE THROUGHOUT THE YEAR ENDED 31 MARCH 2009

The Combined Code on Corporate Governance sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Services Authority requires companies listed in the UK to disclose, in relation to Section 1 of the Combined Code, how they have applied its principles and whether they have complied with its provisions throughout the year. Where the provisions have not been complied with companies must provide an explanation for this. Further information on the Combined Code can be found on the Financial Reporting Council's website, at www.frc.org.uk.

APPOINTMENTS TO THE BOARD

On 13 February 2009 the Company announced that Xavier Rolet would be appointed to the Board with effect from 16 March 2009 and take over from Clara Furse as Chief Executive on 20 May 2009. Clara Furse will step down from the Board on 15 July 2009. Mr Rolet was appointed following a selection process overseen by the Nominations Committee on behalf of the Board. Further details of the process are set out on page 38. Doug Webb was appointed to the Board as Chief Financial Officer on 2 June 2008. (The process for his appointment was described in the 2008 Annual Report).

BOARD OF DIRECTORS

The Board is the principal decision making forum for the Company and is responsible to shareholders for achieving the Group's strategic objectives and for delivering sustainable shareholder value. The Board has adopted a formal schedule of matters specifically reserved to it including:

- Corporate strategy;
- The annual budget;
- Increases or variations to borrowing facilities;
- Committing to major capital expenditure or acquisitions; and
- Dividend policy.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chairman's other current significant commitments are set out in his biography on page 35. The Group Chief Executive has delegated authority from, and is responsible to, the Board for managing the business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

The Board also views the brands and reputations as regulated entities of its direct and indirect subsidiaries as important assets of the Group. Protection of brand and reputation are key parts of the Board's role.

At each scheduled Board meeting the Chief Executives of London Stock Exchange plc and Borsa Italiana S.p.A. provided a review of the business and the Chief Financial Officer provided a detailed review of the Group's financial performance and position. The executive management team present to the Board on their business responsibilities on a regular basis and also present at the Board's periodic strategy sessions.

BOARD AND COMMITTEE MEETINGS 2009

Total number of Meetings in the year ended 31 March 2009	Board	Audit	Remuneration	Nomination
	10	4	5	3[3]
Dr Chris Gibson-Smith	10		5	3
Mr Angelo Tantazzi	9	3		3
Dame Clara Furse	10			
Mr Xavier Rolet[2]	1			
Mr Massimo Capuano	7			
Mr Doug Webb[1]	9			
Baroness Janet Cohen	9	3		
Mr Sergio Ermotti	8		5	
Mr Oscar Fanjul	9	4	5	3
Mr Andrea Munari	10	3		
Mr Paolo Scaroni	8		5	2
Mr Nigel Stapleton	9	2		
Mr Robert Webb	6		5	3

[1] Joined the Board with effect from 2 June 2008
[2] Joined the Board with effect from 16 March 2009
[3] In addition Nomination Committee members attended a number of interviews with candidates for the CEO position

The Board has six scheduled meetings in addition to two offsite strategy sessions and ad hoc meetings when needed. In 2009 the Board held 10 meetings. The Chairman meets non-executive directors without the presence of executive directors on a number of occasions throughout the year.

When directors have not been able to attend meetings due to conflicts in their schedule, they receive and read papers to be considered at the relevant meeting. They have the opportunity to provide comments on the matters to be discussed to the Chairman of the meeting in advance.

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. In respect of those liabilities for which directors may not be indemnified, the Company purchased and obtained a directors' and officers' liability insurance policy throughout 2009. This insurance cover was renewed at the beginning of the current financial year. Neither the Company's indemnity nor insurance provides cover in the event that the director is proved to have acted fraudulently or dishonestly.

BOARD BALANCE AND INDEPENDENCE

There is a strong non-executive element on the Board and Non-Executive Directors provide strong company experience and knowledge which they apply to their understanding of the Group and its strategy. When Clara Furse steps down from the Board on 15 July, the Board will comprise 12 directors, the Chairman (who was independent on appointment), three executive directors and eight independent Non-Executive Directors. Directors serving on the Board's committees, together with biographical details, are identified on the Board of Directors pages 34 and 35. The Board considers that directors demonstrate a strong range of business experience and the Board has the right mix of skills and experience given the size and geography of the Group.

The Board has concluded that all Non-Executive Directors were independent in character, that there were no relationships or circumstances which are likely to affect their independent judgement and no undue reliance was placed on any individual.

Sergio Ermotti and Andrea Munari are employed by Unicredit and Banca IMI respectively, both of which are shareholders of the Company and customers of one of the Company's subsidiaries, Borsa Italiana, and their employer companies supply banking services and financial lines to the Group. The Combined Code suggests that such a business relationship may affect independence. However the Board continue to believe that both are independent given the significance of the customer relationships to the Group as a whole, the fact that neither Mr Munari nor Mr Ermotti is directly involved in decisions relating to the investment in the Company or banking arrangements and both demonstrate behaviours indicating independence.

BOARD TRAINING

On joining the Board, Directors are offered a tailored induction programme covering the business of the Group, and they receive briefings and presentations from relevant executives. Periodically the Board meets at the Group's Milan office and briefings are also given at Board meetings on particular parts of the business.

PERFORMANCE EVALUATION

The annual performance evaluation of the Board and its Committees was undertaken in 2009 and was conducted by the Group Company Secretary using a detailed questionnaire. The results of the review are used to highlight areas of strength and weakness, assist in consideration of the future development of the Board and its Committees and further improve their performance. The review also included an assessment of the Chairman's performance.

The results were discussed by the Board and actions agreed where appropriate. The evaluation concluded that the Board and its Committees were working effectively. Actions identified included facilitating more contact between non-executives and management both inside and outside the boardroom to gain a better understanding of the business and succession planning to be considered by the whole Board on a more regular basis.

CORPORATE GOVERNANCE

CONFLICTS OF INTEREST

Following changes made by the Companies Act 2006, the Articles of Association were amended at the 2008 Annual General Meeting to allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Company established a procedure whereby actual and potential conflicts of interest are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new director or if a new conflict arises. The decision to authorise a conflict of interest can only be made by non-conflicted directors and in making such decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board believes that during 2009 this procedure operated effectively.

BOARD COMMITTEES

Remuneration Committee

The Committee members as at 31 March 2009 were: Robert Webb (Chairman), Chris Gibson-Smith, Oscar Fanjul, Paolo Scaroni and Sergio Ermotti. All members of the Committee are considered to be independent. The Committee normally invites the Chief Executive and Head of Human Resources to attend the meeting. The Committee meets at least twice a year to review and present recommendations to the Board regarding remuneration and conditions of service of the Chairman, Chief Executive and executive directors, including the grant of entitlements under the Company's share schemes. A separate Remuneration Report is set out on pages 40 to 48. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the website at www.londonstockexchangegroup.com.

Audit Committee

The Committee members as at 31 March 2009 were: Oscar Fanjul (Chairman), Janet Cohen, Nigel Stapleton, Angelo Tantazzi and Andrea Munari. All members of the Committee are considered to be independent. In accordance with ICAEW Guidance for Audit Committees as set out in the Smith Guidance, the Board is satisfied at least one member of the Committee has recent and relevant financial experience.

ROLE OF THE AUDIT COMMITTEE

The Committee has formal terms of reference, which are approved by the Board and satisfy the requirements of the Combined Code and the Smith Guidance. The terms of reference are reviewed on an ongoing basis by the Board and can be found on the Company's website at www.londonstockexchangegroup.com or are available on request from the Group Company Secretary.

MEETINGS

All members of the Committee are independent non-executive directors. The Committee met four times during the year and maintains a formal agenda which ensures that all matters for which the Committee is responsible are addressed at the appropriate time of the year. The Committee normally invites the Chairman of the Board, Chief Financial Officer, Head of Group Internal Audit and the Group's external auditors, PricewaterhouseCoopers LLP, to attend its meetings. However, the Committee recognises the need to meet without executive management and meets privately after each committee meeting with each of the external auditors and the Head of Group Internal Audit, both of whom also have direct access to the Chair of the Audit Committee.

ACTIVITIES

During the year the Committee discharged its responsibilities as set out in its terms of reference by reviewing the following:

- The integrity of the Group's financial statements, including significant corporate governance and financial reporting matters with particular focus during the year under review on impairment judgements, the Board's going concern statement, adequacy of financing, and the controls around counterparty risks with banks;
- The external auditors' report their findings from the half year review and year end audit;
- The effectiveness of the Group's internal control environment;
- The remit and performance of the Group's internal audit department;
- Key findings from internal audit reviews and actions taken in response by management;
- The internal audit department annual plan; and
- The Group's arrangements for whistle blowing.

The Committee recognises that one of its key responsibilities is reviewing the effectiveness of the Group's risk management procedures. Twice a year the Committee reviews reports from the internal audit department on the output from this process and any significant findings arising.

The Committee has an oversight role in relation to the relationship with the Group's external auditors. Annually the Committee assesses the independence and objectivity of its external auditors and their qualification, expertise and resources. The Committee also reviews and approves the terms of engagement and remuneration of the external auditors. Details of the amounts paid to the external auditors are given in note 39 to the Group financial statements.

The Committee recognises that certain work of a non-audit nature is best undertaken by the external auditors and has established a policy governing the provision of such services. The policy defines:

- Those services the external auditors are permitted to provide;
- Those services which the external auditors are prohibited from providing; and
- Those services which require the prior authorisation of the Committee.

The Committee annually reviews all non-audit services provided by the external auditor to ensure compliance with the policy. The Committee remains satisfied with the objectivity and independence of the Group's external auditors.

The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the website at www.londonstockexchangegroup.com.

Nomination Committee

The Nomination Committee members as at 31 March 2009 were: Chris Gibson-Smith (Chairman), Oscar Fanjul, Robert Webb, Angelo Tantazzi and Paolo Scaroni. The Committee's role is to review the size and structure of the Board, succession planning and to make recommendations to the Board on potential candidates for the Board. The Committee normally invites the Chief Executive to attend.

The Committee met three times during the year. The Committee led the process for the appointment of the new CEO. The Committee worked with external recruitment consultants and developed an objective set of criteria against which candidates were measured. The Chairman met candidates before recommending a shortlist to the Committee. Shortlisted candidates were interviewed by members of the Committee before a final recommendation was made to the Board. All Board members met Xavier Rolet before his appointment was confirmed by the Board. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate website at www.londonstockexchangegroup.com.

INTERNAL CONTROL

The Board has overall responsibility for the system of internal controls. The Board has delegated responsibility to the Audit Committee for reviewing the Group's system of internal control and for regularly monitoring its effectiveness. This established system of internal control includes financial, operational and compliance controls and risk management. The system of controls is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material mis-statement or loss. The Board confirms that, through the Audit Committee, it has reviewed the effectiveness of the system of internal control and no significant failings or weaknesses were identified during this review. However, had there been any failings or weaknesses the Board confirms that any necessary actions would have been taken to remedy them. The Board is satisfied that the system of internal control is in accordance with the Turnbull guidance (2005).

The principal features of the Company's internal control framework are described under the following headings:

Delegation of authority – the Board has implemented a management structure with defined lines of responsibility and appropriate delegation of authority. The day-to-day business management is delegated to Executive directors, with a clear definition of those matters reserved for Board approval only. Key financial risks are controlled by clear authorisation levels and appropriate segregation of duties. Formal authorisation policies and procedures are clearly defined for all capital expenditure including appraisal techniques and success criteria.

Planning and reporting – the Chief Executives of London Stock Exchange and Borsa Italiana report to the Board on key business matters at each meeting. The Chief Financial Officer reports on financial, HR and investor relations matters. The Deputy CEO reports on integration. The Board reviews performance through a comprehensive financial review process which includes an annual budget approved by the Board, monthly reporting of financial and key performance indicators, analysis of variances and corrective action where required.

Audit Committee – the Board receives regular reports from the Audit Committee on the effectiveness of the internal control environment and the risk management procedures. The Audit Committee also receives reports from the Group's external auditors on certain internal controls and relevant financial reporting matters.

Risk Management – responsibility for risk management rests fully with line management. Each business area is required to maintain a risk register outlining the key risks it faces and the controls in place to mitigate these risks. The risk registers are periodically updated, with the most senior executive in each business area required to confirm the effectiveness of the controls in place. These are consolidated by the internal audit department into a Group risk profile which is discussed and agreed by the CEO Committee (the executive committee which reports to the CEO), and then presented to the Audit Committee for approval.

Policies and procedures – policies and procedures have been developed for key business areas (including the Group's finance function). These are reviewed and kept up-to-date to meet changing business needs.

RELATIONS WITH SHAREHOLDERS

Communication with shareholders, and with financial analysts who produce research on the Company, is managed through an extensive programme of meetings, calls, presentations and news releases throughout the year. This Investor Relations programme is designed to ensure investors have appropriate access to management and information to understand the performance and prospects of the Company. The Investor Relations team has day to day contact with the market. The Chief Executive Officer, Deputy CEO and Chief Financial Officer all engage in regular dialogue with shareholders, and the Chairman and Senior Independent Director are also available to meet major investors from time to time. Senior management and the Investor Relations team held meetings and calls with over 240 shareholders and potential investors in the UK, Europe, the Middle East and the US during the past year.

The Investor Relations section of the website at www.londonstockexchangegroup.com is the primary source of regularly updated information on the Company. Annual and interim reports, interim management statements, news releases, presentations to investor conferences and other key documents are archived on the website together with a summary of analysts' estimates. Presentations of preliminary and interim results are accessible by all shareholders by webcasts in real time and also via replay for a period after the event. Users are able to register with an alerting facility to receive notification of updates and new releases. A shareholder helpline and email address are provided to help contact between investors and the Company.

During the year the Board receives a report on Investor Relations matters at each of its scheduled meetings, including market expectations of financial performance, share register composition and feedback from major investors. The Company also receives advice on shareholder relations and share register analysis from external advisers.

The Annual General Meeting (AGM) provides the opportunity for shareholders to meet directors and they are encouraged to put questions to the Board. The Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The procedures for the AGM are compliant with the Combined Code and the event is normally attended by all directors. Voting at the AGM is by way of a poll to ensure all shareholders' views are taken into account.

HEALTH, SAFETY AND ENVIRONMENT

The Company's approach to health, safety and the environment is set out in our Corporate Responsibility statement on pages 30 and 31.

REMUNERATION REPORT

The Remuneration Report sets out the remuneration policies operated by the Group in respect of the Directors, along with disclosures on Directors' remuneration including those required by the Directors' Remuneration Report Regulations 2002.

Shareholders will be provided with an opportunity to vote on the Remuneration Report as set out in this Annual Report at the Annual General Meeting. Further details will be contained in the Notice of Annual General Meeting.

Details of Directors' remuneration and benefits are set out in the tables within this report. The tables on pages 46 to 48 have been subject to audit.

REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee meets regularly to consider, on behalf of the Board, executive remuneration including terms and conditions of employment, incentive schemes and retirement benefits. During the year ended 31 March 2009, the Committee met on five occasions. The Committee's remit includes the remuneration of the Chairman, who was independent on appointment, and Executive Directors and other critical roles including the awards made under the performance related incentive schemes. The five current members of the Committee are:

Robert Webb (Chairman)
Chris Gibson-Smith
Oscar Fanjul
Paolo Scaroni
Sergio Ermotti

The Committee's terms of reference, which are reviewed regularly and approved by the Board, are available on the Company's website and are summarised in the Corporate Governance Report (pages 36 to 39).

The members of this Committee do not have any personal financial interests, or any conflicts from cross-directorships, that relate to the business of the Committee. The members do not have any day to day involvement in the running of the Company.

During the year, following a review of its advisers, Deloitte LLP was appointed by the Committee to provide independent advice on executive remuneration issues. Deloitte LLP also advised the Company in relation to tax, assurance, technology consulting and transaction support services. During the year, the Committee's previous advisers, Mercer Limited, also provided services to the Committee but did not provide any other services to the Company.

To assist the Committee the results of market surveys are also made available and, where appropriate, the Committee also invites the views of the Chief Executive, Chief Financial Officer, and Head of Human Resources. These individuals and the Chairman did not participate in any discussion relating to their own remuneration.

The Remuneration Committee also continues to be mindful of recommendations from key stakeholders, including institutional investor bodies and the Committee consulted with major shareholders on the key decisions taken. The Committee also continues to keep all these matters under review.

REMUNERATION POLICY

The Company is committed to the primary objective of maximising shareholder value over time. Each year the remuneration framework and the packages of the Executive Directors and the most senior executives are reviewed by the Remuneration Committee to ensure that they continue to achieve this objective. The Company must attract and retain a high

calibre senior management team and ensure it is in a position to deliver its business plans and maximise returns for shareholders. The Company is committed to paying for performance, rewarding the senior management team only when its goals are achieved.

The Remuneration Committee has taken the following areas into account in establishing its remuneration policy:

- A commitment to maximising shareholder value;
- The frequent recruitment of senior management roles from the City which requires remuneration packages with a high variable pay component;
- The higher profile of the Company compared with many other quoted companies with similar market capitalisations;
- The Company seeks to comply with best practice as expressed by institutional shareholders and their representative bodies; and
- The expansion of the Company beyond the UK.

Together these factors have helped to form the Company's remuneration policy.

The chart below shows the average proportions of total target remuneration represented by the different elements of compensation (salary, target bonus, expected value of long term incentives, pension and benefits) for the year to 31 March 2009.

The Committee recognises that this is a more geared remuneration structure than a typical FTSE company, in that it provides for a higher annual bonus potential, although this is significantly less than a City financial institution and is balanced by a below median base salary.

During the year the Committee reviewed the comparator group against which remuneration is benchmarked and it was considered appropriate to continue to use the benchmark group of companies ranked 31 – 100 in the FTSE. Overall the Committee wishes to position total target remuneration at or around the median of the FTSE 31 – 100. The Committee considers it appropriate to reward superior performance with upper quartile compensation levels.

Regard is given to pay and conditions elsewhere in the Company when determining the remuneration policy for the Executive Directors. Broadly the same remuneration policy and incentive structure is applied to senior executives immediately below the Board.

The policy for the individual components of Executive Directors' remuneration is set out in more detail in the following sections.

BASE SALARY

Reflecting the Committee's desire to place greater emphasis on variable pay than in most FTSE 31 – 100 companies, base salaries are to be set at or around 80 per cent of the median of the pay comparator group. Salaries are typically reviewed with effect from 1 April each year. Adjustments may be made to reflect changes in responsibilities and to ensure that total remuneration levels are consistent with the Company's remuneration policy. For 2009 Executive Directors' base salaries were not increased and will remain as follows:

	2009
Xavier Rolet[1]	£650,000
Clara Furse[2]	£540,000
Massimo Capuano[3] (£625,000)	€750,000
Doug Webb	£330,000

[1] Xavier Rolet succeeds Clara Furse as Chief Executive on 20 May 2009.

[2] Clara Furse will cease to be a Director on 15 July 2009.

[3] Following the merger with Borsa Italiana the Committee maintained Massimo Capuano's pre-merger base salary. Base salary is payable in euro (exchange rate used for the purposes of the table above is the average rate for the year: €1.2 to £1). In addition to the base salary above he receives additional directors' fees of €126,000 (£105,000) as Managing Director of Borsa Italiana which are not included for the purposes of calculating annual bonus and other incentives.

ANNUAL BONUS

Executive Directors are eligible to receive an annual cash bonus based on meeting or exceeding bonus targets that are set at the beginning of the year.

The Remuneration Committee continues to believe that it is appropriate to use a balance between annual financial targets corporate objectives and individual performance objectives. For the year ending 31 March 2009, the Committee determined that the sole annual financial target should be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the combined Group and believes it should continue to be the main focus for annual bonus plan purposes.

For the year ended 31 March 2009, the maximum bonus opportunities were 225 per cent of salary for the Chief Executive and 200 per cent of salary for other Executive Directors. For the forthcoming year, it is intended that the same maximum opportunities will apply.

For the year ended 31 March 2009 the Remuneration Committee considered that in an environment of uncertain and difficult market conditions a mix of 50 per cent operating profit and 50 per cent performance objectives was most appropriate for determining bonus. The performance conditions included other financial measures such as cost synergy targets, quantitative measures such as performance relative to other exchanges and qualitative objectives including successful completion of significant projects.

