DISCLAIMER

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ANNUAL REPORT 2010

GETTING IN SHAPE, LEVERAGING OUR ASSETS, DEVELOPING THE OPPORTUNITIES

London Stock Exchange Group

Welcome to our Annual Report 2010

A STRATEGY TO GROW THE BUSINESS

WE WILL BUILD ON THE FUNDAMENTAL STRENGTHS OF AN EXCHANGE – INDEPENDENCE, NEUTRALITY AND TRANSPARENCY – TO PROVIDE CORE CAPITAL MARKETS INFRASTRUCTURE AND SERVICES ALIGNED TO CLIENTS' EVOLVING NEEDS.

GETTING IN SHAPE

Driving efficiency through implementation of new, low cost and high performance technology, a streamlined management team, continued cost reduction and a focus on client relationships

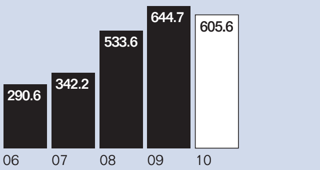
LEVERAGING OUR ASSETS

Pursuing organic growth by building the scale of the assets in the Group – equities, derivatives, fixed income, information products and post trade services

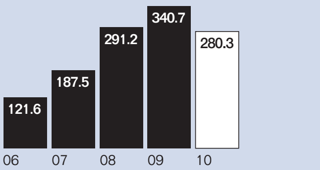
DEVELOPING THE OPPORTUNITIES

Extending our scale, scope and reach through joint-ventures, partnerships and acquisitions

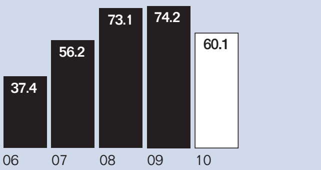
REVENUE
£M



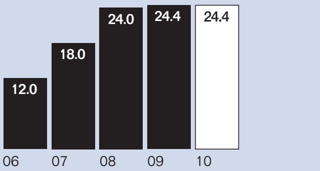
ADJUSTED OPERATING PROFIT*
£M



ADJUSTED EARNINGS PER SHARE*
PENCE



DIVIDENDS PER SHARE
PENCE



Year ended 31 March	2010	2009	Variance %
Total income	**£628m**	£671m	**(6)**
Adjusted operating profit*	**£280m**	£341m	**(18)**
Operating profit/(loss)	**£182m**	£(208)m	**–**
Adjusted profit before tax*	**£242m**	£305m	**(21)**
Profit/(loss) before tax	**£144m**	£(251)m	**–**
Adjusted basic earnings per share*	**60.1p**	74.2p	**(19)**
Basic earnings/(loss) per share	**33.8p**	(126.1)p	**–**

HIGHLIGHTS

- ACQUIRED MILLENNIUMIT IN OCTOBER 2009, A LEADING DEVELOPER OF LOW COST, HIGH PERFORMANCE TRADING PLATFORMS AND FINANCIAL MARKETS SOFTWARE, SERVING BOTH THE GROUP AND GLOBAL CAPITAL MARKETS CLIENTS
- ACQUISITION OF TURQUOISE AND INTEGRATION WITH BAIKAL, TO FORM A PAN-EUROPEAN LIT AND DARK TRADING PLATFORM IN PARTNERSHIP WITH 12 LEADING BANKS
- COST REDUCTION PROGRAMME CONTINUED; TARIFF CHANGES IMPLEMENTED TO INCENTIVISE NEW BUSINESS; EXTERNAL POST TRADE COSTS REDUCED; ORGANIC GROWTH INITIATIVES LAUNCHED
- MANAGEMENT TEAM STRENGTHENED WITH ADDITION OF NEW CHIEF INFORMATION OFFICER, DIRECTOR OF POST TRADE SERVICES AND CEO OF MILLENNIUMIT

* London Stock Exchange Group uses Non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. See Non-GAAP definitions on page 101 for further information.

Adjusted operating profit and adjusted earnings per share exclude acquisition impairment and amortisation, and exceptional items.