Despite the difficult market conditions the Group has delivered a good financial performance, with adjusted operating profit increasing by 17 per cent, and integration cost synergies significantly ahead of target. Based on the strength of this financial performance and an assessment of individual performance, the Remuneration Committee awarded an annual bonus of £648,000 to Clara Furse, €675,000 (£562,000) to Massimo Capuano and £330,000 to Doug Webb.

SHARE BONUS PLANS

Under terms agreed at the time of the merger, Massimo Capuano, along with a small number of other Borsa Italiana executives, participated in a share bonus plan for the year ended 31 March 2009.

Under these arrangements he was eligible to receive an award of ordinary shares with a value equal to 100 per cent of his annual bonus, subject to a maximum award of 150 per cent of base salary. No further awards will be made under these arrangements.

LONG TERM INCENTIVE PLAN

The Long Term Incentive Plan (LTIP) was approved by shareholders in July 2004 and amended by ordinary resolution at the Annual General Meeting in July 2008. The LTIP has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of all or some of their annual bonus in the Company's shares. The Matching Shares element of the LTIP only applies to the Executive Directors and selected other senior management. This senior management group is also eligible for the Performance Shares element of the LTIP along with a wider group of executives.

The LTIP arrangements for awards granted in the year ended 31 March 2009 are illustrated below:

Bonus deferred
Executives may invest all or part of their pre-tax bonus, up to 50 per cent of base salary

Performance shares
With a face value of up to 200 per cent of base salary may be granted (300% on recruitment)

Matching shares
The deferred bonus is matched with a performance-related Matching Share award. Maximum match of 2:1

Vesting conditional 50% on TSR performance and 50% on EPS performance over a single three-year period

For the year to 31 March 2009, awards of Performance Shares were made to Executive Directors equivalent to 200 per cent of salary for Clara Furse, 150 per cent for Massimo Capuano and 150 per cent for Doug Webb. An award of Performance Shares was also made to Doug Webb equivalent to 100 per cent of salary as an initial award on joining the Company.

Vesting of Performance Shares and Matching Shares

The policy for share awards granted in the year to 31 March 2009 is that the proportion of Performance Shares and Matching Shares which vest is determined 50 per cent by the Company's Total Shareholder Return (TSR) performance and 50 per cent by the Company's adjusted Earnings Per Share (EPS) performance over a single three year period ('the performance period') beginning on the first day of the financial year in which the award is made. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders, including Xavier Rolet's joining award.

For awards made in year to 31 March 2009, the following vesting schedules apply:

TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of TSR element vesting
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%

Average EPS growth in excess of RPI over 3 years	Proportion of EPS element vesting
Less than 5% p.a.	0%
5% p.a.	30%
Straight line pro-rating applies between these points	
9% p.a. or more	100%

The comparator groups and vesting schedules for awards made in previous years were based on TSR performance alone and are set out in the following table:

Awards made in year to 31 March 2007	
TSR comparator group	FTSE 51-200 (excluding investment trusts)
Threshold vesting	30% at median
Straight-line pro-rating applies between these points	
Maximum vesting	100% at upper quartile

Awards made in year to 31 March 2008	
TSR comparator group	FTSE 31-150 (excluding investment trusts)
Threshold vesting	30% at median
Straight line pro-rating applies between these points	
Maximum vesting	100% at upper quintile

An initial award of Performance Shares was made to Xavier Rolet on joining the Company in March 2009 equivalent to 200 per cent of salary to create an immediate alignment with shareholders. This was granted under a special arrangement under terms substantially similar to those of the LTIP, with the performance period beginning on 1 April 2009. The award will vest on the date of the preliminary results announcement for the year ended 31 March 2012.

For the upcoming financial year, awards will remain subject half to TSR performance and half to adjusted EPS performance. The TSR vesting schedule will remain the same as for year ended 31 March 2009. However, for EPS, instead of growth targets against RPI, absolute EPS targets will be set.

Aggregate adjusted EPS performance over the three-year period	Proportion of EPS element vesting
Below 181p	0%
181p	30%
Straight line pro-rating applies between these points	
234p or above	100%

- Aggregate adjusted EPS of 181 pence is equivalent to 10 per cent growth over analysts' consensus (as at 12 May 2009) for year to 31 March 2010 being achieved in each of the subsequent two years; and
- Aggregate adjusted EPS of 234 pence requires year to 31 March 2010 performance to equal that of year ending 31 March 2009 with 5 per cent growth per annum thereafter.

In this way, the measure becomes one of continuous performance throughout the three year period rather than the focus on final year performance that point-to-point growth provides.

Awards made in February/March 2006

For Performance and Matching Shares awarded in February and March 2006, TSR performance in the three year period to 31 March 2008 was ranked sixth against the FTSE 51 – 200 comparator groups and accordingly awards vested in full in February and March 2009. The TSR performance was independently verified on behalf of the Committee by New Bridge Street Consultants LLP.

Awards made in May 2006
TSR performance in the three year period to 31 March 2009 was below median against the FTSE 51 – 200 comparator group and accordingly awards made in May 2006 did not vest in May 2009 and have lapsed. The TSR performance was independently verified on behalf of the Committee by Deloitte LLP.

Borsa Italiana Cash Based LTIP
Massimo Capuano participated in the Borsa Italiana cash based long term incentive plan until 31 December 2007. The rules of the long term incentive allowed for early vesting and the Remuneration Committee allowed accrued awards in respect of 2007 of €1,296,959 (£1,032,379) to vest early in May 2008, provided that Massimo Capuano invested the net proceeds in Ordinary Shares.

The Company's current policy is, where possible, to satisfy awards using shares purchased in the market.

BENEFITS
Staff employed by London Stock Exchange plc participate in a flexible benefits plan under which they receive an allowance which they can use to purchase additional benefits or receive as a cash supplement. This allowance is not used to calculate bonus payments or pension contributions. Staff employed by Borsa Italiana continue to receive benefits in kind.

Clara Furse, Doug Webb and Xavier Rolet receive a flexible benefit allowance of £20,000 per annum. These values have not been increased since last year. These Executive Directors also receive benefits in kind which principally include private health care and life assurance arrangements.

Massimo Capuano receives benefits in kind, which include permanent invalidity insurance, life insurance, company car and private medical expenses insurance. This is in line with the benefits he received before Borsa Italiana's merger with the Company. In addition Massimo Capuano is provided with accommodation in London to enable him to split his working time equally between the UK and Italy.

Pensions
The Company's final salary pension scheme was closed to new entrants in 1999. The current Executive Directors do not participate in this final salary pension scheme.

Pension provision takes the form of a non-consolidated allowance, which is invested in the defined contribution pension scheme up to HM Revenue & Customs limits. In the year ended 31 March 2009, all the Executive Directors received an allowance equivalent to 25 per cent of base salary. Where lifetime allowance thresholds are exceeded this is paid as a cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Massimo Capuano receives a pension allowance equal to 25 per cent of his combined base salary and fees. In addition Massimo Capuano will continue to participate in pension arrangements under the relevant collective labour arrangements in Borsa Italiana.

SHARE OWNERSHIP GUIDELINES
To be considered for future awards under the LTIP, Executive Directors and other senior executives are expected to build up over three years from their first award, and then continue to hold, shares with a value at the time of acquisition at least equal to their base annual salary.

Full details of the interest in shares of the Executive Directors are shown on pages 47 to 48.

Other Share Plans
All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved SAYE Scheme (SAYE). Under the scheme rules, participants can save up to £250 each month for a period of three or five years. At the end of the saving period, savings plus interest may be used to acquire shares by exercising the related option.

The options may be granted at an exercise price which represents a discount of up to 20 per cent to market value. No performance conditions are attached to SAYE options.

There is also an international sharesave plan, mirroring the structure of the SAYE plan, in which Borsa Italiana employees are eligible to participate.

To promote retention and share ownership, a performance-related Restricted Share Plan was introduced in 2008. This plan offers a limited number of individuals deferred shares if the Group meets or exceeds its financial targets and awards made in year ended 31 March 2008 and vested to participants in year ended 31 March 2009. Any recipient of an award under the LTIP, including Executive Directors and other senior executives, was not eligible to participate in the Restricted Share Plan.

SERVICE CONTRACTS
The Company has adopted the following policy on Directors' service contracts:

Notice periods
The Executive Directors have one year rolling service contracts. The Remuneration Committee considers that this is consistent with current best practice.

Clara Furse entered into a service agreement with London Stock Exchange plc on 24 January 2001 and Doug Webb entered into a service agreement on 2 June 2008. Massimo Capuano entered into a service agreement with Borsa Italiana on 12 October 2006 which was amended on 1 October 2007 in connection with the merger.

Xavier Rolet entered into a service agreement on 16 March 2009 when he joined the Board and commenced employment with the Company. He takes over from Clara Furse as Chief Executive on 20 May 2009.

All service agreements may be terminated by the relevant employer on not less than 12 months' notice. Clara Furse and Doug Webb are each required to give 12 months' notice of termination while Massimo Capuano is required to give 6 months' notice.

Termination arrangements
The Company's current policy is that Directors' service agreements should not contain a liquidated damages clause which would apply in the event of the service agreement being terminated and that appropriate mitigation should be applied to any payment made on termination.

However, for the Chief Executive, Clara Furse, consistent with best practice at the time of her recruitment, a liquidated damages clause is included in her service agreement which entitles the Chief Executive to be paid an amount that is agreed and defined within the service agreement to represent a pre estimate of her loss upon unlawful termination of her employment by the Company. The severance pay is calculated by reference to the value of the Chief Executive's annual remuneration. This includes basic salary, benefits in kind and the amount of the last annual bonus awarded to the Chief Executive in the 12 month period prior to termination.

In addition, on a change of control of the Company, the Chief Executive has the right to terminate her contract on 30 days' notice provided such notice is given within 30 days of the change of control. In the event of (i)

her resignation following a change in control: (ii) an unlawful termination of her employment; or (iii) the termination of employment in the event that she is unable to perform her duties due to illness or injury for a period of six months in any 12 month period and she is not eligible to receive permanent health insurance benefit, the Chief Executive is entitled to a severance payment equal to one year's salary, benefits in kind and the amount of the last annual bonus awarded in the 12 month period prior to termination.

Clara Furse will step down from her role as Chief Executive on 20 May 2009 and cease to be a Director on 15 July 2009. She will not receive any cash compensation in respect of salary or bonus for resigning her position. She will be eligible for a bonus for the period from 1 April 2009 to 15 July 2009 determined as a pro rata proportion of the bonus awarded to her for the year to 31 March 2009, subject to performance in relation to the transitioning of the Chief Executive role. She will continue to be employed by the Group until 15 July 2010 to provide ongoing support and advice to the Board at its request, for which she will be paid £2,500. She will be entitled to continued private medical insurance until 31 July 2010. Under 'good leaver' provisions and with the agreement of the Remuneration Committee her currently vested share options will remain exercisable up until October 2010 in respect of 488,480 shares and up until January 2011 in respect of 266,164 shares. These options will be satisfied from shares currently held in the Group's employee benefit trust. Clara Furse forfeited 325,905 unvested LTIP awards.

Under Massimo Capuano's service contract, he is entitled to receive an amount in lieu of notice equal to 12 months' salary and an amount equal to the last annual bonus awarded to him in the 12 month period prior to termination. In the event of his resignation following a significant reduction in his powers and duties he is entitled to a severance payment equal to 15 months' salary and fifteen twelfths of the last annual bonus awarded to him in the 12 month period prior to termination. In accordance with the applicable collective labour agreement, he will also be entitled to resign following a change in control of Borsa Italiana and receive payment in lieu of notice of 12 months' salary. Massimo Capuano will also be entitled to continue to receive certain benefits (including life insurance, permanent invalidity insurance and private medical expenses insurance) for three years following termination of employment.

Doug Webb's service agreement may be terminated by either party giving at least 12 months' notice. There are no provisions for pay in lieu of damages or liquidated damages. Instead the parties will rely on common law to assess what, if any, damages may be payable for any loss resulting from any termination in breach of contract. Xavier Rolet's notice period is 12 months on either side and there is no liquidated damages clause. Alternatively, the Company many terminate the contract without cause by payment in lieu of notice of a sum equal to 12 months' salary and benefits paid in a lump sum or, at the Committee's discretion, on a monthly basis. If the payment is paid in instalments, the instalments will be reduced by any earnings from new employment taken up within 12 months after leaving employment.

Appointment of Xavier Rolet

The following sets out the other main terms of Xavier Rolet's appointment:

- Xavier Rolet joined the Board of the Group on 16 March 2009 and takes over from Clara Furse as Chief Executive on 20 May 2009;
- Salary of £650,000;
- Participation in the annual bonus plan. 120 per cent of salary at target level of performance and maximum opportunity of 225 per cent of salary;
- An LTIP appointment award of Performance Shares of 200 per cent of salary was made in March 2009, under the same performance conditions as for LTIP awards made to other executives in year ended 31 March 2009;
- Participation in the LTIP (Performance Shares and Matching Shares) at the normal grant dates. It is intended that LTIP awards in the forthcoming year will be made prior to the 2009 AGM. The Performance Shares award will be no less than 150 per cent of salary and the Matching Shares award will be up to a maximum value of 100 per cent of salary subject to the relevant co-investment being made by the participant;
- Entitlement to a contribution of 25 per cent of salary per annum to a personal pension scheme or schemes nominated by the executive; and
- Flexible benefits allowance of £20,000 per annum.

OUTSIDE APPOINTMENTS

Executive Directors are allowed to accept appointments as Non-Executive Directors of other companies with the prior approval of the Chairman. Approval will only be given where the appointment does not represent a conflict of interest with the Company's activities and the wider exposure gained will be beneficial to the development of the individual.

Historically, where fees are payable in respect of an appointment these have been retained by the Company. The Committee reviewed this policy and resolved to allow Executive Directors to retain fees to encourage executives to seek out the development opportunities and valuable experience afforded by these appointments and in recognition of the personal responsibility executives assume in such roles. The Committee decided that it was appropriate for the Company to return previous fees relating to Non-Executive Directorships, which for Clara Furse amounted to £157,000. This amount includes £48,000 in relation to the year ending 31 March 2009.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors' remuneration is determined by the Board and is neither performance related nor pensionable. The fees for Non-Executive Directors are set at a level to recognise the significant responsibilities of directors and to attract individuals with the necessary experience and ability to make an important contribution to the Company's affairs. Comparisons are made with fees paid at FTSE 31 – 100 companies.

During the year, the Chairman's and Non-Executive Directors' fees were reviewed against the FTSE 31 – 100. These fees remain in line with market levels so will be unchanged for the year commencing 1 April 2009:

Chairman Fee	£370,000
Non-Executive Director base fee	£54,000
Audit Committee Chairman	£17,500
Remuneration Committee Chairman	£12,500

Following the merger, Angelo Tantazzi retained the following fees in relation to his directorships of Borsa Italiana S.p.A. and Monte Titoli S.p.A.:

- Chairman of Borsa Italiana S.p.A. €533,000 (£444,167); and
- Chairman, Monte Titoli S.p.A. €173,000 (£144,167).

Angelo Tantazzi does not receive any additional fees as Deputy Chairman of the Company or as Chairmen of CC&G.

The original date of appointment as a Director is as follows:

Chris Gibson-Smith	01/05/2003
Baroness Janet Cohen	01/02/2001
Oscar Fanjul	01/02/2001
Nigel Stapleton	01/02/2001
Robert Webb	01/02/2001
Angelo Tantazzi	01/10/2007
Sergio Ermotti	01/10/2007
Paolo Scaroni	01/10/2007
Andrea Munari	01/10/2007

Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb have letters of appointment reflecting their responsibilities and commitments dated 1 February 2007 (with no notice period). Each of their appointments continues until 31 January 2010, provided each Non-Executive Director is re-elected. Angelo Tantazzi, Sergio Ermotti, Andrea Munari and Paolo Scaroni have letters of appointment (with no notice period) dated 1 October 2007. Each of their appointments continues until 30 September 2010, provided each Non-Executive Director is re-elected. The Chairman has a letter of appointment dated 24 May 2006. His appointment is for three years until the end of the Annual General Meeting in 2009 and can be terminated on six months notice. The Chairman's contract will be renewed for a further three years following the 2009 Annual General Meeting.

To enable Angelo Tantazzi to perform his duties in Milan, the Company provides him with rented accommodation for which any tax arising is reimbursed. Other than this Non-Executive Directors receive no benefits or entitlements other than fees, do not participate in any of the Company's incentive schemes and are not entitled to any termination payments. The Board as a whole determines the fees of the Non-Executive Directors. No contributions are made to the pension arrangements of Non-Executive Directors.

TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE

The following line graph shows, for the financial year ended 31 March 2009 and for each of the previous five financial years, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated.

The TSR graph represents the value, at 31 March 2009, of £100 invested in London Stock Exchange plc on 31 March 2004 compared to the value of £100 invested in the FTSE 100 index over the same period. The FTSE 100 index is considered appropriate as for the majority of the year and as at the date of the approval of the annual report the market capitalisation of London Stock Exchange Group is ranked in the top 100 companies of the FTSE.

REMUNERATION REPORT

TABLE A - DIRECTORS' REMUNERATION - AUDITABLE

	2009				2008				2009	2008
	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Pensions (Note iii) £000	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	370	–	–	370	370	–	–	370	–	–
Chief Executive										
CHF Furse	695	648	1	1,344	622	1,037	1	1,660	–	–
Xavier Rolet	31	–	1	32	–	–	–	–	8	–
Executive directors										
M Capuano (note v)	907	562	80	1,549	399	357	82	838	–	–
D Webb	292	330	1	623	–	–	–	–	69	–
	2,295	1,540	83	3,918	1,391	1,394	83	2,868	77	–

NON-EXECUTIVE DIRECTORS' FEES

	Fees £000	Benefits (Note ii) £000	Total £000	Total £000	Pensions £000	Pensions £000
A Tantazzi	583	49	632	277		
Baroness Cohen	76		76	64		
S Ermotti	54		54	27		
O Fanjul	72		72	63		
A Munari	54		54	27		
P Scaroni	54		54	27		
NJ Stapleton	54		54	65		
RS Webb QC	67		67	62		
Total Non-Executive Directors fees (Note iv)	1,014	49	1,063	612		
Former Directors' Emoluments	–		–	911		58
Total Directors' Emoluments			4,981	4,391	77	58

Baroness Cohen is a Non-Executive Director of Borsa Italiana S.p.A. for which she receives an annual fee of €26,000 (£21,667).

Notes

i) Salary

Salary includes base salary, on which bonus and benefits allowance are based, and pension and benefit allowances paid in cash. Base salary for CHF Furse was £540,000 (2008: £481,750). M Capuano's salary was €750,000 (£625,000) (2008: €750,000). He also received a fee of €126,000 (£105,000) (2008: €126,000) in respect of directors' fees. On joining the Company, on 16 March 2009 Xavier Rolet's salary was £650,000. Doug Webb joined the company on 22 May 2008 and his salary was £330,000.

ii) Benefits

For CHF Furse, X Rolet and D Webb, benefits represent the cash value of health and life insurance cover.

For M Capuano, benefits represent the cash value of health and life insurance cover; luncheon vouchers, car benefits and provision of accommodation in London.

For A Tantazzi, benefits represent the cash value of provision of accommodation in Milan.

iii) Pensions

The Company contributed £68,750 to the senior executive defined contribution plan for D Webb as shown in the table above.

iv) Non-Executive Directors' fees

Fees paid directly to the employer company of two (2008: two) Non-Executive Directors were £108,000 (2007: £54,000).

v) Executive and Non-Executive Directors

M Capuano and A Tantazzi, are paid in euro. Where their remuneration is presented in sterling in the Remuneration Report, a euro:sterling conversion rate of 1.20 has been used for 2009 and 1.37 for 2008.

vi) Waiver of emoluments

None of the Directors waived their emoluments during 2008 and 2009.

TABLE B - DIRECTORS' SHARE INTERESTS - AUDITABLE

Current share schemes

LONG TERM INCENTIVE PLAN

At the AGM in 2004, shareholders approved a new Long Term Incentive Plan (LTIP). The LTIP has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive in the Company's shares. For awards made in 2007 and the years prior, performance conditions were based on the Company's total shareholder return over a three year period beginning on the first day of the first financial year in which the award was made.

From 2008, 50 per cent of shares awarded are dependent on TSR performance with the other 50 per cent dependent on an adjusted basic EPS growth target.

	Number of shares									
Share awards	At start of year	Awarded during year	Vested during year	At end of year[1]	Price at award date	Price at vesting date	Value at vesting date	Date of award	Actual vesting date	Final vesting date
CHF Furse	44,620	–	44,620	–	8.55	4.10	182,942	28/02/06	28/02/09	28/02/09
	44,444	–	44,444	–	8.60	4.02	178,665	03/03/06	03/03/09	03/03/09
	32,299	–	–	–	10.79	–	–	25/05/06	–	25/05/09
	35,965	–	–	–	11.40	–	–	26/05/06	–	26/05/09
	30,175	–	–	–	13.57	–	–	22/05/07	–	22/05/10
	36,772	–	–	–	13.10	–	–	24/05/07	–	24/05/10
	–	52,939	–	–	10.20	–	–	29/05/08	–	29/05/11
	–	137,755	–	–	7.84	–	–	23/07/08	–	23/07/11
	224,275	190,694	89,064	–						
M Capuano	28,493	–	–	28,493	18.82	–	–	16/11/07	–	16/11/10
	30,318	–	–	30,318	17.72	–	–	04/12/07	–	04/12/10
	–	73,724	–	73,724	8.06	–	–	30/06/08	–	30/06/11
	–	113,812	–	113,812	7.84	–	–	23/07/08	–	23/07/11
	58,811	187,536	–	246,347						
D Webb	–	37,016	–	37,016	8.92	–	–	09/06/08	–	09/06/11
	–	36,104	–	36,104	9.14	–	–	10/06/08	–	10/06/11
	–	63,137	–	63,137	7.84	–	–	23/07/08	–	23/07/11
	–	136,257	–	136,257						
X Rolet	–	290,016	–	290,016	4.48	–	–	16/03/09	–	Prelims 2012

[1] Under her termination arrangements Clara Furse forfeited 325,905 unvested LTIP awards.

Executive Directors in the UK are entitled to participate in the all employee SAYE scheme, Italian Executive Directors can participate in the International Sharesave plan. Options granted under these schemes are:

SAYE

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Vesting date
CHF Furse	–	1,652	–	1,652	5.69	–	–	07/08/08	01/09/2011
D Webb	–	1,652	–	1,652	5.69	–	–	07/08/08	01/09/2011
	–	3,304	–	3,304					

INTERNATIONAL SHARESAVE PLAN

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Vesting date
M Capuano	–	1,838	–	1,838	5.69	–	–	07/08/08	01/09/2011
	–	1,838	–	1,838					

SHARE BONUS PLAN

The following awards were made under the Share Bonus Plan for the 6 month performance period to 31 March 2008.

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date	Price at vesting date	Value at vesting date	Date of award	Vesting date
CHF Furse	–	28,321	28,321	–	12.49	9.585	271,457	22/05/08	01/06/08

OTHER SHARE AWARDS

For the year ending 31 March 2009 M Capuano will receive a share bonus award of ordinary shares with a value equal to 100 per cent of his annual bonus.

PREVIOUS SHARE SCHEMES - ALL NOW CLOSED AND NO AWARDS GRANTED AFTER AUGUST 2004

The following grants were made under the long-term incentive scheme approved by shareholders in July 2002. The performance condition attaching to options required average earnings per share growth to meet or exceed RPI plus four per cent per annum over the period of three years from the first day of the first financial year in which options were granted.

EXECUTIVE SHARE OPTION PLAN

	Number of options							
Share Option grants	At start of year	Granted during year	Exercised during year	At end of year	Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Expiry date
CHF Furse	76,924	–	–	76,924	–	3.90	15/07/02	15/01/11
	102,168	–	–	102,168	–	3.23	16/05/03	15/01/11
	87,072	–	–	87,072	–	3.79	20/05/04	15/01/11
	266,164	–	–	266,164				

These options became exercisable three years from the date of grant.

SHARE OPTION GRANTS AND SHARE AWARDS IN 2001 AND PRIOR

The following grants were made under the long term incentive scheme approved by shareholders in March 2000. No performance conditions apply to the exercise of these options, although options priced £3.15 are premium priced.

	Number of options							
Share Option grants	At start of year	Granted during year	Exercised during year	At end of year	Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Latest Expiry date
CHF Furse	273,600	–	–	273,600	–	2.52	25/01/01	15/10/10
	211,450	–	–	211,450	–	3.15	25/01/01	15/10/10
	3,430	–	–	3,430	–	3.65	25/06/01	15/10/10
	488,480	–	–	488,480				

These options became exercisable between one and five years from the date of grant at 20 per cent in each year.

The market price of the shares on 31 March 2009 was £5.66 and the range during the year was £3.70 to £13.83.

DIRECTORS' INTERESTS IN SHARES

The Directors who held office at 31 March 2009 had the following other beneficial interests in the shares of the Company:

	Ordinary shares 31 March 2009	B shares 31 March 2009	Ordinary shares 31 March 2008	B shares 31 March 2008
C Gibson-Smith	50,768	10,213	50,768	10,213
A Tantazzi	–	–	–	–
CHF Furse	511,773	–	425,165	355,086
X Rolet	–	–	–	–
M Capuano	176,678	–	66,451	–
D Webb	10,660	–	–	–
J Cohen	6,616	–	1,216	–
S Ermotti	–	–	–	–
O Fanjul	21,901	–	21,901	–
A Munari	–	–	–	–
P Scaroni	–	–	–	–
N Stapleton	4,795	–	4,795	–
R Webb	1,200	–	1,200	–

There have been no changes in Directors' own shares between 31 March 2009 and 20 May 2009.

THE DIRECTORS OF THE LONDON STOCK EXCHANGE GROUP PLC ARE PLEASED TO PRESENT THEIR ANNUAL REPORT TO SHAREHOLDERS, TOGETHER WITH THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

PRINCIPAL ACTIVITIES AND RESULTS

The principal activities of the Company and its subsidiaries are the admission of securities to trading, the delivery of trading systems, clearing and settlement of trading in securities, the organisation and regulation of markets in securities and the provision of associated information services. The Group made a profit before taxation, before impairment of goodwill, amortisation of purchased intangible assets and exceptional items, of £304.7 million (2008: £258.5 million). After taking into account impairment of goodwill, amortisation of purchased intangible assets and exceptional items, the loss of the Group before taxation for the year ended 31 March 2009 was £250.8 million (2008: £227.0 million profit) and loss after taxation was £332.8 million (2008: £173.0 million profit).

BUSINESS REVIEW

The information that fulfils the requirements of the Business Review can be found in the following sections of the Annual Report which are incorporated into this Directors' report by reference:

- Highlights and Group at a Glance pages 10 to 11;
- Markets and Trends pages 16 and 17;
- Business and Financial Reviews pages 18 to 29;
- Corporate Responsibility pages 30 and 31; and
- Principal Risks and Uncertainties pages 32 and 33.

DIVIDEND

The directors are recommending a final dividend for the year of 16.0 pence (2008: 16.0 pence) which is expected to be paid on 17 August 2009 to shareholders on the register on 24 July 2009. Together with the interim dividend of 8.4 pence (2008: 8.0 pence) per share paid in January 2009, this produces a total dividend of 24.4 pence (2008: 24.0 pence) per share estimated to amount to £65.2 million (2008: £65.2 million).

SHARE CAPITAL

Ordinary shares

As at 31 March 2009 the Company had 270.5 million ordinary shares in issue with a nominal value of 6 79/86 pence each, representing 88.9 per cent of the total issued share capital and 100 per cent of the ordinary share capital. Details of the changes to the Company's issued ordinary share capital during the year are set out in note 31 to the financial statements on page 86.

B shares

As at 31 March 2009, 1.1 million B shares were in issue (31 March 2008: 3.8 million), representing 11.1 per cent of the total issued share capital. All remaining B shares will be redeemed by the Company on 1 June 2009.

Share rights

The rights and obligations attached to the Ordinary and B shares are set out in the Company's Articles of Association (the Articles), copies of which can be obtained from Companies House in the UK or by writing to the Group Company Secretary.

Ordinary Shares

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company. On a show of hands every shareholder who is present in person shall have one vote and on a poll every shareholder present in person or by proxy shall have one vote for every ordinary share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting.

Subject to the applicable statutes, the Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by applicable statute: (a) divide among the shareholders the whole or any part of the assets of the Company and he may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders; (b) vest the whole or any part of the assets in trustees for the benefit of the shareholders; and (c) determine the scope and terms of those trusts. No shareholder shall be compelled to accept any asset on which there is a liability.

B shares

Holders of B shares are not entitled to receive notice of any general meetings of the Company or to attend, speak or vote at any such general meetings, unless the business of the meeting includes the consideration of a resolution for the winding up of the Company, in which case the holders of B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution. In such circumstances, voting and appointment of proxies shall be as for ordinary shares.

Holders of B shares are entitled, in priority to any distribution to ordinary shareholders, to be paid semi-annually in arrears a non-cumulative preferential dividend calculated in accordance with the Articles.

DIRECTORS' REPORT

B shares may be redeemed by their holders for the sum of £2.00 per B share on a redemption date (1 June and 1 December each year). The Company may, at any time, redeem all B shares in issue for the sum of £2.00 per B share plus a dividend calculated in accordance with the Articles. All remaining B shares will be redeemed on 1 June 2009.

Holders of B shares shall, on a return of capital on a winding-up (except on a redemption in accordance with the terms of issue of any share, or purchase by the Company of any share or on a capitalisation issue and subject to the rights of any other class of shares that may be issued) be paid the sum of £2.00 per B share plus a dividend calculated in accordance with the Articles.

Holders of B shares are not entitled to any further right of participation in the profits or assets of the Company.

Transfers of shares

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (b) is in respect of only one class of shares; and (c) is in favour of not more than four transferees.

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may determine, except that the Board may not suspend the registration of transfers of any uncertificated shares without gaining consent from CREST. Transfers of uncertificated shares must be carried out using the relevant system and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with UK legislation. There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

Other matters

Subject to the provisions of relevant statute, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of allotment of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either:

(a) with the consent of the holders of 75 per cent in nominal value of the issued shares of that class; or

(b) with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise.

Subject to the provisions of relevant statutes and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

No shareholder is, unless the Board decides otherwise, entitled to attend or vote at a general meeting or to exercise any other shareholder rights if he or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and has failed to supply the Company with the requisite information within the prescribed period. In certain circumstances, the direction notice may additionally direct that in respect of the default shares, no dividend is payable and that no transfer of any default shares may be registered.

Authority to purchase shares

The authority for the Company to purchase in the market up to 27.5 million of its ordinary shares, representing approximately 10 per cent of the issued ordinary share capital of the Company, granted at the Annual General Meeting of the Company held on 9 July 2008, expires at the end of the next Annual General Meeting of the Company. Shareholders will be asked to give a similar authority to repurchase shares at the forthcoming Annual General Meeting of the Company.

Share buyback programme

In the year ended 31 March 2009 the Company made total on-market purchases of 5.9 million ordinary shares at an aggregate cost of £51.5 million with the last purchases made in September 2008. At the Interim Results in November 2008 the Company announced that it had ended its £500 million share buyback programme.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 9 July 2008) may only be amended by special resolution at a general meeting of the shareholders.

SUBSTANTIAL SHAREHOLDING

As at 20 May 2009 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 791 to 828 of the Companies Act 2006 and the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Horizon Asset Management Inc.	7.2%
Unicredito Italiano S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
Kinetics Asset Management Inc.	3.1%

DIRECTORS

Details of the directors are set out on pages 34 and 35.

In accordance with the Company's Articles of Association, at each AGM one third of the directors retire and offer themselves for re-election, and each director must stand for re-election at least once every three years. Additionally directors appointed since the last general meeting must offer themselves for election. Xavier Rolet was appointed to the Board with effect from 16 March 2009. In accordance with the Company's Articles of Association he will retire at the forthcoming AGM and, being eligible, offer himself for reappointment. The directors who will, in accordance with the Company's Articles of Association, retire at the forthcoming AGM and, being eligible, offer themselves for reappointment are Janet Cohen, Robert Webb, Paolo Scaroni and Andrea Munari. The Company announced on 13 February 2009 that Clara Furse would retire from the Board at the end of the AGM to be held on 15 July 2009.

The unexpired term of the service contract for Xavier Rolet is 12 months. None of the other directors seeking reappointment have a service contract with the Company.

Powers of the directors

Subject to the provisions of applicable statute, the Company's Memorandum and Articles of Association and any directions given by special resolution, the business shall be managed by the Board which may exercise all the powers of the Company, including without limitation the power to dispose of all or any part of the undertaking of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given.

Directors' interests

Directors' interests in the shares of the Company as at 31 March 2009 according to the register maintained under the Companies Act 1985 are set out in the Directors' Remuneration Report on pages 47 to 48. No company in the Group was, during or at the end of the financial year, party to any contract of significance in which any director was materially interested.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 36 to 39.

EMPLOYEES

Information on the Company's employment policies is given on page 30. The Company also provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

DONATIONS

During the year the Group gave £300,000 (2008: £196,000) to charitable organisations. No donations were made to political parties.

SUPPLIER PAYMENT POLICY

It is the Group's ongoing policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods have been satisfactorily supplied. As at 31 March 2009 the Company had no trade creditors (2008: nil).

SIGNIFICANT CONTRACTS

The Company (as borrower) has entered into:

(i) a bridge facility agreement with Barclays Bank plc and The Royal Bank of Scotland plc dated 22 June 2007 (as amended by a waiver and amendment request dated 18 July 2007, by an amendment letter dated 20 December 2007, and by a further amendment letter dated 12 November 2008) (the Bridge Facility Agreement);

(ii) a revolving facility agreement with Barclays Bank plc and The Royal Bank of Scotland plc dated 9 February 2006 (as amended and restated 1 March 2007 and as further amended by a waiver and amendment request dated 18 July 2007, and by an amendment letter dated 12 November 2008) (the First Revolving Facility Agreement);

(iii) a revolving facility agreement with, among others, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, and Intesa Sanpaolo S.p.A., dated 24 July 2008 (the Second Revolving Facility Agreement); and

(iv) a revolving facility agreement with HSBC Bank plc dated 24 October 2008 (the Bi-lateral Facility Agreement).

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT, THE DIRECTORS' 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 prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Directors' Report, confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Business Review, whose contents are detailed on page 49 of the Directors' report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Lisa Condron
GROUP COMPANY SECRETARY
20 May 2009

DIRECTORS' REPORT

Each of the Bridge Facility Agreement, the First and Second Revolving Facility Agreements and the Bilateral Facility Agreement contain a change of control provision which, if triggered, allows the relevant facility agent upon instructions from the majority lenders (and in the case of the Bilateral Facility Agreement upon instructions from the lender itself) to cancel the relevant facility and declare all outstanding loans under the relevant agreement, together with accrued interest and all other amounts accrued, due and payable.

The Company has issued sterling Notes due 2016. The terms of the Notes contain a redemption on Change of Control provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows Noteholders to exercise their option to require the issuer to redeem the Notes and pay accrued and unpaid interest.

The rules of the Company's employee share plans set out the consequences of a change of control of the Company on employees' rights under the plans. Generally such rights will vest on a change of control and participants will become entitled to acquire shares in the Company (although in certain circumstances the Remuneration Committee has a discretion to defer vesting and to require rights to be exchanged for equivalent rights over the acquiring company's shares).

The impact of a change of control on directors' service contracts is set out on pages 43 to 44 of the Remuneration Report.

EMPLOYEE BENEFIT TRUST

As at 31 March 2009 the trustee of the London Stock Exchange employee benefit trust, which is an independent trustee, held 3.6 million shares under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share schemes. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

CONTRACTUAL ARRANGEMENTS ESSENTIAL TO THE COMPANY

Under the UK Companies Act 2006 we are required to provide information about persons with whom the company has contractual or other arrangements which are essential to the business. The Group has contractual arrangements with LCH.Clearnet for clearing services to London Stock Exchange members, with Accenture for technology services and with SIA for the provision of technology to CC&G and MTS, which remain essential for the business. Various Group entities are regulated and the Group attaches the highest priority to complying with local regulatory requirements.

FINANCIAL RISK MANAGEMENT

Financial risk management has been specifically considered by the directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 32 to 33 of this report, and in the notes to the Financial Statements on pages 58 to 93.

AUDIT INFORMATION

In accordance with Section 234ZA(2) of the Companies Act 1985, the Directors confirm, in the case of each Director in office at the date the Directors' Report is approved, that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the AGM.

By Order of the Board

Lisa Condron
GROUP COMPANY SECRETARY
20 May 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONDON STOCK EXCHANGE GROUP PLC

We have audited the Group and Parent Company financial statements (the financial statements) of London Stock Exchange Group plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Group at a Glance, the Chairman's Statement, the Chief Executive's Review, Market Position and Trends, the Business Review, Financial Review, Our Wider Responsibilities, Principal Risks and Uncertainties, the Corporate Governance Statement, the unaudited part of the Remuneration Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINION

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- The Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009 and cash flows for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- The information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 May 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

Continuing operations	Notes	2009 Before impairment, amortisation of purchased intangibles and exceptional items £m	2009 Impairment, amortisation of purchased intangibles and exceptional items £m	2009 Total £m	2008 Before amortisation of purchased intangibles and exceptional items £m	2008 Amortisation of purchased intangibles and exceptional items £m	2008 Total £m (restated)
Revenue	6	**671.4**	–	**671.4**	546.4	–	546.4
Expenses							
Operating expenses	7,9	**(332.8)**	**(64.6)**	**(397.4)**	(257.4)	(23.8)	(281.2)
Operating profit before impairment		**338.6**	**(64.6)**	**274.0**	289.0	(23.8)	265.2
Impairment of goodwill	15	–	**(484.0)**	**(484.0)**	–	–	–
Operating profit/(loss)		**338.6**	**(548.6)**	**(210.0)**	289.0	(23.8)	265.2
Finance income		**20.8**	–	**20.8**	18.8	–	18.8
Finance expense		**(58.8)**	**(6.9)**	**(65.7)**	(51.5)	(7.7)	(59.2)
Net finance expense	10	**(38.0)**	**(6.9)**	**(44.9)**	(32.7)	(7.7)	(40.4)
Share of profit after tax of joint ventures/associates	16,17	**2.1**	–	**2.1**	2.2	–	2.2
Profit on disposal of associate	17	**2.0**	–	**2.0**	–	–	–
Profit/(loss) before taxation		**304.7**	**(555.5)**	**(250.8)**	258.5	(31.5)	227.0
Taxation	9,11	**(96.7)**	**14.7**	**(82.0)**	(80.3)	26.3	(54.0)
Profit/(loss) for the financial year		**208.0**	**(540.8)**	**(332.8)**	178.2	(5.2)	173.0
Profit attributable to minority interests		**9.1**	**(3.9)**	**5.2**	4.4	0.3	4.7
Profit/(loss) attributable to equity holders		**198.9**	**(536.9)**	**(338.0)**	173.8	(5.5)	168.3
		208.0	**(540.8)**	**(332.8)**	178.2	(5.2)	173.0
Basic (loss)/earnings per share	12			**(126.1)p**			70.8p
Diluted (loss)/earnings per share	12			**(126.1)p**			69.7p
Adjusted basic earnings per share	12			**74.2p**			73.1p
Adjusted diluted earnings per share	12			**73.6p**			71.9p
Dividend per share in respect of financial year							
Dividend per share paid during the year	13			**24.4p**			20.0p
Dividend per share declared for the year	13			**24.4p**			24.0p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2009