Introduction

Review of the business

Governance

Group financial statements

Shareholder information

FOR FURTHER INFORMATION VISIT:
WWW.LONDONSTOCKEXCHANGEGROUP.COM

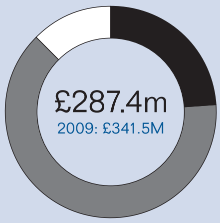
Group at a glance

London Stock Exchange Group is Europe's leading diversified exchange business, incorporating Borsa Italiana and the London Stock Exchange, and now including MillenniumIT and Turquoise.

INCOME CONTRIBUTION | SUB-SEGMENT | MAIN TYPES OF REVENUE

CAPITAL MARKETS

AT THE HEART OF WHAT WE DO ARE OUR MARKETS IN LONDON AND ITALY – AND INCREASINGLY THROUGHOUT EUROPE

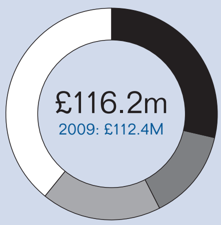


TOTAL GROUP INCOME
46%

Sub-segment	Main types of revenue
■ PRIMARY	• Admission fees for initial listing or raising further capital • Annual fees for securities traded on our markets
■ SECONDARY	• Fees based on value traded (UK equities and governments bonds) or fee per trade (Italian equities, retail bonds and derivatives)
□ OTHER	• Membership fees to access any of our trading markets, such as SETS

POST TRADE SERVICES

WE OFFER OPEN AND EFFICIENT CLEARING, SETTLEMENT AND CUSTODY SERVICES. OUR POST TRADE BUSINESS SUPPORTS CASH EQUITY, DERIVATIVE AND FIXED INCOME MARKETS



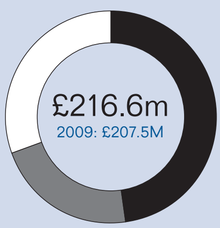
TOTAL GROUP INCOME
19%

Sub-segment	Main types of revenue
■ CLEARING	• Fees based on trades or contracts cleared, and Central Counterparty (CCP) services
■ INTEREST	• Interest on cash and securities held for margin and default funds
■ SETTLEMENT	• Revenue mostly comes from the settlement of equity and fixed income trades
□ CUSTODY	• Fees are charged on the issuance of an equity or fixed income asset, when dividend and interest payments are made, and on any corporate action

INFORMATION & TECHNOLOGY SERVICES

WE SELL REAL TIME AND REFERENCE DATA TO MARKET USERS

OUR BUSINESSES AND CUSTOMERS DEPEND ON TECHNOLOGY THAT IS SECURE AND PERFORMS TO HIGH LEVELS OF AVAILABILITY AND THROUGHPUT



TOTAL GROUP INCOME
34%

Sub-segment	Main types of revenue
■ REAL TIME DATA	• Fees primarily based on number of terminals taking our real time price and trading data
■ OTHER INFORMATION	• Fees vary based on nature of service provided, for example a licence fee is paid to gain access to the SEDOL securities numbering system
□ TECHNOLOGY	• Fees for network connections and systems supplied by Group businesses, now including revenues from the sale of technology services by MillenniumIT

CUSTOMER PROFILE	HIGHLIGHTS	KPIs	
Companies from 71 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other assets	110 new companies joined our markets in the year	NUMBER OF COMPANIES ON OUR MARKETS 3,046 2009: 3,304	RAISED BY NEW AND FURTHER ISSUES £77 billion 2009: £106 billion
Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms	Leading European market for Exchange Traded Funds trades MTS, the trading platform for Government bonds, total value traded up 31 per cent	AVERAGE NUMBER OF EQUITY ORDER BOOK TRADES PER DAY IN ITALY 252,000 2009: 256,000	AVERAGE EQUITY VALUE TRADED PER DAY IN LONDON £4.6 billion 2009: £6.9 billion
Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms	Integration of London and Italian markets has facilitated cross-membership	MEMBER FIRMS CONNECTED TO OUR MARKETS 530 2009: 524	
140 members, mainly banks and brokers, nearly half of which are based outside of Italy	UK FSA approved CC&G as a Recognised Overseas Clearing House	NUMBER OF EQUITIES AND DERIVATIVES CONTRACTS CLEARED 107.7 million 2009: 103.3 million	
Wide range of Italian and international banks and brokers	Settlement rate exceeds the Bank for International Settlements' quality standards	SETTLEMENT INSTRUCTIONS HANDLED 49.3 million 2009: 42.7 million	
Issuers of equity and fixed income products (mostly Italian based)	Government and corporate bond issuance has been at high levels as a result of the recent financial crisis	MONTE TITOLI'S CUSTODY ASSETS UNDER MANAGEMENT €2.87 trillion 2009: €2.69 trillion	
Service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information and sell on to users	60 per cent of terminals are now based outside the UK	NUMBER OF PROFESSIONAL TERMINALS TAKING GROUP DATA (93,000 LONDON DATA; 142,000 ITALIAN DATA) 235,000 2009: 255,000	
Our customers vary based on the service provided, including fund managers, traders, retail brokers and market makers	FTSE launched the FTSE Italia index series in June 2009, the benchmark for futures and options on IDEM	NUMBER OF INSTRUMENTS CONTAINED IN OUR SEDOL MASTERFILE 10.3 million 2009: 5.0 million	
Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region. MillenniumIT also sells technology to other capital markets clients	Since being acquired, MillenniumIT has entered into agreements to provide systems to Tullett Prebon and the Egyptian Exchange Hosting service for co-location of clients' servers in our datacentre	LATENCY ON TRADELECT TRADING PLATFORM (AT AVERAGE OF 99TH PERCENTILE) 1.4 milliseconds 2009: 4.6 milliseconds AVAILABILITY OF TRADELECT DURING THE YEAR 99.94% uptime 2009: 99.66%	

What we do

We describe ourselves as a "diversified exchange business" – but what does this mean? In this section we provide an outline of the types of services we provide.

CAPITAL MARKETS

OUR CENTRAL ECONOMIC FUNCTION IS TO BRING TOGETHER COMPANIES SEEKING CAPITAL WITH INVESTORS FROM AROUND THE WORLD

PRIMARY MARKET

Our primary markets in London and Italy provide companies from around the globe with cost efficient access to some of the world's deepest and most liquid pools of capital.

INITIAL PUBLIC OFFERINGS (IPOS)
50 (2009: 64)

COMPANIES ON OUR MARKETS
3,046 (2009: 3,304)

MARKET CAPITALISATION
£2.3 trillion
(2009: £1.5 trillion)

AMOUNTS RAISED
- £3.9 billion in new issues (2009: £6.9 billion)
- £72.6 billion from further issues (2009: £98.9 billion)

ETFs AND **ETCs** LISTED
- 861 (2009: 663)

INFORMATION & TECHNOLOGY SERVICES

REAL TIME DATA

We supply real time prices and trading data creating the transparency and liquidity that are the hallmarks of our markets. This data is of high value, used and referenced by market participants and other trading services as it is "price forming" information, which we sell to service providers such as Bloomberg and Thomson Reuters. They incorporate our data with other information and sell on to trading firms, investors and institutions around the world.

NEED HELP?
Like any industry, capital markets have their own language. For that reason we have included a glossary on pages 104 to 105. Terms defined in the glossary are indicated in bold on these pages. In addition, the framework for trading financial instruments has changed considerably within Europe over the past few years with the introduction of the Markets in Financial Instruments Directive (MiFID). An overview of how the markets work in Europe under **MiFID** is provided on pages 102 to 103.

SECONDARY MARKET

Our systems provide fast and efficient trading, allowing investors and institutions access to UK and Italian equities (as well as European and US equities through Turquoise), international depositary receipts on our International Order Book, European corporate and government bonds, and equity and index derivatives (Italian, Scandinavian and Russian).