	Notes	Group 2009 £m	Group 2008 £m (restated)
(Loss)/profit for the financial year		**(332.8)**	173.0
Defined benefit pension scheme actuarial (loss)/gain	21	**(11.7)**	21.2
Cash flow hedge		**6.2**	(7.9)
Net investment hedge		**(24.8)**	(6.8)
Exchange gains on translation of foreign operation		**284.3**	212.7
Tax related to items not recognised on income statement		**2.2**	(3.9)
		256.2	215.3
Total recognised (expense)/income for the financial year		**(76.6)**	388.3
Attributable to minority interests		**14.9**	15.9
Attributable to equity holders		**(91.5)**	372.4
		(76.6)	388.3

BALANCE SHEETS

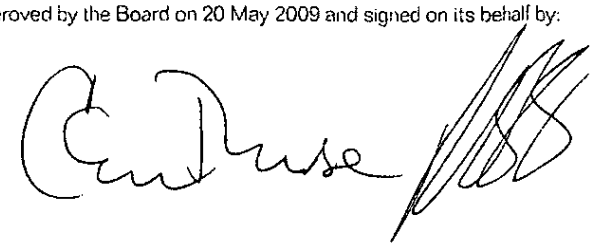
31 March 2009

	Notes	Group 2009 £m	Group 2008 £m (restated)	Company 2009 £m	Company 2008 £m (restated)
Assets					
Non-current assets					
Property, plant and equipment	14	79.9	72.8	–	–
Intangible assets	15	1,584.9	1,821.9	–	–
Investments in joint ventures	16	1.7	1.9	–	–
Investments in associates	17	1.9	2.3	–	–
Investments in subsidiary undertakings	18	–	–	3,748.3	4,533.1
Deferred tax assets	19	5.7	10.0	–	–
Available for sale investments	20	0.4	0.4	–	–
Retirement benefit asset	21	5.0	11.8	–	–
Other non-current assets		0.4	0.4	–	–
		1,679.9	1,921.5	3,748.3	4,533.1
Current assets					
Trade and other receivables	22	114.5	121.1	169.1	182.4
CCP financial assets		32,077.9	15,649.2	–	–
CCP cash and cash equivalents (restricted)		3,596.6	1,654.1	–	–
CCP clearing business assets	23	35,674.5	17,303.3	–	–
Current tax		–	3.9	40.3	24.5
Assets held at fair value	24	5.0	13.8	–	–
Cash and cash equivalents	25	143.7	200.6	–	–
		35,937.7	17,642.7	209.4	206.9
Total assets		37,617.6	19,564.2	3,957.7	4,740.0
Liabilities					
Current liabilities					
Trade and other payables	26	112.9	146.2	218.8	155.2
Derivative financial instruments	27	1.6	7.9	1.5	7.9
CCP clearing business liabilities	23	35,679.2	17,307.7	–	–
Current tax		7.6	13.9	–	–
Borrowings	28	2.3	436.0	2.3	434.8
Provisions	30	3.8	5.2	–	–
Other current liabilities		–	1.8	–	–
		35,807.4	17,918.7	222.6	597.9
Non-current liabilities					
Borrowings	28	622.5	256.1	622.5	256.1
Deferred tax liabilities	19	103.3	95.7	–	–
Retirement benefit obligation	21	8.3	7.6	–	–
Provisions	30	22.9	23.2	–	–
		757.0	382.6	622.5	256.1
Total liabilities		36,564.4	18,301.3	845.1	854.0
Net assets		1,053.2	1,262.9	3,112.6	3,886.0
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	31,32	18.7	19.1	18.7	19.1
Retained (loss)/earnings	32	(803.2)	(331.1)	1,284.3	2,069.4
Other reserves	32	1,741.4	1,479.7	1,809.6	1,797.5
		956.9	1,167.7	3,112.6	3,886.0
Minority interests in equity	32	96.3	95.2	–	–
Total equity		1,053.2	1,262.9	3,112.6	3,886.0

The financial statements on pages 55 to 93 were approved by the Board on 20 May 2009 and signed on its behalf by:

Clara Furse
CHIEF EXECUTIVE

Doug Webb
CHIEF FINANCIAL OFFICER



CASH FLOW STATEMENTS

Year ended 31 March 2009

	Notes	Group 2009 £m	Group 2008 £m (restated)	Company 2009 £m	Company 2008 £m
Cash flow from operating activities					
Cash generated from operations	33	**352.6**	292.9	**(5.0)**	(0.9)
Interest received		**7.0**	5.8	**–**	–
Interest paid		**(52.1)**	(39.4)	**(52.0)**	(35.5)
Corporation tax paid		**(51.9)**	(68.7)	**–**	–
Withholding tax paid		**(30.5)**	(12.7)	**–**	–
Net cash inflow/(outflow) from operating activities		**225.1**	177.9	**(57.0)**	(36.4)
Cash flow from investing activities					
Net cash inflow/(outflow) from merger		**–**	82.3	**–**	(13.8)
Purchase of property, plant and equipment		**(19.9)**	(10.3)	**–**	–
Purchase of intangible assets		**(36.5)**	(21.9)	**–**	–
Disposal of associate		**2.7**	–	**–**	–
Investment in joint ventures		**(0.7)**	–	**–**	–
Investment in subsidiary		**(5.3)**	–	**–**	–
Dividends received		**3.8**	2.4	**163.3**	188.3
Acquisition of minority interests in Borsa Italiana		**–**	(0.5)	**–**	(0.5)
Net cash (outflow)/inflow from investing activities		**(55.9)**	52.0	**163.3**	174.0
Cash flow from financing activities					
Dividends paid to shareholders		**(65.3)**	(46.0)	**(65.3)**	(46.0)
Dividends paid to minorities		**(7.0)**	–	**–**	–
Redemption of B shares		**(5.3)**	(8.1)	**(5.3)**	(8.1)
Share buyback		**(51.5)**	(143.8)	**(51.5)**	(143.8)
Purchase of own shares by ESOP trust		**(26.3)**	(36.7)	**–**	–
Loan to ESOP trust		**–**	–	**(25.4)**	(30.8)
Loans to subsidiary companies		**–**	–	**–**	(172.0)
Loans from/repayments to subsidiary companies		**–**	–	**123.2**	–
Proceeds from own shares on exercise of employee share options		**0.9**	5.9	**–**	–
Proceeds from borrowings		**735.2**	613.0	**735.2**	613.0
Repayment of borrowings		**(818.5)**	(497.5)	**(817.2)**	(347.0)
Share issue costs		**–**	(2.9)	**–**	(2.9)
Net cash outflow from financing activities		**(237.8)**	(116.1)	**(106.3)**	(137.6)
(Decrease)/increase in cash and cash equivalents		**(68.6)**	113.8	**–**	–
Cash and cash equivalents at beginning of year		**200.6**	72.9	**–**	–
Exchange gains on cash and cash equivalents		**11.7**	13.9	**–**	–
Cash and cash equivalents at end of year	25	**143.7**	200.6	**–**	–

Group cash flow does not include cash and cash equivalents held by CC&G on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default fund amounts held for counterparties in connection with this operation.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's consolidated financial statements and the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the central counterparty (CCP) clearing business of the Company's majority-owned subsidiary Cassa di Compensazione e Garanzia S.p.A. (CC&G), and on the basis of the principal accounting policies set out below.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid an understanding of its results by presenting profit for the year before goodwill impairment, amortisation of purchased intangible assets and exceptional items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying cash earnings. Profit before impairment of goodwill, amortisation of purchased intangible assets and exceptional items is reconciled to profit before taxation on the face of the income statement.

Recent accounting developments

The following standards and interpretations issued by the International Accounting Standards Board (IASB) and IFRIC have been adopted in these financial statements.

International accounting standards and interpretations
IFRIC12 Service Concession Arrangements
IFRIC14 IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction

IFRIC12 has no impact on the financial statements of the Company or the Group. The adoption of IFRIC14 has not had a material impact on the financial statements of the Company or the Group.

The following standards, amendments and interpretations have been issued by the IASB and IFRIC with an effective date, subject to EU endorsement in some cases, that does not impact on these financial statements.

International accounting standards and interpretations	Effective date
IFRS various Annual improvements 2008	1 January 2009
IFRS2 Share-based Payment – Amendment relating to vesting conditions and cancellations	1 January 2009
IFRS3 Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS8 Operating Segments	1 January 2009
IAS1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IAS1 Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS23 Borrowing Costs – Comprehensive revision to prescribed treatment	1 January 2009
IAS27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS3	1 July 2009
IAS28 Investments in Associates – Consequential amendments arising from amendments to IFRS3	1 July 2009
IAS31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS3	1 July 2009
IAS32 Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	1 January 2009
IAS39 Financial Instruments: Recognition and measurement – amendments for eligible hedged items	1 July 2009
IFRIC13 Customer Loyalty Programmes	1 January 2009
IFRIC15 Agreements for the construction of real estate	1 January 2009
IFRIC16 Hedges of a net investment in a foreign operation	1 October 2008
IFRIC17 Distribution of non-cash assets to owners	1 July 2009
IFRIC18 Transfer of assets from customers	1 July 2009

The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not currently expect any of these changes to have a material impact on the results or the net assets of the Company or the Group.

Accounting policies

CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, all having co-terminous accounting periods, with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates and joint ventures. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. As permitted by Section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. The Company's loss for the year is disclosed within note 32.

Investments in joint ventures and associates are accounted for under the equity method. The Group's investments in joint ventures and associates are initially recognised at cost, and its share of profits or losses after tax from joint ventures and associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of joint ventures and associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination, such as professional fees paid to accountants and legal advisers and other consultants to effect the combination. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Acquisitions of shares from minority interests result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

Investments in subsidiaries are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

REVENUE
Revenue represents the total amount receivable for the provision of goods and services, excluding value added tax.

Revenue is recognised in the period when the service or supply is provided:

a) membership and other term fees are recognised over the period to which the fee relates;

b) admission fees are recognised at the time of admission to trading;

c) royalties are recognised at the earlier of cash receipt or the date at which they are earned or measurable with certainty; and

d) all other revenue is recognised in the month in which the service is provided. In interim reports, Borsa Italiana group defers some of the income received from cash trading and S&P/MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved.

EXCEPTIONAL ITEMS
Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the income statement within their relevant category. The separate reporting of these items together with impairment and amortisation of purchased intangible assets helps give an indication of the Group's underlying performance.

SHARE BASED COMPENSATION
The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

FOREIGN CURRENCIES
The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency.

Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities or bonds held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and

c) all resulting exchange differences are recognised as a separate component of equity.

PROPERTY, PLANT AND EQUIPMENT
Freehold properties, including related fixed plant, are included in the financial statements at cost less accumulated depreciation and any provision for impairment. Freehold buildings and related fixed plant are depreciated to residual value, based on cost at the beginning of the year plus subsequent additions, over their estimated economic lives. The estimated useful lives of properties range between 33 and 50 years, and the estimated useful economic lives of fixed plant range from five to 20 years.

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

Plant and equipment is stated at cost and is depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets, which mainly range from three to five years.

The Group selects its depreciation rates based on expected economic lives, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

INTANGIBLE ASSETS
Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid plus transaction costs over the fair value of the Group's share of net identifiable assets purchased. It is not amortised but is tested for impairment annually and when there are indications that the carrying value may not be recoverable, and is carried at cost less accumulated impairment losses.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software development costs, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives, which do not normally exceed 25 years or the term of the licence. The amortisation period and method are reviewed and adjusted, as appropriate, at each balance sheet date.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives, averaging three years.

NOTES TO THE FINANCIAL STATEMENTS

CURRENT AND DEFERRED TAXATION

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

CLASSIFICATION OF FINANCIAL ASSETS

Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for liquidity purposes and are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets

Investments (other than term deposits and interests in joint ventures/ associates and subsidiaries) are designated as available for sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available for sale.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise cash at bank and term deposits that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

FINANCIAL ASSETS AND LIABILITIES OF THE CENTRAL COUNTERPARTY (CCP) CLEARING BUSINESS

Assets and liabilities of the CCP clearing service relate to CC&G, the subsidiary that performs the CCP clearing business. CC&G clears financial derivatives, equities and bond transactions on Italian regulated markets, guaranteeing the successful receipt or delivery of securities for the transactions to be settled on both the bid and offer side of transactions with the respective counterparties. It enters into a contractual arrangement in respect of each side of the transaction, bears the counterparty risk associated with honouring by the counterparties of their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete delivery of the appropriate securities. Accordingly, CC&G must record an asset and a liability on its balance sheet in respect of each of the bid and offer sides of each transaction. However, except in respect of failed transactions CC&G as a CCP clearer does not bear any price risk and the value of the bid and offer side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities

These transactions are initially recorded at fair value, which coincides with the market value of the open positions on the IDEM derivatives market in which CC&G operates as CCP, and are subsequently remeasured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions

These represent repurchase transactions (repos) by clearing members in the bond market using CC&G's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term, usually within two days. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members

These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid for initial and variation margins, option premiums and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value.

d) Financial assets and liabilities at fair value

These represent quoted equity and bond securities which CC&G acquires usually as a result of failure by a counterparty to deliver its side of a transaction and are recognised initially at fair value and subsequently remeasured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Cash and cash equivalents (restricted)

These amounts include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method, if the time value of money is significant.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument. The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group also hedges a proportion of its net investment in Borsa Italiana S.p.A. by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The effective proportion of the gain or loss on the hedging instrument is recognised directly in equity. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). 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 existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

TRADE RECEIVABLES
Trade receivables are non-interest bearing and are stated at their fair value which is usually the original invoiced amount less provision for impairment. 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 the 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 portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

BORROWINGS
Bank borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Redeemable Class B shares issued in connection with the May 2006 capital return are carried at amortised cost, and presented as a financial liability. The dividend accrued in respect of the Class B shares has been classified within finance costs in the income statement.

PROVISIONS
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is made in the accounts for the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments. Such provisions are discounted where the time value of money is considered material.

SHARE CAPITAL
The Company's own shares held by the ESOP trust are deducted from equity until they vest unconditionally in employees and are held at cost. Consideration paid in respect of these Treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

OPERATING LEASES
Rental costs for operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

PENSION COSTS
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit scheme the service cost, representing benefits accruing to employees, is included as an operating expense and the expected return on scheme assets and interest cost from unwinding of the discount on scheme obligations are included as finance income and finance expense respectively. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of recognised income and expense. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. PRIOR YEAR ADJUSTMENT

The Group carries its bank borrowings and bonds at amortised cost, with interest charged to the income statement over the period of the borrowings using the effective interest rate (EIR) method. Its July 2006 £250m bond paid an initial coupon of 5.875 per cent p.a. Due to amendments to the Company's long term credit rating, the coupon increased to 6.125 per cent and 6.375 per cent in July 2007 and January 2008 respectively. For the purposes of its interim and annual financial statements at 30 September 2007 and 31 March 2008, the Group treated this bond as a floating rate instrument and, accordingly, did not reflect the impact of the expected future cash flows at the original EIR in its calculations.

Following further consideration, the directors decided that, although there were good arguments for treating elements of the bond as floating rate, it was more appropriate to have treated this as a fixed rate instrument. Accordingly, the prior year financial statements have been adjusted by restating the carrying amount of the debt instrument by discounting the revised cash flows using the original EIR, with the resulting adjustments being recorded in the income statement as an exceptional finance cost. The resulting charge to the income statement will be offset following revisions to the EIR calculations, which will result in reduced future interest expense, over the remaining life of the bond.

The effect of these adjustments on the prior year is shown below:

	Notes	Year ended 31 March 2008 £m
Effect on the income statement		
Profit for the financial year (as originally stated)		178.5
Finance expense: increase	10	(7.7)
Taxation charge reduction		2.2
Profit for the financial year (restated)		173.0
Effect on the balance sheet		
Net assets (as originally stated)		1,268.4
Borrowings increase		(7.7)
Current tax creditor decrease		2.2
Net assets (restated)		1,262.9

	Year ended 31 March 2008
Effect on earnings per share	
Basic earnings per share (as originally stated)	73.1p
Prior year adjustment	(2.3p)
Basic earnings per share (restated)	70.8p
Diluted earnings per share (as originally stated)	71.9p
Prior year adjustment	(2.2p)
Diluted earnings per share (restated)	69.7p

There was no effect on adjusted basic earnings per share as the bond adjustment is treated as an exceptional item.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk and the Group's risk management programme seeks to minimise potential adverse effects on its financial performance.

Financial risk management is performed at both a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and, locally, where operating unit risk functions manage particular risks for regulatory or operational purposes.

Following its establishment in November 2008, the Treasury Committee, chaired by the CFO, approves those matters not reserved for the Board operating within Board approved policies covering foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

A) MARKET RISK

(i) Foreign exchange risk

The Group operates predominantly in the UK and Italy. Foreign exchange risk arises from translating the euro earnings, assets and liabilities of the Borsa Italiana sub-group from euro into sterling.

The Group seeks to reduce its net asset exposure to movements between sterling and the euro by distributing its net euro denominated cash earnings in dividends and by raising an appropriate amount of its debt in euros. The Group's euro debt is then serviced by cash generated by Borsa Italiana and its subsidiaries which, in turn, has some benefit in reducing Group income statement volatility to movements in exchange rates between sterling and the euro through euro denominated interest expense.

At 31 March 2009 £151.9m (2008: £152.6m) of the Group's debt was denominated in euros and designated as a hedge of the net investment in Borsa Italiana. During the year to 31 March 2009 a gain of £24.8m (2008: £6.8m) on foreign currency borrowings was recognised in equity. There was no ineffectiveness of the hedge to be recognised in the income statement.

The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2009 the Group has considered movements in the euro over the last year and has concluded that a 20 per cent movement in rates is a reasonable benchmark. At 31 March 2009, if sterling had weakened/strengthened by 20 per cent against the euro with all other variables held constant, post tax loss/profit for the year would have been unchanged (2008: unchanged); however, equity would have been £6.7m higher (2008: £6.6m higher)/£10.2m lower (2008: £9.1m lower). This reflects foreign exchange gains/losses on translation of euro denominated trade receivables, financial assets at fair value through profit or loss and foreign exchange gains/losses on translation of euro denominated borrowings.

Group companies invoice revenues, incur expenses and purchase assets predominantly in their respective local currency, with the exception of EDX London Ltd where foreign exchange derivative contracts have been used to hedge forecast inflows in Swedish krona (see note 27 for further details). No sensitivity analysis has been prepared for movements in Swedish krona/sterling as this has been considered to be insignificant to the Group's consolidated financial statements. During the year, LSE plc committed to certain contractual obligations in Canadian dollars with payments falling due after the end of the financial year. Derivative instruments were used to hedge these

highly probable flows. As at 31 March 2009, if sterling had weakened/strengthened by 15 per cent against the Canadian dollar with all other variables held constant, post tax profit would have been unaffected with £1.3m/£1.0m increase/decrease to hedging reserve within equity in the balance sheet, as these hedges were fully effective for accounting purposes.

(ii) Cash flow and fair value interest rate risk
The Group's interest rate risk arises from cash and cash equivalents, investments in financial assets and borrowings.

Changes in market interest rates mean that investments and borrowings subject to variable rates expose the Group to the risk that future associated cash flows will fluctuate, and those subject to fixed rates expose the Group to the risk that the fair value of the financial instrument will fluctuate.

As a medium term objective the Group seeks to maintain a proportion of its borrowings at fixed rates of interest.

In November 2008, the Group cancelled a gilt lock instrument, which had been held to hedge the interest rate risk on a future forecast transaction that was no longer deemed highly probable (see note 27). An exceptional charge of £10.6m was recognised in the income statement. This effectively reduced the proportion of the Group's borrowings held at fixed rates of interest.

In January and March 2009, interest rate swaps were used to hedge the exposure on €120m (2008: nil) of the Group's floating rate borrowings achieving a blended fixed rate payable of 2.42 per cent per annum in return for three month Euribor receivable. These hedges were designated cash flow hedges and were fully effective at 31 March 2009.

At 31 March 2009 60 per cent (2008: 72 per cent) of the Group's net debt was effectively at fixed rates after taking into account the effect of derivative financial instruments.

The Group reviews sensitivities for movements in interest rates which are appropriate to market conditions. The Group has considered the volatility of interest rates over the last year and has concluded that a two per cent upward movement and a one per cent downward movement reflect reasonable levels of risk to current rates.

At 31 March 2009, if interest rates on sterling-denominated and euro-denominated cash and borrowings had been two per cent higher with all other variables held constant, post tax profit for the year would have been £1.6m (2008: £5.0m) lower mainly as a result of higher interest expense on floating rate borrowings.

At 31 March 2009, if interest rates on sterling-denominated and euro-denominated borrowings had been one per cent lower with all other variables held constant, post tax profit for the year would have been £0.8m (2008: £2.5m) higher, mainly as a result of lower interest expense on floating rate borrowings.

B) CREDIT RISK
Credit risk is the risk that the Group's counterparties will be unable to meet their obligations to the Group either in part or in full and arises from credit exposures to customers as well as on cash, deposits and derivative financial instruments with banks and financial institutions.

Credit risk is controlled through policies developed both at a Group level and, where appropriate, with regulators at an individual subsidiary level.

Group companies assess the credit quality of their customers, taking into account their financial position and considering past experience and other factors. Trade receivables, net of impairment, are concentrated in the financial community, and are managed as one class of receivables. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers and, generally, a low historic incidence of customer defaults. Given this, and the recurring nature of the billing and collection arrangements, management assess the credit quality of the Group's customers as high.

CC&G, the Group's Italian clearing business, eliminates counterparty risk for its members (mainly large financial institutions), becoming the guarantor of the final settlement of the contracts, acting as a buyer towards each seller and as a seller towards each buyer. As a result CC&G faces credit risk if it incurs losses from the deterioration in the creditworthiness or the default of a counterparty for which risks have been guaranteed in the performance of its role as central counterparty (CCP) clearer. To mitigate against this risk it has established a financial safeguarding system to cover the potential effects of single or multiple defaults of market participants which is based on three levels of protection:

1. Clearing membership selection on the basis of supervisory capital, technical and organisational criteria;

2. Margin accounts – each member must pay margins to cover the theoretical costs of liquidation which CC&G would incur in order to close out open positions in the event of the member's default. Margins are computed daily according to recognised margining methodologies applied as appropriate for equities and fixed income elements of the portfolio; and

3. Default funds – clearing members participate in default funds managed by CC&G and created for the purpose of guaranteeing the integrity of the markets in the event of multiple defaults in extreme market circumstances, in line with risk management standards agreed by the European Association of Central Counterparty Clearing Houses. These amounts are determined on the basis of the results of periodic stress testing examined by CC&G's risk committee.

The Group invests its cash resources in deposits with banks and financial institutions.

Credit risk with respect to cash and cash equivalents is managed by establishing minimum creditworthiness criteria, limiting the maximum exposure to each counterparty. The Company only uses banks that are independently rated with a minimum rating of Aa3 (per Moody's). Individual counterparties are currently limited to deposits of £10m for periods not exceeding 12 months, a reduction in the current year from the £15m used previously to reflect the greater market uncertainty in recent months. CC&G is required to invest cash with counterparties that are either investment grade or who have a minimum level of capital, and for periods of up to 12 months in an amount dependent on the credit quality of the counterparty, and works closely with the Bank of Italy to monitor this risk. Other cash resources within the Borsa Italiana sub-group are held on call or on deposit for short periods only.

The Group limits the transacting of derivatives to a limited number of well-capitalised, relationship based, counterparties each of whom has an appropriate depth of coverage and expertise.

NOTES TO THE FINANCIAL STATEMENTS

C) LIQUIDITY RISK

The Company is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations. The Group maintains sufficient cash and marketable securities together with the availability of funding through adequate committed credit facilities to meet all its financial obligations as these fall due.

In addition to the day to day liquidity requirements of Group companies, CC&G and certain other subsidiary companies are required to maintain a level of liquidity within their own legal entities (see note 4 for further information) to meet regulatory requirements and/or ensure the smooth operation of their respective markets.

Group businesses are profitable and generate significant free cash flow. This free cash flow is available to the Group to invest in capital expenditure, acquisitions, dividend payments, other returns of capital or to reduce debt.

Management monitors forecasts of the Group's liquidity, prepared to reflect expected cash flow, and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. The Group manages liquidity risk by depositing funds with counterparties of high quality in accordance with Board approved policy.

Treasury policy also requires that the Group maintains adequate credit facilities to at least cover its funding requirements for the next 12 months. Significant headroom is maintained in its committed, revolving credit facilities to provide additional liquidity and much attention has been given during the year to the ongoing credit quality of the Group's lending banks. At 31 March 2009 £283.5m of these facilities were unutilised (2008: £200.0m).

Separately, CC&G has access to committed and uncommitted lines of credit with intra-day financing from the Bank of Italy to meet the cash requirements related to settlement (see note 28).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2009	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	2.3	180.0	193.8	250.0
Derivative financial instruments	1.6	–	–	–
Trade and other payables	112.9	–	–	–
CCP liabilities	35,679.2	–	–	–
	35,796.0	180.0	193.8	250.0

At 31 March 2008	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	436.4	–	–	250.0
Derivative financial instruments	7.9	–	–	–
Trade and other payables	146.2	–	–	–
CCP liabilities	17,307.7	–	–	–
	17,898.2	–	–	250.0

4. CAPITAL RISK MANAGEMENT

The Group seeks to reduce its cost of capital and to provide superior returns to its shareholders, whilst fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

Capital comprises resources that are raised by the Group from its shareholders (equity capital) and from its lenders (debt capital). Details of the Group's equity capital are set out in note 32 and details of the Group's debt capital (current and non-current) are set out in note 28.

The Group monitors capital in a number of ways, including on the basis of the ratio of Net debt to EBITDA. This ratio is calculated as total current and non-current borrowings less the cash and cash equivalents that are set aside to meet regulatory requirements and compares this with its EBITDA (Group consolidated earnings before goodwill impairment, depreciation, amortisation, exceptional items, taxation, profit on disposal of associate and net finance expense).

Net debt to EBITDA at 31 March 2009 was 1.6 times on an actual basis (2008: 1.7 times restated on a pro forma basis, as if the merger with Borsa Italiana had taken place on 1 April 2007). In managing its Net debt to EBITDA ratio the Group has regard to its weighted average cost of capital (WACC) and its strategic objective of an investment grade credit rating. The methods by which the Group may adjust its capital structure would principally include returns to shareholders, issues of new shares, and increases or reductions of debt.

The Group is required to maintain certain levels of liquidity within certain operating entities for regulatory and operational purposes. As at 31 March 2009 £125m (2008: £125m) was set aside to meet these requirements (including a buffer to absorb short term fluctuations), with the amount subject to ongoing review with regulators in the UK and Italy.

5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical judgements and estimates made in the preparation of the financial statements are set out below. The actual outcome may be materially different from that anticipated:

a) Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance, and estimates of the return required by shareholders to determine an appropriate discount rate;

b) The determination of the defined benefit pension asset or liability is based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary;

c) Purchased intangible assets are amortised over their estimated useful economic lives. These lives are based on value in use calculations using management's best estimate of future performance;

d) The property provision is determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers;

e) Estimates are required in determining the provision for income taxes. The Group recognises liabilities for the estimated tax charge at the period end and where the final tax liability is different from that estimate, such differences are reflected in the period in which such determination is made; and

f) The determination in the Company's financial statements of the value of the subsidiary companies, London Stock Exchange plc and Borsa Italiana S.p.A., is based on their forecast cash flows, and an appropriate discount rate. The basis of such values cannot be precise and is subject to market variations in both cases.

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT INFORMATION

Segmental disclosures for the year ended 31 March 2009 are shown below.

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Total revenue	90.6	277.0	183.9	111.4	38.1	–	701.0
Inter-segmental revenue	(0.2)	(1.7)	(1.0)	(7.4)	(19.3)	–	(29.6)
External revenue	90.4	275.3	182.9	104.0	18.8	–	671.4
Expenses							
Depreciation and software amortisation	(3.4)	(15.0)	(12.5)	(3.1)	(1.9)	(0.5)	(36.4)
Other non-exceptional expenses	(48.9)	(117.7)	(75.0)	(33.7)	(12.8)	(8.3)	(296.4)
Adjusted operating profit	38.1	142.6	95.4	67.2	4.1	(8.8)	338.6
Amortisation of purchased intangible assets	(4.6)	(13.5)	(6.7)	(24.6)	–	–	(49.4)
Exceptional integration costs (see note 9)	(0.9)	(3.2)	(3.4)	(4.0)	(0.9)	(2.8)	(15.2)
Operating profit before impairment	32.6	125.9	85.3	38.6	3.2	(11.6)	274.0
Impairment of goodwill	(107.6)	(250.0)	(40.9)	(85.5)	–	–	(484.0)
Operating profit (segment result)	(75.0)	(124.1)	44.4	(46.9)	3.2	(11.6)	(210.0)
Finance income	–	–	–	–	–	20.8	20.8
Finance expense	–	–	–	–	–	(65.7)	(65.7)
Share of profit after tax of joint ventures/associates	–	(0.1)	2.2	–	–	–	2.1
Profit on disposal of associate	–	2.0	–	–	–	–	2.0
Assets	149.1	631.9	322.5	36,386.5	51.8	72.2	37,614.0
Investment in joint ventures/associates	–	1.9	1.7	–	–	–	3.6
Total assets	149.1	633.8	324.2	36,386.5	51.8	72.2	37,617.6
Liabilities	(25.4)	(84.3)	(52.2)	(35,721.7)	(18.4)	(662.4)	(36,564.4)
Capital expenditure	4.1	27.4	13.4	1.6	8.2	4.5	59.2

Comparative segmental disclosures for the year ended 31 March 2008 are as follows:

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m (restated)	Group £m (restated)
Revenue							
Total revenue	82.5	265.1	143.8	46.0	20.5	–	557.9
Inter-segmental revenue	(0.1)	(0.4)	(0.2)	(3.2)	(7.6)	–	(11.5)
External revenue	82.4	264.7	143.6	42.8	12.9	–	546.4
Expenses							
Depreciation and software amortisation	(3.0)	(13.9)	(5.2)	(3.4)	(0.8)	(0.6)	(26.9)
Other non-exceptional expenses	(41.6)	(87.5)	(58.4)	(15.3)	(11.4)	(16.3)	(230.5)
Adjusted operating profit	37.8	163.3	80.0	24.1	0.7	(16.9)	289.0
Amortisation of purchased intangible assets	(2.0)	(5.9)	(2.9)	(10.7)	–	–	(21.5)
Exceptional integration costs (see note 9)	(0.2)	(0.3)	(0.3)	–	–	(1.5)	(2.3)
Operating profit (segment result)	35.6	157.1	76.8	13.4	0.7	(18.4)	265.2
Finance income	–	–	–	–	–	18.8	18.8
Finance expense	–	–	–	–	–	(59.2)	(59.2)
Share of profit after tax of joint venture/associates	–	0.1	2.1	–	–	–	2.2
Assets	232.3	801.1	319.5	18,015.8	42.4	148.9	19,560.0
Investment in joint venture/associates	–	2.0	2.2	–	–	–	4.2
Total assets	232.3	803.1	321.7	18,015.8	42.4	148.9	19,564.2
Liabilities	(32.2)	(71.8)	(47.7)	(17,368.0)	(23.6)	(758.0)	(18,301.3)
Capital expenditure	4.8	15.4	6.4	0.1	1.5	0.1	28.3

The Other segment represents property sub-letting and activities not directly related to the four main business segments and which do not individually constitute separately reportable segments. Corporate expenses are for corporate services which cannot reasonably be allocated to business segments. Other costs are allocated according to appropriate metrics, e.g. headcount or floor space.

Geographical disclosure

Revenue	2009 £m	2008 £m
UK	**349.6**	371.2
Italy	**170.7**	79.1
Other	**151.1**	96.1
Total	**671.4**	546.4

Revenue is allocated based on the country in which the customer is located.

Total assets	2009 £m	2008 £m
UK	**252.4**	320.1
Italy	**37,361.6**	19,239.9
	37,614.0	19,560.0
Joint ventures – UK	**1.1**	1.9
Joint ventures – Japan	**0.6**	–
Associates – Italy	**1.9**	2.3
Total	**37,617.6**	19,564.2

Capital expenditure	2009 £m	2008 £m
UK	**47.5**	26.3
Italy	**11.7**	2.0
Total	**59.2**	28.3

Capital expenditure is allocated based on where the assets are located.

7. EXPENSES BY NATURE

Expenses comprise the following:

	Notes	2009 £m	2008 £m
Employee costs	8	**113.3**	99.5
Depreciation and software amortisation		**36.4**	26.9
Amortisation of purchased intangible assets and exceptional costs	9	**64.6**	23.8
Other costs		**183.1**	131.0
Total before impairment		**397.4**	281.2
Goodwill impairment	15	**484.0**	–
Total expenses		**881.4**	281.2

Foreign exchange gains or losses included in the income statement are immaterial.

8. EMPLOYEE COSTS

Employee costs comprise the following:

	Notes	2009 £m	2008 £m
Salaries and other short term benefits		**82.4**	69.9
Social security costs		**13.9**	11.9
Pension costs	21	**6.8**	5.4
Share based compensation	37	**10.2**	12.3
Total		**113.3**	99.5

The number of employees in the Group was:

	2009			2008		
	UK	Italy	Total	UK	Italy	Total
At the year end	**570**	**565**	**1,135**	599	611	1,210
Average for the year	**592**	**583**	**1,175**	514	358	872

The Company has no employees.

NOTES TO THE FINANCIAL STATEMENTS

9. IMPAIRMENT, AMORTISATION OF PURCHASED INTANGIBLE ASSETS AND EXCEPTIONAL ITEMS

	Notes	2009 £m	2008 £m (restated)
Impairment of goodwill	15	(484.0)	–
Amortisation of purchased intangible assets	15	(49.4)	(21.5)
Integration costs		(15.2)	(2.3)
Total affecting operating profit		(548.6)	(23.8)
Exceptional finance costs:			
Bond adjustment to reflect changes in valuation of cash flows		3.7	(7.7)
Loss on cash flow hedge recycled to income statement		(7.9)	–
Loss on gilt lock contract in the year		(2.7)	–
Total affecting profit before tax		(555.5)	(31.5)
Tax effect on items affecting profit before tax and tax exceptional items			
Deferred tax on amortisation of purchased intangible assets		8.5	3.7
Tax effect on other items affecting profit before tax		6.2	2.9
Credit to taxation in respect of change of Italian tax rate	11	–	19.7
Total tax effect on items affecting profit before tax and tax exceptional items		14.7	26.3
Total charge to income statement		(540.8)	(5.2)

Integration costs relate to the integration of the businesses of the London Stock Exchange and Borsa Italiana, and include costs of integrating trading systems and websites as well as staff related costs. The change of Italian tax rate on 1 January 2008 affected the value of deferred tax liabilities acquired, resulting in a credit to the taxation account.

10. NET FINANCE EXPENSE

	Notes	2009 £m	2008 £m (restated)
Finance income			
Bank deposit and other interest income		7.5	6.3
Expected return on defined benefit pension scheme assets	21	13.0	12.3
Investment income		0.3	0.2
		20.8	18.8
Finance expense			
Interest payable on bank and other borrowings		(40.4)	(34.5)
Other finance expense		(2.8)	(3.1)
Interest on discounted provision for leasehold properties		(1.2)	(1.3)
Defined benefit pension scheme interest expense		(14.4)	(12.6)
		(58.8)	(51.5)
Exceptional finance expense			
Bond adjustment to reflect change in future coupon		3.7	(7.7)
Loss on cash flow hedge recycled to income statement		(7.9)	–
Loss on gilt lock contract in the year		(2.7)	–
Total exceptional finance expense		(6.9)	(7.7)
		(65.7)	(59.2)
Net finance expense		(44.9)	(40.4)

Due to deteriorating market conditions, a proposed bond issue was deemed as improbable during the year and so the hedging relationship with a gilt lock interest rate contract ended. As a result the accumulated mark to market loss charged through reserves was recycled to the income statement. This and the loss incurred on settlement in December have been disclosed as exceptional finance expense.

11. TAXATION

Taxation charged to the income statement	2009 £m	2008 £m (restated)
Current tax:		
UK corporation tax for the year at 28% (last year 30%)	42.4	55.8
Overseas tax for the year	46.7	22.7
Adjustments in respect of previous years	(4.3)	(1.7)
	84.8	76.8
Deferred tax (see note 19):		
Deferred tax for the current year	3.1	2.3
Adjustments in respect of previous years	2.6	0.5
Exceptional credit to deferred tax in respect of Italian tax rate change	–	(19.7)
Deferred tax on amortisation of purchased intangible assets	(8.5)	(3.7)
Foreign exchange	–	(2.2)
Taxation charge	82.0	54.0

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

Taxation on items (credited)/charged to equity	2009 £m	2008 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	(1.1)	(5.7)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial (losses)/gains	(3.2)	6.3
Tax allowance on share options/awards in excess of expense recognised	2.1	3.1
Change in UK tax rate	–	0.2

Factors affecting the tax charge for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax 28 per cent (2008: 30 per cent) and the income statement tax charge for the year are explained below:

	2009 £m	2008 £m (restated)
(Loss)/profit before taxation	(250.8)	227.0
(Loss)/profit multiplied by the UK rate of corporation tax at 28 per cent (2008: 30 per cent)	(70.2)	68.2
Expenses not deductible	10.5	2.5
Impairment of goodwill	135.5	–
Share of joint ventures and associates consolidated at profit after tax	(0.6)	(1.0)
Exceptional credit to deferred tax in respect of Italian tax rate change	–	(19.7)
Overseas earnings taxed at higher rate	3.2	3.5
Adjustments in respect of previous years	(1.7)	(1.2)
Amortisation of purchased intangible assets	5.3	2.7
Other	–	(1.0)
Taxation charge	82.0	54.0

The weighted average tax rate for the Group was 30 per cent (2008: 32 per cent).

NOTES TO THE FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude goodwill impairment, amortisation of purchased intangible assets and exceptional items to enable comparison of the underlying earnings of the business with prior periods.

	2009	2008 (restated)
Basic earnings per share	**(126.1)p**	70.8p
Diluted earnings per share	**(126.1)p**	69.7p
Adjusted basic earnings per share	**74.2p**	73.1p
Adjusted diluted earnings per share	**73.6p**	71.9p
	£m	£m
(Loss)/profit for the financial year attributable to equity holders	**(338.0)**	168.3
Adjustments:		
Amortisation of purchased intangible assets	**49.4**	21.5
Impairment of goodwill (note 15)	**484.0**	–
Integration costs	**15.2**	2.3
Exceptional finance costs	**6.9**	7.7
Tax effect of amortisation and exceptional items and tax exceptional item	**(14.7)**	(24.1)
Exceptional items, amortisation and taxation attributable to minority interests	**(3.9)**	(1.9)
Adjusted profit for the financial year attributable to equity holders	**198.9**	173.8
Weighted average number of shares – million	**268.1**	237.8
Effect of dilutive share options and awards – million	**–**	3.8
Diluted weighted average number of shares – million	**268.1**	241.6

The weighted average number of shares excludes those held in the ESOP. The effect of dilutive share options and awards is 2.0 million (2008: 3.8 million), and applies only to adjusted earnings per share in the current year.

13. DIVIDENDS

	2009 £m	2008 £m
Final dividend for 2008 paid August 2008: 16.0p per Ordinary share (2007: 12.0p)	**42.9**	23.8
Interim dividend for 2009 paid January 2009: 8.4p per Ordinary share (2008: 8.0p)	**22.4**	22.2
	65.3	46.0

The Board has proposed a final dividend in respect of the year ended 31 March 2009 of 16.0 pence per share, which is estimated to amount to £42.8m, to be paid on 17 August 2009.

The right to non-cumulative preference dividends on the remaining Redeemable Class B shares is discussed in note 32.