EQUITIES

Our systems allow our members to electronically trade equities listed on our markets. The majority of trading takes place on our **Main** and **AIM** markets both in London and Italy. Through **Turquoise** (acquired February 2010) traders can now also access pan-European and US equities.

FIXED INCOME

The Group's **MTS** and **MOT** businesses provide platforms for the trading of government and retail bonds respectively. Both provide a single platform for accessing multiple bond markets. In February 2010, the Group launched a new UK electronic order book for retail bonds, modelled on the Italian **MOT** retail bond market.

DERIVATIVES

Our experience of running our primary markets has enabled us to develop **derivative** markets for the trading of Scandinavian and Russian equity derivatives. Borsa Italiana also brought with it the **IDEM** derivatives market in Italian equities, to which we added **IDEX** a new energy derivative segment in 2008.

POST TRADE SERVICES

The Group provides a full range of Post Trade services. Based in Italy, **CC&G** provides **clearing** services and **Monte Titoli** pre-settlement, **settlement** and **custody** services. In 2009 **CC&G** was approved by the **FSA** as a Recognised Overseas Clearing House, which will enable it to offer clearing services in the UK.

More Post Trade information is provided in How the markets work, pages 102 to 103.

OTHER INFORMATION

To facilitate efficient trading on our markets, we have developed a number of other reference, desktop and workflow products, which we make available to institutions, traders, retail brokers and market makers including:

- **SEDOL –** unique security identifier numbering system
- **UnaVista –** trade matching and reconciliation service
- **Datalect –** historical data products
- **RNS –** Regulatory News Service
- **Proquote –** market data system
- **FTSE –** index provider (joint venture with Financial Times)

TECHNOLOGY

Electronic trading in London has developed significantly since first introduced by "Big Bang" in 1986. Now all of our businesses depend on technology that is secure, stable and performs to high levels of availability and throughput. The trend towards high frequency, highly automated trading continues and we are investing to increase the speed and capacity of our trading services, as well as to provide new functionality, such as that required for **dark pool** trading. With the acquisition of **MillenniumIT** in October 2009 we now have an agile, efficient, in-house IT development capability that will serve the Group's capital markets businesses. MillenniumIT also sells and licences exchange related technology and services to capital markets businesses across the globe.

Market position and outlook

The Segmental review (pages 14 to 25) provides an update and analysis of how each of our business divisions performed in the year. This section examines market conditions and other external factors that may impact on our performance in the coming year.

Global Economic Conditions

It is clear that market uncertainties and risks remain, including sovereign debt concerns for some Eurozone countries. Nevertheless, macro economic factors are indicating a recovery from the recent economic downturn, with G10 economies moving out of recession into growth, and strong demand for equity capital as corporates rebuild balance sheets and invest for the future.

This year, we have experienced strong levels of primary and secondary capital raisings on our markets as we support the capital needs of companies with £77 billion raised around the globe. With continuing favourable economic conditions we expect increased numbers of IPOs to come to market and for secondary issues to remain healthy, as a means to fund growth and expansion. As a pre-eminent global listing brand, the Group is positioned to compete and benefit from this growth.

As further evidence of returning confidence in economic growth, the principal global indices have seen recoveries from their post-crisis lows including the FTSE 100 and FTSE MIB. These rose 45 per cent and 44 per cent respectively over the year; the FTSE AIM 100 increased 68 per cent.

While this growth impacts positively on the turnover velocity of cash trading, overall levels of equities trading remain lower than pre-credit crisis levels. There has been a scaling back of proprietary trading, hedge funds have de-leveraged and banks have been (and potentially will continue to be) constrained by higher capital requirements. Increased competition, tighter margins and further commoditisation of equities trading makes operating in this environment challenging for all participants, including the Group's own equities markets, which together are Europe's leading equities' trading venue by value traded.