14. PROPERTY, PLANT & EQUIPMENT

	Land and buildings			
Group	**Freehold £m**	**Leasehold £m**	**Plant and equipment £m**	**Total £m**
Cost:				
1 April 2007	45.3	42.7	29.8	117.8
Additions	0.2	0.1	8.1	8.4
Acquisition of subsidiaries	11.3	–	4.9	16.2
Foreign exchange	1.6	–	0.7	2.3
Disposals	–	–	(0.1)	(0.1)
31 March 2008	58.4	42.8	43.4	144.6
Additions	–	4.1	16.0	20.1
Foreign exchange	2.2	–	1.2	3.4
Disposals	(0.6)	(0.3)	(7.6)	(8.5)
31 March 2009	**60.0**	**46.6**	**53.0**	**159.6**

Group	Land and buildings: Freehold £m	Land and buildings: Leasehold £m	Plant and equipment £m	Total £m
Depreciation:				
1 April 2007	25.8	14.8	18.4	59.0
Charge for the year	0.7	5.1	7.1	12.9
Foreign exchange	0.1	–	(0.1)	–
Disposals	–	–	(0.1)	(0.1)
31 March 2008	26.6	19.9	25.3	71.8
Charge for the year	1.4	5.4	9.3	16.1
Foreign exchange	0.1	–	0.1	0.2
Disposals	(0.6)	(0.3)	(7.5)	(8.4)
31 March 2009	**27.5**	**25.0**	**27.2**	**79.7**
Net book values:				
31 March 2009	**32.5**	**21.6**	**25.8**	**79.9**
31 March 2008	31.8	22.9	18.1	72.8

The Company has no property, plant and equipment.

15. INTANGIBLE ASSETS

Group	Goodwill £m	Software £m	Purchased intangible assets £m	Total £m
Cost:				
1 April 2007	32.2	111.3	–	143.5
Additions	–	19.9	–	19.9
Acquisition of subsidiaries	917.3	5.6	635.2	1,558.1
Foreign exchange	132.7	0.8	93.1	226.6
31 March 2008	1,082.2	137.6	728.3	1,948.1
Additions	0.5	35.2	0.9	36.6
Disposals	–	(8.6)	–	(8.6)
Foreign exchange	170.6	1.1	116.7	288.4
31 March 2009	**1,253.3**	**165.3**	**845.9**	**2,264.5**
Amortisation and accumulated impairment:				
1 April 2007	21.1	66.6	–	87.7
Amortisation charge for the year	–	14.0	21.5	35.5
Disposals	–	–	3.0	3.0
31 March 2008	21.1	80.6	24.5	126.2
Amortisation charge for the year	–	20.3	49.4	69.7
Impairment charge	484.0	–	–	484.0
Disposals	–	(8.5)	–	(8.5)
Foreign exchange	–	–	8.2	8.2
31 March 2009	**505.1**	**92.4**	**82.1**	**679.6**
Net book values:				
31 March 2009	**748.2**	**72.9**	**763.8**	**1,584.9**
31 March 2008	1,061.1	57.0	703.8	1,821.9

The purchased intangible assets arising on consolidation represent customer relationships, brands, software and licences relating to Borsa Italiana and EDX.

The Company has no intangible assets.

Impairment tests for goodwill
Goodwill has been allocated for impairment testing purposes to nine cash generating units (CGUs). The Borsa Italiana group comprises seven of these CGUs (Issuer, Equities Trading, Derivatives Trading, Fixed Income Trading, Information Services, Post Trade Services and Others) and Proquote Ltd and EDX London Ltd each constitute one CGU.

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The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 March 2014. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill					Pre-tax discount rate used in value in use calculations
Cash generating unit	31 March 2008 £m	Additions £m	Foreign exchange £m	Impairment £m	31 March 2009 £m	
Borsa Italiana group:						
Issuer	115.0	–	18.6	(107.6)	26.0	13.2%
Equities Trading	140.0	–	22.7	(94.2)	68.5	13.6%
Derivatives Trading	26.4	–	4.3	–	30.7	13.5%
Fixed Income Trading	195.4	–	31.7	(155.8)	71.3	12.8%
Information Services	152.1	–	24.6	(29.8)	146.9	13.7%
Post Trade	405.7	–	65.7	(85.5)	385.9	13.8%
Other	15.4	–	3.0	–	18.4	10.9%
Proquote Ltd	11.1	–	–	(11.1)	–	11.5%
EDX London Ltd	–	0.5	–	–	0.5	
	1,061.1	**0.5**	**170.6**	**(484.0)**	**748.2**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions reflect current trends, anticipated market developments, discussions with customers and suppliers, and management's experience, taking account of an expected recovery in underlying financial markets.

Long term growth rates (assumed to be 2.5 per cent for each of the Borsa Italiana group CGUs, and 3.0 per cent for Proquote and EDX) represent management's internal forecasts based on external estimates of GDP and inflation for the ten year period 1 January 2004 to 31 December 2013, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy and the UK, as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

The impairments detailed in the table above were all written off against goodwill and were driven by the significant deterioration in the economic conditions in the markets concerned, corresponding reductions in expected revenues, greater uncertainty about the future and changes in applicable discount rates.

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of a change in these assumptions is shown below:

		Impact on value in use of:			
Cash generating unit	Excess of value in use over carrying value £m	5% reduction in revenues £m	5% increase in costs £m	0.5% reduction in long-term growth rate £m	0.5% increase in pre-tax discount rate £m
Borsa Italiana group:					
Issuer	–	(15.7)	(10.0)	(5.8)	(5.6)
Equities Trading	–	(24.3)	(14.3)	(11.0)	(10.4)
Derivatives Trading	28.8	(11.4)	(7.2)	(4.6)	(4.3)
Fixed Income Trading	–	(20.5)	(10.9)	(9.6)	(9.5)
Information Services	–	(24.3)	(11.7)	(12.7)	(11.6)
Post Trade	–	(55.3)	(18.5)	(32.6)	(29.5)
Other	4.0	(5.6)	(3.8)	(1.4)	(1.6)
Proquote Ltd	–	(3.4)	(3.6)	–	–

Management believes goodwill allocated to EDX London Ltd is unlikely to be impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the carrying value, post impairment charge, as at 31 March 2009. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

16. INVESTMENTS IN JOINT VENTURES

The Group owns 50 per cent of the 1,000 £1 issued equity shares in FTSE International Ltd (FTSE), a company incorporated in Great Britain which distributes financial information. FTSE is a joint venture with The Financial Times Ltd, a subsidiary of Pearson plc. The Group investment of £2.4m represents the Group's share of the joint venture's net assets as at 31 December 2008, its accounting reference date.

The following amounts represent the Group's 50 per cent share of the revenue and expenses and assets and liabilities of FTSE for the years ended 31 December 2007 and 2008.

	2008 £m	2007 £m
Revenue	**36.7**	29.4
Expenses, including tax	**(34.3)**	(27.4)
Profit after tax	**2.4**	2.0
Non-current assets	**4.7**	3.5
Current assets	**16.2**	16.7
Total assets	**20.9**	20.2
Current liabilities	**(18.0)**	(18.0)
Non-current liabilities	**(0.5)**	(0.3)
Total liabilities	**(18.5)**	(18.3)
Net assets	**2.4**	1.9

During the year, the Group invested £0.6m in TOKYO AIM, a company incorporated in Japan to provide secondary market listings in Tokyo. TOKYO AIM is a joint venture with the Tokyo Stock Exchange Group, a company incorporated in Japan, and the Group has recognised its share of TOKYO AIM's loss in the income statement. On 14 May 2009, the Group signed a shareholders' agreement with Tokyo Stock Exchange Group formalising the funding and governance of TOKYO AIM. As a result, a further £6.1m was invested into the joint venture.

	2009 £m	2008 £m
Share of net assets of FTSE at 31 December 2008	**2.4**	1.9
Dividend paid by FTSE in March 2009	**(1.3)**	–
Share of TOKYO AIM	**0.6**	–
Investments in joint ventures at 31 March	**1.7**	1.9

The Group is entitled, under a shareholders' agreement, to receive royalties from FTSE. The amount receivable by the Group from FTSE for the year ended 31 March 2009 was £8.2m (2008: £6.7m).

During the year the Group received dividends of £3.5m (2008: £2.1m) from FTSE. The final dividend for 2008, of which the Group's share is £1.3m, was approved by the shareholders and paid after the publication of FTSE's 31 December 2008 results.

17. INVESTMENT IN ASSOCIATES

	2009 £m	2008 £m
1 April	**2.3**	–
From acquisition of subsidiaries	**–**	2.1
Share of (loss)/profit after tax	**(0.1)**	0.2
Share of capital decrease and dividend distribution	**(0.1)**	(0.3)
Disposal	**(0.6)**	–
Foreign exchange	**0.4**	0.3
31 March	**1.9**	2.3

The Group's share of the results of its principal associates, all of which are unlisted and have a reporting date of 31 December, and their aggregated assets and liabilities are as follows:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit/(loss) £m	% interest held
MTS Amsterdam NV	The Netherlands	1.2	0.1	0.7	0.1	30.0%
MTS France SA	France	2.3	0.5	2.0	0.1	22.5%
MTS Associated Markets	Belgium	2.4	0.9	1.8	0.1	20.0%
MTS Portugal SA	Portugal	1.9	0.3	0.7	0.1	15.0%
MTS España SA	Spain	1.3	0.3	1.0	(0.2)	30.0%

In March 2009, the Group's 25.0 per cent stake in MTS CeTO was sold for a profit of £2.0m.

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18. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	Shares £m	Loans £m	Total £m
1 April 2007	3,268.2	(38.6)	3,229.6
Acquisition of shares in Borsa Italiana S.p.A.	1,322.1	–	1,322.1
Other movements during the year	–	(18.6)	(18.6)
1 April 2008	4,590.3	(57.2)	4,533.1
Impairment	(768.9)	–	(768.9)
Disposal of Borsa Italiana S.p.A.	(1,322.1)	–	(1,322.1)
Acquisition of London Stock Exchange Group Holdings (Italy) Ltd	905.2	416.9	1,322.1
Other movements during the year	–	(15.9)	(15.9)
31 March 2009	**3,404.5**	**343.8**	**3,748.3**

During the year the Company acquired London Stock Exchange Group Holdings (Italy) Ltd for a nominal value. On 31 March 2009 as part of an internal reorganisation, the Company disposed of Borsa Italiana S.p.A. to London Stock Exchange Group Holdings (Italy) Ltd for £1,322.1m, financed by share capital of £18.7m, share premium of £886.5m and loan notes of £416.9m.

At 31 March 2009, the Company recognised an impairment charge amounting to £768.9m relating to its investment in its subsidiary London Stock Exchange plc.

This impairment was based on a value in use calculation using discounted cash flow projections prepared by management covering the five year period ending 31 March 2014, in which short and medium term revenue and cost growth assumptions reflect current trends, anticipated market developments, discussions with customers and suppliers, and management's experience, taking account of an expected recovery in underlying financial markets. Cash flows beyond this five year period were extrapolated using a 3.0 per cent long term growth rate, and a 12.4 per cent pre tax discount rate was applied to the resulting projections.

The carrying value of the investment in London Stock Exchange plc arose as a result of the group reconstruction in May 2006 when the Company became the holding company of London Stock Exchange plc pursuant to a scheme of arrangement.

The impairment was driven by the significant deterioration in the economic conditions in the UK, corresponding reductions in expected revenues, greater uncertainty about the future and a change in the discount rate.

Based on the results of the value in use calculations referred to in note 15, no impairment of the carrying value of the Company's investment in Borsa Italiana S.p.A. was considered necessary.

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% Equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
London Stock Exchange Group Holdings (Italy) Ltd	Holding company	UK	UK	100
London Stock Exchange Group Holdings Ltd	Holding company	UK	UK	100
Held indirectly by the Company:				
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.96
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	86.36
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.77
Servizio Titoli S.p.A.	Corporate secretary advisory	Italy	Italy	90
Bit Systems S.p.A.	ICT Systems & Services	Italy	Italy	100
Piazza Affari Gestione & Servizi S.p.A.	Facility management	Italy	Italy	100
Società per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
EuroMTS Ltd	Wholesale fixed income bonds	UK	UK	60.37
MTS Deutschland AG	Wholesale fixed income bonds	Germany	Germany	60.37
MTSNext Ltd	Wholesale fixed income bonds	UK	UK	60.37
EDX London Ltd	Derivatives exchange	UK	UK	100
Proquote Ltd	Market data provider	UK	UK	100
Baikal Global Ltd	Trading facility	UK	UK	100
The Stock Exchange (Properties) Ltd	Property company	UK	UK	100

The Group acquired the 24 per cent of equity in EDX London Ltd not previously owned on 18 December 2008. In May 2009, the Group sold 19.9 per cent of equity in EDX London Ltd to TMX Group, a company incorporated in Canada.

London Stock Exchange plc holds directly or indirectly 100 per cent of the Ordinary shares, being the only class of shares in issue, of certain other subsidiaries, none of which has actively traded during the year. A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange plc.

19. DEFERRED TAXATION

The movements in deferred tax assets and liabilities during the year are shown below.

	Group			
	Accelerated tax depreciation £m	Deferred tax on purchased intangibles £m	Provisions and other temporary differences £m	Total £m
At 1 April 2007	1.6	–	14.3	15.9
From acquisition of subsidiaries	–	(99.5)	–	(99.5)
Tax credited/(charged) to income statement:				
– change in UK tax rate	–	–	(0.1)	(0.1)
– credited in respect of Italian tax rate change	–	–	19.7	19.7
– amortisation of deferred tax liability	–	3.7	–	3.7
– other movements to the income statement during the year	(0.5)	2.0	(4.2)	(2.7)
Tax credited to equity:				
– defined benefit pension scheme actuarial loss	–	–	(6.3)	(6.3)
– allowance on share options/awards	–	–	(3.1)	(3.1)
– change in UK tax rate	–	–	(0.2)	(0.2)
– foreign exchange	–	–	(13.1)	(13.1)
31 March 2008	1.1	(93.8)	7.0	(85.7)
Tax credited/(charged) to income statement:				
– other movements to the income statement during the year	(1.8)	8.5	(3.9)	2.8
Tax credited to equity:				
– defined benefit pension scheme actuarial loss	–	–	3.2	3.2
– allowance on share options/awards	–	–	(2.1)	(2.1)
– foreign exchange	–	(14.2)	0.4	(13.8)
Transfer to intangible assets on acquisition	–	(0.2)	–	(0.2)
Reclassification to current tax	–	(1.8)	–	(1.8)
At 31 March 2009	(0.7)	(101.5)	4.6	(97.6)
Assets at 31 March 2009	0.2	–	5.5	5.7
Liabilities at 31 March 2009	(0.9)	(101.5)	(0.9)	(103.3)
Net (liabilities)/assets at 31 March 2009	(0.7)	(101.5)	4.6	(97.6)
Assets at 31 March 2008	1.4	–	8.6	10.0
Liabilities at 31 March 2008	(0.3)	(93.8)	(1.6)	(95.7)
Net (liabilities)/assets at 31 March 2008	1.1	(93.8)	7.0	(85.7)

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The purchased intangible assets of Borsa Italiana S.p.A. create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

There was no deferred tax in the Company.

20. AVAILABLE FOR SALE INVESTMENTS

Available for sale financial investments of £0.4m (2008: £0.4m) represent the cost of the Group's 0.6 per cent interest in the unlisted ordinary shares of Euroclear plc. The fair value of these shares cannot be reliably measured because they are unquoted.

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21. RETIREMENT BENEFIT ASSET/OBLIGATION

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Investec Investment Management Limited, Morley Fund Management Limited, Mellon Fund Managers Limited and Legal & General Investment Management Limited.

On 27 March 2009, a proportion of the funds managed by Schroders Investment Management Limited were transferred to PIMCO Europe Limited.

The 'Italian plan' relates to the severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group in accordance with Italian law.

The Company has no retirement benefit obligations.

Defined benefit scheme

The UK defined benefit scheme is non-contributory and provides benefits based on final pensionable pay related to salary earned in the last five years of employment. The scheme was closed to new members in 1999 but provides retirement benefits to approximately 10 per cent of current and many former employees. Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by Borsa Italiana group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91 per cent of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75 per cent of 'national life price index +1.5 per cent' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees. For the UK pension plan, a core contribution of eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six per cent of pensionable pay. For the Italian plan, 6.19 per cent of pensionable pay is provided.

Amounts recognised in the income statement are as follows:

	2009		2008	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
Defined contribution schemes	(3.2)	(2.6)	(2.8)	(1.5)
Defined benefit scheme – current service cost	(0.9)	(0.1)	(1.1)	–
Total pension charge included in employee costs (see note 8)	(4.1)	(2.7)	(3.9)	(1.5)
Finance income and expense				
Interest cost	(14.4)	(0.4)	(12.6)	–
Expected return on assets	13.0	–	12.3	–
Net finance expense	(1.4)	(0.4)	(0.3)	–
Total recognised in the income statement	(5.5)	(3.1)	(4.2)	(1.5)

Defined benefit assets/(obligations) for UK pension scheme

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of assets:					
– Equities	25.1	33.2	35.7	69.4	52.2
– Bonds	202.6	190.9	185.2	153.3	139.1
– Property	7.1	8.8	3.7	–	–
Total fair value of assets	234.8	232.9	224.6	222.7	191.3
Present value of funded obligations	(229.8)	(221.1)	(239.6)	(243.0)	(210.0)
Surplus/(deficit)	5.0	11.8	(15.0)	(20.3)	(18.7)

The main actuarial assumptions are set out below:

	2009		2008	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
Inflation rate	3.1%	2.0%	3.6%	2.5%
Rate of increase in salaries	5.1%	3.5%	5.6%	3.3%
Rate of increase in pensions in payment	3.7%	3.0%	3.9%	3.0%
Discount rate	6.3%	4.2%	6.6%	6.0%
Expected return on assets as at 31 March 2009 and 2008				
– equities	8.2%	–	7.9%	–
– bonds	5.4%	–	5.1%	–
– property	7.2%	–	6.9%	–
Mortality assumptions (based on standard tables PA92 published by the Institute and Faculty of Actuaries)				
– Existing pensioners from age 60, life expectancy (years):				
– Men	27.6	–	27.5	–
– Women	31.0	–	30.8	–
– Non-retired members from age 60, life expectancy (years):				
– Men	29.2	–	29.1	–
– Women	32.7	–	32.6	–

Expected return on equities and property are determined by applying a risk premium applicable to the investment class to the risk free rate measured with reference to the return on government bonds. Expected returns on bonds are derived from returns on government and corporate bonds of an equivalent term to the investments held.

Sensitivity

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by £4.6m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £14.1m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £18.0m
Mortality rate	Increase by 1 year	Increase by £5.5m

Movement in defined benefit obligation during the year

	2009		2008	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
1 April	221.1	7.6	239.6	–
Acquisition of subsidiaries	–	–	–	7.1
Reclassification to other payables	–	(0.4)	–	–
Current service cost	0.9	0.1	1.1	–
Interest expense	14.4	0.4	12.6	–
Benefits paid	(6.4)	(1.1)	(6.7)	(1.1)
Actuarial (gain)/loss	(0.2)	0.6	(25.5)	0.6
Foreign exchange	–	1.1	–	1.0
31 March	229.8	8.3	221.1	7.6

Movement in fair value of UK plan assets during the year

	2009 £m	2008 £m
1 April	232.9	224.6
Expected return on assets	13.1	12.3
Contributions received	6.5	6.4
Benefits paid	(6.4)	(6.7)
Actuarial loss	(11.3)	(3.7)
31 March	234.8	232.9

The actual return on plan assets was £1.8m (2008: £8.5m).

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Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of recognised income and expense:

	2009		2008	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
Recognised up to 1 April	15.5	(0.6)	(6.3)	–
Net actuarial (loss)/gain recognised in the year	(11.0)	(0.7)	21.8	(0.6)
Cumulative amount recognised at 31 March	4.5	(1.3)	15.5	(0.6)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2006 by an independent qualified actuary. Following the valuation, ordinary contributions were increased from 23 per cent to 36 per cent of pensionable salaries. In addition, the Group agreed to contribute an additional £5.0m per annum towards the scheme depending on the level of funding deficit. Accordingly the Group expects to contribute approximately £6.4m to the defined benefit scheme during the year to 31 March 2010. The Group is currently carrying out its triennial actuarial valuation as at 31 March 2009, which may result in an adjustment to future contribution levels.

The Group estimates the duration of defined benefit obligations on average to be 20 years.

History of experience gains and losses for UK scheme	2009	2008	2007	2006	2005
Experience adjustments arising on scheme assets:					
(Loss)/gain (£m)	(11.2)	(3.7)	(10.7)	21.8	4.1
Percentage of scheme assets	(4.8%)	(1.6%)	(4.8%)	9.8%	2.1%
Experience adjustments arising on scheme liabilities:					
Experience gain/(loss) (£m)	1.3	0.7	(0.4)	5.2	0.9
Impact of changes in assumptions (£m)	(1.1)	24.8	11.4	(31.0)	(7.6)
Total (£m)	0.2	25.5	11.0	(25.8)	(6.7)
Percentage of scheme liabilities					
Experience gain/(loss)	0.6%	0.3%	(0.2%)	2.1%	0.4%
Impact of changes in assumptions	(0.5%)	11.2%	4.8%	(12.7%)	(3.6%)
Total	0.1%	11.5%	4.6%	(10.6%)	(3.2%)

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade receivables	72.3	73.7	–	–
Less: provision for impairment of receivables	(6.6)	(0.7)	–	–
Trade receivables – net	65.7	73.0	–	–
Amounts due from Group undertakings	–	–	169.2	181.7
Other receivables	0.9	3.1	–	–
Prepayments and accrued income	47.9	45.0	–	0.7
	114.5	121.1	169.2	182.4

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors is as follows:

	2009		2008	
	Impaired £m	Not impaired £m	Impaired £m	Not impaired £m
0 to 3 months past due	0.9	1.2	–	0.7
Greater than 3 months past due	5.8	1.0	0.8	0.1
	6.7	2.2	0.8	0.8

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009 £m	2008 £m
Sterling	52.7	60.1
Euro	61.8	61.0
	114.5	121.1

Movements on the Group provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 1 April	0.7	0.1
Acquisition of subsidiaries	–	0.6
Provision for receivables impairment	6.0	0.1
Receivables written off during the year as uncollectible	(0.2)	–
Provisions no longer required	(0.1)	(0.1)
Foreign exchange	0.2	–
At 31 March	6.6	0.7

The creation and release of provision for impaired receivables have been included in operating expense in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS BY CATEGORY

The financial instruments of the Group and Company are categorised as follows:

	Group				Company	
31 March 2009	Loans and receivables £m	Available for sale £m	Assets at fair value through the profit or loss £m	Total £m	Loans and receivables £m	Total £m
Assets as per balance sheet						
Financial assets of the CCP clearing business						
– CCP trading assets	–	–	5,480.5	5,480.5	–	–
– Receivables for repurchase transactions	25,302.5	–	–	25,302.5	–	–
– Other receivables from clearing members	1,287.6	–	–	1,287.6	–	–
– Financial assets held at fair value	–	–	7.3	7.3	–	–
– Cash and cash equivalents of clearing members	3,596.6	–	–	3,596.6	–	–
Financial assets of the CCP clearing business	30,186.7	–	5,487.8	35,674.5	–	–
Assets held at fair value	–	–	5.0	5.0	–	–
Total financial assets for CCP clearing	30,186.7	–	5,492.8	35,679.5	–	–
Trade and other receivables	114.5	–	–	114.5	169.1	169.1
Cash and cash equivalents	143.7	–	–	143.7	–	–
Available for sale financial assets	–	0.4	–	0.4	–	–
Total	30,444.9	0.4	5,492.8	35,938.1	169.1	169.1

	Group			Company		
	Derivatives used for hedging £m	Other financial liabilities £m	Total £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	5,480.5	5,480.5	–	–	–
– Liabilities under repurchase transactions	–	25,302.5	25,302.5	–	–	–
– Other payables to clearing members	–	4,889.0	4,889.0	–	–	–
– Financial liabilities held at fair value	–	7.2	7.2	–	–	–
Financial liabilities of the CCP clearing business	–	35,679.2	35,679.2	–	–	–
Borrowings	–	624.8	624.8	–	624.8	624.8
Derivative financial instruments	1.6	–	1.6	1.6	–	1.6
Total	1.6	36,304.0	36,305.6	1.6	624.8	626.4

The CCP clearing business assets and liabilities comprise:

a) CCP trading assets and liabilities

The fair value of open positions on the derivatives market (IDEM) in which CC&G operates as the central counterparty and relate to:
(i) derivative instruments on the S&P MIB index (index futures, mini index futures, index options); and
(ii) derivative instruments in respect of individual stocks (equity futures, equity options).

b) Receivables for/liabilities under repurchase transactions (Repos)

The value of repo transactions executed by participants in the MTS market who use the central counterparty guarantee service provided by CC&G refers to the value of transactions for which the spot part has already been settled while the forward part has still to be settled.

c) Other receivables from clearing members

Sums receivable as initial margin, variation margin, option premiums and securities as collateral resulting from the activity of participants in the IDEM, MTA and MTS markets.

d) Other payables to clearing members

Liability to members for amounts delivered as initial margin, variation margin, option premiums and securities as collateral, resulting from the activity of participants in the IDEM, MTA and MTS markets.

e) Assets and liabilities held at fair value
(i) Equities and bonds, listed on regulated markets, which CC&G has already withdrawn from the settlement system but has not yet delivered to the intermediaries who have bought them; and
(ii) Securities traded but not yet settled as part of the CCP function.

f) Cash and cash equivalents
Cash and cash equivalents at bank, representing margins and default fund amounts received in connection with the CCP clearing service.

As at 31 March 2009, there were no provisions for impairment in relation to any of the CCP financial assets (2008: nil) and none of these assets were past due (2008: nil).

The financial instruments of the Group and the Company at the previous year's balance sheet date were as follows:

	Group				Company	
31 March 2008	Loans and receivables £m	Available for sale £m	Assets at fair value through the profit and loss £m	Total £m	Loans and receivables £m	Total £m
Assets as per balance sheet						
Financial assets of the CCP clearing business						
– CCP trading assets	–	–	4,782.1	4,782.1	–	–
– Receivables for repurchase transactions	10,299.3	–	–	10,299.3	–	–
– Other receivables from clearing members	560.7	–	–	560.7	–	–
– Financial assets held at fair value	–	–	7.1	7.1	–	–
– Cash and cash equivalents of clearing members	1,654.1	–	–	1,654.1	–	–
Financial assets of the CCP clearing business	12,514.1	–	4,789.2	17,303.3	–	–
Assets held at fair value	–	–	12.8	12.8	–	–
Total financial assets for CCP clearing	12,514.1	–	4,802.0	17,316.1	–	–
Assets held at fair value – non-CCP	–	–	1.0	1.0	–	
Trade and other receivables	121.1	–	–	121.1	182.4	182.4
Cash and cash equivalents	200.6	–	–	200.6	–	–
Available for sale financial assets	–	0.4	–	0.4	–	–
Total	**12,835.8**	**0.4**	**4,803.0**	**17,639.2**	**182.4**	**182.4**

	Group			Company		
	Derivatives used for hedging £m	Other financial liabilities £m (restated)	Total £m (restated)	Derivatives used for hedging £m	Other financial liabilities £m (restated)	Total £m (restated)
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	4,782.1	4,782.1	–	–	–
– Liabilities under repurchase transactions	–	10,299.3	10,299.3	–	–	–
– Other payables to clearing members	–	2,218.1	2,218.1	–	–	–
– Financial liabilities held at fair value	–	8.2	8.2	–	–	–
Financial liabilities of the CCP clearing business	–	17,307.7	17,307.7	–	–	–
Borrowings	–	692.1	692.1	–	690.9	690.9
Derivative financial instruments (note 27)	7.9	–	7.9	7.9	–	7.9
Total	**7.9**	**17,999.8**	**18,007.7**	**7.9**	**690.9**	**698.8**

NOTES TO THE FINANCIAL STATEMENTS

24. ASSETS HELD AT FAIR VALUE

	2009 £m	2008 £m
Financial assets held at fair value	**5.0**	12.8
Other assets held at fair value	**–**	1.0
	5.0	13.8

The Group's assets held at fair value consist largely of Italian equities restricted in use for the operations of CC&G as manager of the clearing and guarantee system. The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The Company has no assets held at fair value.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash at bank	**85.2**	74.7	**–**	–
Short term deposits	**58.5**	125.9	**–**	–
	143.7	200.6	**–**	–

Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no differences between their book and fair values.

Cash and cash equivalents does not include amounts held by CC&G on behalf of its clearing members, the use of which is restricted to the operation of CC&G as manager of the clearing and guarantee system (see note 23). Cash and cash equivalents does include amounts held by regulated entities for regulatory and operational purposes. At 31 March 2009, the Group set aside £125m (2008: £125m) for such purposes, with the amount subject to ongoing review with regulators in the UK and Italy.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade payables	**20.1**	23.3	**–**	–
Amounts owed to Group undertakings (note 38)	**–**	–	**209.8**	133.0
Social security and other taxes	**8.8**	11.5	**–**	–
Other payables	**21.1**	35.4	**3.3**	3.5
Share buyback programme	**–**	13.0	**–**	13.0
Accruals and deferred income	**62.9**	63.0	**5.7**	5.7
	112.9	146.2	**218.8**	155.2

The carrying amounts of trade and other payables are reasonable approximations of fair value.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
Current Liability	2009 £m	2008 £m	2009 £m	2008 £m
Gilt lock	–	7.9	–	7.9
Interest rate swaps	1.5	–	1.5	–
Forward foreign exchange contracts	0.1	–	–	–
	1.6	7.9	1.5	7.9

During the year, the gilt lock interest rate contract was settled at a loss of £10.6m, of which the prior year loss of £7.9m, previously recognised in equity, was recycled to the income statement.

The interest rate swaps are used to manage exposure to movements in interest rates, and are designated as cash flow hedges. The fair value is determined by reference to observable market interest rates.

At 31 March 2009, the Group had outstanding forward foreign exchange contracts with a nominal value of CAD 13.5m to mitigate movements in foreign exchange on a highly probable forecast transaction, expected to occur during the next 12 months. The fair value is determined by reference to observable foreign exchange rates.

The other derivative contracts used during the year were forward foreign exchange contracts to hedge forecast cash inflows in Scandinavian currencies and were designated as cash flow hedges.

The effectiveness of the hedges has been tested by means of a regression analysis and ineffectiveness was found to be negligible. Gains and losses recognised in the hedging reserve in equity on cash flow hedges are recognised in the income statement in the period during which the hedged forecast transaction takes place.

28. BORROWINGS

	Group		Company	
	2009 £m	2008 £m (restated)	2009 £m	2008 £m (restated)
Current				
Bank borrowings	–	427.2	–	427.2
Redeemable Class B shares	2.3	7.6	2.3	7.6
Other borrowings	–	1.2	–	–
	2.3	436.0	2.3	434.8
Non-current				
Bond	252.6	256.1	252.6	256.1
Bank borrowings	369.9	–	369.9	–
	622.5	256.1	622.5	256.1

The Group has the following unsecured bank facilities:

Type	Expiry date	Facility £m	Drawn at 31 March 2009 £m	Interest rate basis points at 31 March 2009
Bridge facility	April 2010	180.0	180.0	LIBOR + 225
Multi-currency revolving credit facility	October 2011	25.0	12.6	LIBOR + 80
Multi-currency revolving credit facility	February 2012	200.0	–	LIBOR + 125
Multi-currency revolving credit facility	July 2013	250.0	178.9	LIBOR + 80
Capitalised bank facility arrangement fees	–	–	(1.6)	–
		655.0	369.9	

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian government bonds. CC&G also has available to it €150m of committed facilities with banks, available for short term CCP related activity purposes only.

NOTES TO THE FINANCIAL STATEMENTS

Current borrowings

The Company has Redeemable Class B shares. Holders of B shares are entitled to a non-cumulative preference dividend based on 75 per cent of six month LIBOR on 1 June and 1 December each year until 1 June 2009. The outstanding B shares will be redeemed for 200 pence each on 1 June 2009.

Non-current borrowings

In July 2006, the Company issued a £250m bond which is unsecured and is due for repayment in 2016. Interest is paid semi-annually in arrears. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on the Company's credit rating with Moody's, which improved from Baa3 (positive outlook) to Baa2 (stable) in February 2009. Changes in the credit rating since the bond was issued had led to increases in the coupon on the bond by 25 basis points in each of July 2007 and January 2008, which have been reflected in the prior year adjustment (note 2). The bond coupon was 6.375 per cent throughout the last financial year but the impact of the rating improvement will be to reduce the coupon to 6.125 per cent from July 2009.

FAIR VALUES

The fair and carrying values of the Group's borrowings are as follows:

	Group			
	Carrying value 2009 £m	**Fair value 2009 £m**	Carrying value 2008 £m (restated)	Fair value 2008 £m
Borrowings				
– within one year	**2.3**	**2.3**	436.0	437.5
– after more than one year	**622.5**	**624.1**	256.1	261.1
	624.8	**626.4**	692.1	698.6

The fair and carrying values of the Company's borrowings are as follows:

	Company			
	Carrying value 2009 £m	**Fair value 2009 £m**	Carrying value 2008 £m (restated)	Fair value 2008 £m
Borrowings				
– within one year	**2.3**	**2.3**	434.8	436.3
– after more than one year	**622.5**	**624.2**	256.1	261.1
	624.8	**626.5**	690.9	697.4

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over either LIBOR or EURIBOR.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	**2009 £m**	2008 £m (restated)
Sterling	**472.9**	538.2
Euro	**151.9**	153.9
	624.8	692.1

29. ANALYSIS OF NET DEBT

	Group		Company	
	2009 £m	2008 £m (restated)	2009 £m	2008 £m (restated)
Due within one year				
Cash and cash equivalents	**143.7**	200.6	–	–
Bank borrowings	–	(427.2)	–	(427.2)
Redeemable Class B shares	**(2.3)**	(7.6)	**(2.3)**	(7.6)
Other borrowings	–	(1.2)	–	–
Derivative financial liabilities	(1.6)	(7.9)	–	–
	139.8	(243.3)	**(2.3)**	(434.8)
Due after one year				
Bank borrowings	**(369.9)**	–	**(369.9)**	–
Bond	**(252.6)**	(256.1)	**(252.6)**	(256.1)
Total net debt	**(482.7)**	(499.4)	**(624.8)**	(690.9)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2009 £m	2008 £m (restated)	2009 £m	2008 £m (restated)
(Decrease)/increase in cash in the year	**(68.6)**	113.8	–	–
Bank loan repayments/(new loans)	**82.0**	(271.5)	**82.0**	(271.5)
B share redemptions	**5.3**	8.1	**5.3**	8.1
Other repayments/(loans)	**1.2**	(0.7)	–	–
Change in net debt resulting from cash flows	**19.9**	(150.3)	**87.3**	(263.4)
Foreign exchange movements	(13.0)	13.9	**(24.7)**	–
Movement on derivative financial assets and liabilities	**6.3**	(7.9)	–	–
Bond valuation adjustment	**3.5**	(7.9)	**3.5**	(7.9)
Net debt at start of year	**(499.4)**	(347.2)	**(690.9)**	(419.6)
Net debt at end of year	**(482.7)**	(499.4)	**(624.8)**	(690.9)

30. PROVISIONS

	Group		
	Property £m	Other £m	Total £m
1 April 2007	28.7	3.2	31.9
Exceptional charges during the year	0.4	0.8	1.2
Utilised during the year	(3.4)	(2.6)	(6.0)
Interest on discounted provision	1.3	–	1.3
31 March 2008	27.0	1.4	28.4
Charges during the year	2.1	–	2.1
Utilised during the year	(3.6)	(1.4)	(5.0)
Interest on discounted provision	1.2	–	1.2
31 March 2009	**26.7**	–	**26.7**
Current	3.8	–	3.8
Non-current	22.9	–	22.9
31 March 2009	**26.7**	–	**26.7**

Property
The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between five and 19 years to expiry.

Other
Other provisions related to the one-off implementation costs arising from the cost saving programme announced in February 2006.

The Company has no provisions.

NOTES TO THE FINANCIAL STATEMENTS

31. ORDINARY SHARE CAPITAL

	2009		2008	
Authorised	millions	£	millions	£
Ordinary shares of 6 $^{79}/_{86}$p	350.0	24,215,116	350.0	24,215,116
Class B shares of £2	140.6	281,265,500	140.6	281,265,500
Issued, called up and fully paid				
Ordinary shares of 6 $^{79}/_{86}$p	270.5	18,716,107	276.4	19,123,893
Class B shares of £2	1.1	2,270,866	3.8	7,568,222
		20,986,973		26,692,115
Less: Class B shares designated as borrowings (see note 28)		(2,270,866)		(7,568,222)
Share capital		18,716,107		19,123,893

During the year the Company re-purchased, and subsequently cancelled, 5.9m ordinary shares at an average price of £8.67 per share. The total consideration was £51.5m. The excess of the consideration over the nominal value has been charged against retained earnings.

More information about the different classes of share, and rights attaching, is given in the Directors' Report on pages 49 and 50 in this Report.

32. RECONCILIATION OF MOVEMENTS IN EQUITY

		Attributable to equity holders of the Group								
				Other reserves						
Group	Notes	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Foreign exchange translation reserve £m	Merger reserve £m	Hedging reserve £m	Minority interest £m	Total equity £m
1 April 2007		253.0	(351.7)	258.7	(512.5)	–	–	–	2.6	(349.9)
Issue of shares		5.5	–	–	–	–	1,302.2	–	–	1,307.7
Equity transaction costs		–	–	–	–	–	(3.0)	–	–	(3.0)
Redemption of deferred shares		(238.7)	–	238.7	–	–	–	–	–	–
Redemption of B shares		–	(8.1)	8.1	–	–	–	–	–	–
Total recognised income and expense for the financial year		–	191.1	–	–	201.5	–	(14.7)	15.9	393.8
Final dividend relating to the year ended 31 March 2007	13	–	(23.8)	–	–	–	–	–	–	(23.8)
Interim dividend relating to the year ended 31 March 2008	13	–	(22.2)	–	–	–	–	–	–	(22.2)
Share buyback		(0.7)	(92.3)	0.7	–	–	–	–	–	(92.3)
Employee share schemes and own shares		–	(18.6)	–	–	–	–	–	–	(18.6)
Acquisition of subsidiary		–	–	–	–	–	–	–	76.7	76.7
At 31 March 2008 as originally stated		19.1	(325.6)	506.2	(512.5)	201.5	1,299.2	(14.7)	95.2	1,268.4
Prior year adjustment	2	–	(5.5)	–	–	–	–	–	–	(5.5)
At 31 March 2008 restated		19.1	(331.1)	506.2	(512.5)	201.5	1,299.2	(14.7)	95.2	1,262.9
Redemption of B shares		–	(5.3)	5.3	–	–	–	–	–	–
Total recognised income and expense for the financial year		–	(347.5)	–	–	274.6	–	(18.6)	14.9	(76.6)
Final dividend relating to the year ended 31 March 2008	13	–	(42.9)	–	–	–	–	–	–	(42.9)
Dividend payment to minorities		–	–	–	–	–	–	–	(9.5)	(9.5)
Interim dividend relating to the year ended 31 March 2009	13	–	(22.4)	–	–	–	–	–	–	(22.4)
Share buyback		(0.4)	(38.5)	0.4	–	–	–	–	–	(38.5)
Employee share schemes and own shares		–	(15.9)	–	–	–	–	–	–	(15.9)
Acquisition of subsidiary		–	–	–	–	–	–	–	(4.3)	(4.3)
Share of equity recognised by FTSE		–	0.4	–	–	–	–	–	–	0.4
31 March 2009		**18.7**	**(803.2)**	**511.9**	**(512.5)**	**476.1**	**1,299.2**	**(33.3)**	**96.3**	**1,053.2**

Under the court-approved Scheme effected on 15 May 2006, the Company issued 43 new ordinary shares for every 51 existing ordinary shares in London Stock Exchange plc and one B share with a nominal value of 200 pence per share for every one existing ordinary share in London Stock Exchange plc. After a reduction in the nominal value of the new ordinary shares, the merger reserve created by the Scheme was capitalised through an issue of A shares, and then reduced through a court-approved capital reduction. This created sufficient distributable reserves to distribute £512.5m to shareholders. In July 2007, the Company redeemed all 119.4m of the outstanding deferred shares. This resulted in an increase of £238.7m in the capital redemption reserve, a non-distributable reserve set up as a result of the £512.5m capital return. The reverse acquisition reserve is a non-distributable capital reserve arising on consolidation as a result of the Scheme.

The issue of new shares in the Company in exchange for shares in Borsa Italiana S.p.A. (see note 35) has attracted merger relief under Section 131 of the Companies Act 1985. Of the £1,307.7m market value of new shares £5.5m has been credited to share capital and £1,302.2m to the merger reserve. This is offset by a £3.0m debit to the merger reserve which relates to the costs associated with the issue of the new shares.

The foreign exchange translation reserve reflects the impact of foreign currency on the translation of foreign operations.

The hedging reserve represents the cumulative fair value adjustment recognised in respect of cash flow hedges and the net investment hedge.

		Attributable to equity holders of the Company					
				Other reserves			
Company	Notes	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Total equity £m
1 April 2007		253.0	2,075.1	258.7	–	–	2,586.8
Issue of shares		5.5	–	–	1,302.2	–	1,307.7
Equity transaction costs		–	–	–	(3.0)	–	(3.0)
Redemption of deferred shares		(238.7)	–	238.7	–	–	–
Redemption of B shares		–	(8.1)	8.1	–	–	–
Total recognised income and expense for the financial year		–	146.1	–	–	(7.9)	138.2
Interim dividend relating to the year ended 31 March 2008	13	–	(45.9)	–	–	–	(45.9)
Share buyback		(0.7)	(92.3)	0.7	–	–	(92.3)
At 31 March 2008 as originally stated		19.1	2,074.9	506.2	1,299.2	(7.9)	3,891.5
Prior year adjustment	2	–	(5.5)	–	–	–	(5.5)
At 31 March 2008 restated		19.1	2,069.4	506.2	1,299.2	(7.9)	3,886.0
Redemption of B shares		–	(5.3)	5.3	–	–	–
Total recognised income and expense for the financial year		–	(656.7)	–	–	6.4	(650.3)
Final dividend relating to the year ended 31 March 2008	13	–	(42.9)	–	–	–	(42.9)
Interim dividend relating to the year ended 31 March 2009	13	–	(22.4)	–	–	–	(22.4)
Share buyback		(0.4)	(38.5)	0.4	–	–	(38.5)
Employee share scheme		–	(19.3)	–	–	–	(19.3)
31 March 2009		**18.7**	**1,284.3**	**511.9**	**1,299.2**	**(1.5)**	**3,112.6**

NOTES TO THE FINANCIAL STATEMENTS

33. NET CASH FLOW GENERATED FROM OPERATIONS

	Group		Company	
	2009 £m	2008 £m (restated)	2009 £m	2008 £m (restated)
(Loss)/profit before taxation	**(250.8)**	227.0	**(672.3)**	124.7
Depreciation and amortisation	**85.8**	48.4	**–**	–
Goodwill impairment	**484.0**	–	**768.9**	–
Loss on disposal of property, plant and equipment	**0.1**	–	**–**	–
Profit on disposal of share of associate	**(2.0)**	–	**–**	–
Net finance expense/(income)	**44.9**	40.4	**(107.9)**	(127.2)
Share of profit after tax of joint ventures	**(2.1)**	(2.2)	**–**	–
Provisions created during the year	**2.1**	–	**–**	–
Provisions utilised during the year	**(5.0)**	(6.0)	**–**	–
Decrease/(increase) in trade and other receivables	**15.2**	(1.4)	**–**	(0.1)
(Decrease)/increase in trade and other payables	**(32.7)**	(23.1)	**0.4**	0.5
Increase/(decrease) in CCP clearing business liabilities	**18,371.5**	(287.7)	–	–
(Increase)/decrease in CCP financial assets	**(18,371.2)**	286.3	–	–
Defined benefit pension obligation – contributions in excess of expenses charged	**(6.9)**	(1.1)	**–**	–
Decrease in assets held at fair value from operating activities	**9.9**	–	**–**	–
Share scheme expense	**10.2**	12.3	–	–
Foreign exchange (gains)/losses on operating activities	**(0.4)**	–	**5.9**	1.2
Cash generated from operations	**352.6**	292.9	**(5.0)**	(0.9)
Comprising:				
Operating activities	**378.9**	295.4	**(5.0)**	(0.9)
Exceptional items	**(26.3)**	(2.5)	**–**	–
	352.6	292.9	**(5.0)**	(0.9)

Non-cash transactions include the issue of shares as consideration for the acquisition of a subsidiary discussed in note 35.

Interest on CCP balances is received by CC&G net of withholding tax, which is deducted at source. This withholding tax is effectively therefore a cash outflow, and is therefore shown in the cash flow statement.

34. COMMITMENTS AND CONTINGENT LIABILITIES

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were nil (2008: £0.1m) and £7.6m (2008: £1.2m) respectively.

The Group is the subject of a legal claim by PLUS Markets, for a declaration and damages relating to certain Rules of the Exchange and their application to AIM. Trial of the matter is due to commence in the near future. The directors are of the opinion that it is highly unlikely that the matter will have a material adverse effect on the financial condition of the Group. Additional information is not disclosed on the grounds that it could result in prejudice to the Group.

35. BUSINESS COMBINATIONS

On 1 October 2007, the Group acquired 99.92 per cent of Borsa Italiana S.p.A., the company responsible for the organisation and management of the securities market in Italy. The total consideration of £1,321.5m, including £13.8m costs, was financed by the issue of 79.4m London Stock Exchange Group plc shares with a total market value of £1,307.7m on the date of acquisition, together with £13.8m costs paid in cash. Subsequently the Group acquired a further 0.04 per cent, bringing its total shareholding to 99.96 per cent.

The assets and liabilities as of 1 October 2007 arising from the acquisition are as follows:

	Book value £m	Fair value adjustment £m	Fair value £m
Non-current assets:			
Intangible assets	320.2	320.6	640.8
Property, plant and equipment	14.3	1.9	16.2
Other non-current assets	–	0.9	0.9
Current assets:			
Cash and cash equivalents	96.1	–	96.1
Financial assets of the CCP clearing business	15,389.3	–	15,389.3
Other current assets	70.4	2.7	73.1
Current liabilities:			
Borrowings	(136.7)	(0.4)	(137.1)
Financial liabilities of the CCP clearing business	(15,403.4)	–	(15,403.4)
Other current liabilities	(66.7)	(12.7)	(79.4)
Non-current liabilities (including deferred tax)	(49.9)	(65.4)	(115.3)
Net assets	**233.6**	**247.6**	**481.2**
Minority interests			(77.0)
Net assets purchased			**404.2**
Goodwill			917.3
Total consideration			**1,321.5**
Satisfied by:			
Cash (transaction fees)			13.8
Shares			1,307.7
			1,321.5

The fair value adjustments include the recognition of £635.2m of intangible assets arising on consolidation, representing £541.7m of customer relationships, £8.4m of brands, £35.7m of software and £49.4m of licences. The fair values of these purchased intangible assets were independently valued by a qualified valuation firm using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill of £917.3m arising on consolidation represents the future synergies and growth potential of Borsa Italiana and its assembled workforce. These fair values were presented in the Annual Report for 31 March 2008 and have been finalised without adjustment during the year.

36. LEASES

The Group leases various office properties under non-cancellable operating leases.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Group	
	2009 £m	2008 £m
Less than one year	**21.0**	20.1
More than one year and less than five years	**75.0**	73.8
More than five years	**129.7**	145.1
	225.7	239.0

Operating lease payments of £19.0m (2008: £14.8m) were charged to the income statement in the year.

The total future minimum lease payments expected to be received under non-cancellable operating leases are due as follows:

	Group	
	2009 £m	2008 £m
Less than one year	**8.5**	3.9
More than one year and less than five years	**26.8**	15.8
More than five years	**10.6**	14.3
	45.9	34.0

The Company has no lease commitments.

NOTES TO THE FINANCIAL STATEMENTS

37. SHARE SCHEMES

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares. Vesting of these awards is dependent upon the Company's total shareholder return performance and also for awards made since 2008 adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 40 to 48.

Under the Group's previous share option plan approved by shareholders in 2002, the maximum value of shares placed under option to an individual was equivalent to 100 per cent of their annual salary. No further awards will be made under this scheme.

Prior to 2002, under the previous long-term incentive scheme (comprising the Initial and Annual Share Plans) option grants and share awards were made based on approvals prior to the Group's listing in July 2001. No further option grants or share awards will be made under this scheme apart from the SAYE scheme available to all staff. Under both the Initial and Annual Share Plan, share awards have a vesting period of three years and share options become exercisable at 20 per cent per annum over five years with a contractual life of 10 years.

The SAYE scheme and International Sharesave Plan provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and share options were granted at fair market value or above.

Under terms agreed at the time of the merger, Massimo Capuano and a small number of senior executives in Italy were eligible to participate in a share bonus plan for the year ended 31 March 2009. He received an award of ordinary shares with a value equal to 100 per cent of his full-year equivalent annual bonus, subject to a maximum award of 150 per cent of base salary. Further details are provided in the Remuneration Report on pages 40 to 48.

A performance-related Restricted Share Plan was introduced in 2008. Under this plan if the Company meets or exceeds its stretching financial targets for the financial year, deferred shares will be awarded to a limited number of employees who have contributed to this success. These shares will then be released to individuals 12 months after grant contingent on continued employment. Any recipient of an LTIP award in 2008, including executive directors and other senior executives, will not participate in the Restricted Share Plan.

The Group established an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end 3,621,781 (2008: 2,178,665) shares were held by the trust, funded by an interest free loan from the Group. The Company has no employees, but in accordance with SIC 12 "Consolidation – Special Purpose Entities" has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April 2007	3,485,970	3.37	355,583	5.69	2,152,439	–
Granted	–	–	–	–	1,127,260	–
Exercised	(1,684,459)	3.37	(62,868)	3.06	(878,723)	–
Forfeited	(830)	3.65	(14,279)	6.30	(137,549)	–
At 31 March 2008	1,800,681	3.36	278,436	6.25	2,263,427	–
Granted	–	–	581,672	5.69	2,542,429	–
Exercised	(190,945)	3.60	(82,878)	2.75	(838,551)	–
Forfeited	(7,062)	3.88	(153,019)	8.94	(337,963)	–
At 31 March 2009	**1,602,674**	**3.33**	**624,211**	**5.53**	**3,629,342**	–
Exercisable at:						
31 March 2009	**1,602,674**	**3.33**	–	–	**10,284**	–
31 March 2008	1,800,681	3.36	–	–	–	–

The weighted average share price during the year was £7.05 (2008: £15.37).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

Exercise price range	Awards/options outstanding 2009 Number outstanding	Awards/options outstanding 2009 Weighted average remaining contractual life Years	Awards/options outstanding 2008 Number outstanding	Awards/options outstanding 2008 Weighted average remaining contractual life Years
Share options				
Up to £3	**341,880**	**1.0**	356,410	2.0
Between £3 and £4	**1,197,384**	**3.7**	1,380,861	1.3
Above £4	**63,410**	**2.2**	63,410	3.2
SAYE				
Between £2 and £4	**64,279**	**0.9**	150,110	1.5
Between £5 and £6	**542,352**	**2.9**	–	–
Above £10	**17,580**	**1.3**	128,326	1.9
LTIP				
Nil	**3,629,342**	**1.8**	2,263,427	1.6
Total	**5,856,227**	**2.2**	4,342,544	2.7

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Restricted Shares 22 May 2008	Matching Shares May-June 2008	Performance Shares 09 June 2008	Performance Shares 23 July 2008	SAYE Shares 07 August 2008
Grant date share price	£10.380	£7.800	£8.915	£8.245	£9.130
Exercise price	n.a	n.a	n.a	n.a	£5.690
Volatility	0.0%	45.0%	45.0%	45.0%	45.0%
Expected life	3 years	3 years	3 years	3 years	3.5 years
Dividend yield	1.25%	1.25%	1.25%	1.25%	1.25%
Fair value	£10.25	£4.64	£5.32	£4.90	£4.63

The volatility assumption is based on a statistical analysis of weekly share prices since the London Stock Exchange's flotation in July 2001. The fair value for the Performance and Matching Shares granted during the year takes account of the TSR vesting condition. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

38. TRANSACTIONS WITH RELATED PARTIES

FTSE International Ltd

Details of transactions with FTSE International Ltd are included in note 16.

Key management compensation

Compensation for directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	2009 £000	2008 £000
Salaries and other short term benefits	**6,758**	5,123
Pensions	**207**	155
Share based payment	**2,048**	6,536
	9,013	11,814

Inter-Company transactions with subsidiary undertakings

London Stock Exchange Plc

During the year the Company was charged by London Stock Exchange plc £12.0m (2008: £17m) for interest payable on the inter-company loan. The Company was also charged £4.9m (2008: £9.7m) by London Stock Exchange plc in respect of employee share schemes.

The Company received dividends of £117.9m (2008: £185.0m) from its subsidiary, London Stock Exchange plc.

The amounts owed by the Company to its subsidiary London Stock Exchange plc are disclosed in note 26. The loan is for a term of 25 years and is repayable in five equal annual instalments commencing on the 21st anniversary of the first drawdown, in May 2027. The loan bears interest at LIBOR plus two per cent.

London Stock Exchange Employee Benefit Trust

During the year the Company made loans of £26.3m to the London Stock Exchange Employee Benefit Trust to fund the acquisition of Company shares to meet share award/option commitments to Group employees. The loans are not repayable and do not bear interest. At 31 March 2009, the outstanding balance was £60.5m (2008: £63.9m).

Borsa Italiana S.p.A.

During the year the Company charged Borsa Italiana S.p.A. £6.0m (2008: £0.8m) for interest receivable on the intercompany loan. The company was also charged £5.5m (2008: £2.6m) by Borsa Italiana S.p.A. in respect of employee share schemes.

The amounts owed by Borsa Italiana S.p.A. to the Company are disclosed in note 22. The loan is for a term of 20 years and is repayable in five equal annual instalments commencing on the 16th anniversary of the first drawdown, in January 2024. The loan bears interest at Euribor plus 1.2 per cent.

39. OTHER STATUTORY INFORMATION

Auditors' remuneration payable to PricewaterhouseCoopers LLP and its associates comprise the following:

	2009 £m	2008 £m
Audit of parent company and consolidated accounts	**0.2**	0.2
Audit of subsidiary companies	**1.1**	0.6
Other fees:		
– Taxation	**0.3**	0.2
– Corporate finance	**0.3**	1.7
– Other assurance services	**–**	0.1
	1.9	2.8

Directors' emoluments comprise the following:

	2009 £000	2008 £000
Salary and fees	**3,309**	2,346
Performance bonus	**1,540**	2,455
Gains on exercise of share options	**641**	12,496
Benefits	**132**	103
	5,622	17,400
Contributions to defined contribution pension schemes	**77**	58
	5,699	17,458

During the year two directors (2008: two) had retirement benefits accruing under defined contribution schemes and no director (2008: none) had retirement benefits accruing under a defined benefit scheme. Fees paid directly to the employer company of two (2008: two) Non-Executive Directors were £108,000 (2008: £54,000).

Further details of directors' emoluments are included in the Remuneration Report on pages 40 to 48.

FINANCIAL RECORD

Income statement	2009 £m	2008 £m (restated)	2007 £m	2006 £m	2005 £m
Revenue					
– Issuer Services	**90.4**	82.4	63.2	56.9	43.3
– Trading Services	**275.3**	264.7	173.1	133.2	107.4
– Information Services – ongoing	**182.9**	143.6	105.9	94.1	86.7
– Information Services – exceptional	**–**	–	–	6.4	–
– Post Trading Services	**104.0**	42.8	–	–	–
– Other income	**18.8**	12.9	7.4	6.9	7.0
Total revenue	**671.4**	546.4	349.6	297.5	244.4
Operating expenses					
– operating expenses before impairment, amortisation of purchased intangibles and exceptional items	**(332.8)**	(257.4)	(164.0)	(171.0)	(159.8)
– impairment, amortisation of purchased intangibles and exceptional items	**(548.6)**	(23.8)	(11.4)	(41.1)	(6.8)
Operating profit before impairment, amortisation of purchased intangibles and exceptional items	**338.6**	289.0	185.6	120.1	84.6
Adjusted profit before taxation*	**304.7**	258.5	172.9	128.2	99.0
(Loss)/profit before taxation	**(250.8)**	227.0	161.5	93.5	92.2
(Loss)/profit for the financial year	**(332.8)**	173.0	110.6	66.8	64.5
Basic earnings per share	**(126.1)p**	70.8p	50.5p	27.8p	24.2p
Diluted earnings per share	**(126.1)p**	69.7p	49.4p	27.4p	23.9p
Adjusted basic earnings per share*	**74.2p**	73.1p	56.2p	37.4p	24.2p
Adjusted diluted earnings per share*	**73.6p**	71.9p	55.0p	36.9p	23.9p
Balance sheet					
Non-current assets	**1,679.9**	1,921.5	132.8	137.6	154.1
Current assets	**35,937.7**	17,642.7	134.3	276.1	206.3
Current liabilities	**(35,807.4)**	(17,918.7)	(329.4)	(78.7)	(76.8)
Non-current liabilities	**(757.0)**	(382.6)	(287.6)	(46.2)	(47.3)
Net assets/(liabilities)	**1,053.2**	1,262.9	(349.9)	288.8	236.3
Cash flow					
Net cash flow from operating activities before exceptional items	**378.9**	295.4	198.6	145.9	100.9
Other information					
Operating margin before impairment, amortisation of purchased intangibles and exceptional items	**50.4%**	52.9%	53.1%	41.3%	34.6%
Share price – high	**£13.83**	£19.79	£13.50	£11.90	£5.90
Share price – low	**£3.70**	£11.25	£10.00	£4.49	£3.37
Total dividend per share declared in respect of financial year	**24.4p**	24.0p	18.0p	12.0p	7.0p

Financial information for the years ended 31 March 2008 and 2009 includes information for Borsa Italiana S.p.A. and its subsidiaries beginning from the date of the merger, 1 October 2007.

* London Stock Exchange Group uses Non-GAAP performance measures as key financial indicators. Adjusted Earnings per Share, Adjusted Operating Profit and Adjusted Profit before Taxation all exclude the effect of impairment of goodwill, amortisation of purchased intangible assets and exceptional items.

INVESTOR RELATIONS

SHAREHOLDER SERVICES

Equiniti registrars shareview service

Shareview is a free service provided by Equiniti. It may be accessed through the internet at www.shareview.co.uk. By creating a Shareview portfolio, you will gain online access to information about your Exchange shares and other investments including:

- Direct access to information held for you on the share register including share movements;
- A daily indicative valuation of all investments held in your portfolio; and
- A range of information and practical help for shareholders.

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you. If you have any problems in registering your portfolio for the Shareview services, please contact Equiniti on 0871 384 2544.

Calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

Exchange's share price service

To obtain share price information for London Stock Exchange Group plc, please see our website at: www.londonstockexchangegroup.com

By clicking on the Investor Relations tab you will find the Exchange's share price, historical closing prices and volumes and an interactive share price graph.

Alerting service

To receive email alerts when financial reports, news releases and webcasts are posted on our Investor Relations website, register on: www.londonstockexchangegroup.com and follow the link in the section on financial performance – reports and key documents.

SUBSTANTIAL SHAREHOLDERS

As at 20 May 2009 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 791 to 828 of the Companies Act 2006 and the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Horizon Asset Management Inc.	7.2%
Unicredito Italiano S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
Kinetics Asset Management Inc.	3.1%

FINANCIAL CALENDAR (PROVISIONAL)

AGM	15 July 2009
Q1 Interim Management Statement (revenues only)	15 July 2009
Ex-dividend date for final dividend	22 July 2009
Final dividend record date	24 July 2009
Final dividend payment	17 August 2009
Half year end	30 September 2009
Interim Results	November 2009
Q3 Interim Management Statement (revenues only)	January 2010
Financial year end	31 March 2010
Preliminary Results	May 2010

The financial calendar is updated on a regular basis throughout the year.
Please refer to our website www.londonstockexchangegroup.com and click on the shareholders services section for up-to-date details.

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