Many of our organic and strategic actions, including the acquisition of MillenniumIT and Turquoise, in partnership with our customers, are focused on ensuring that the Group can continue to provide neutral and cost efficient trading services and benefit from the growth opportunities inherent within the markets in which we operate. These opportunities include:

- The potential growth within European cash equities trading which is still relatively immature compared with the US markets (see charts on page seven, which show similarities of GDP between Europe and USA, though large differences in levels and velocity of shares traded);
- The potential increased allocation of funds to equity and other asset classes including emerging markets which are traded on our platforms;
- The shift from complex, less transparent, high cost OTC products to transparent well run regulated markets and products such as exchange traded derivatives and ETFs as we emerge from the financial crisis;
- Eurozone government debt issuance which is likely to remain strong as governments seek to finance large budget deficits required to drive the economic recovery; and
- A focus on cost and competitiveness in post trade services and more efficient use of margin and collateral, driving further increases in trading volumes.

Regulatory Developments

As an expected consequence of the financial crisis, regulation of financial markets has come into sharp focus. This has the potential to change significantly the environment in which we operate. European regulatory reform is likely to focus on:

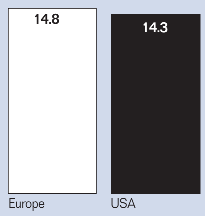
- More transparency on bonds and derivatives;
- Better quality post trade data in order to counter the effects of fragmentation;
- Harmonisation of standards across regulators;
- The function of dark pools and OTC internal crossing networks; and
- The impact on EU markets of proprietary trading and high frequency trading strategies.

In addition, we expect forthcoming European legislation to include:

- A move to mandate the use of CCP services for OTC derivatives in order to better understand and mitigate risk;
- Harmonisation of European CCP standards and requirements; and
- Increased capital requirements affecting risk and proprietary trading of the banks.

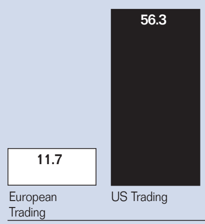
As an operator of regulated exchanges and MTFs, the Group is a stable, trusted and neutral provider of market infrastructure and we will continue to respond to this dynamic market environment in order to create value for both customers and shareholders, by providing reliable, transparent and fully compliant products and services.

GROSS DOMESTIC PRODUCT EUROPE VERSUS USA
US$ TRILLION – 2009



Source: IMF 2009 GDP (PPP)

EQUITY TRADING EUROPE VERSUS USA
US$ TRILLION – 12 MONTHS TO 31 MARCH 2010



Source: FESE (Federation of European Securities Exchanges) and US exchanges

VELOCITY OF EQUITY TRADING 12 MONTHS TO 31 MARCH 2010
%

Source: LSE, FESE and US exchanges

European velocity includes electronic trading on seven major exchanges and five MTFs.

Nasdaq and NYSE velocity is calculated using consolidated trading (total trading by all venues in each markets listed stocks).

Methodology of calculation for US trading may differ to European methodology.

The turnover velocity is the ratio between the value of equity traded over 12 months and the average market capitalisation over the same period.

Chairman's statement

Over the course of the past year, we have seen a gradual re-emergence of more normalised markets and trends. Equity valuations, for instance, have risen throughout the year. And the volatility that characterised and drove trading volumes in the previous year has diminished significantly.

"The economic, competitive and regulatory environment in which we operate has been the subject of continued change in the past 12 months, a trend which is almost certain to continue for some time. The Group is responding quickly to these important challenges, and enacting a number of its own changes to contend with the new circumstances within our industry and to take advantage of the opportunities available to us."

Market and Operating Environment

The financial crisis has underlined the fundamental role of an exchange. Unlike other parts of the financial markets, we have continued to function well. Throughout the crisis, companies have raised unprecedented amounts of equity capital, and investors from around the globe have been able to trade in and out of assets on our markets. Moreover, our brand and the position of London as a primary market venue remain strong, as is clear from the recent increase in Initial Public Offering activity.

Nevertheless, the market and operating environment for our business has remained challenging. For instance, the rise in equity valuations has not yet been matched by an equivalent increase in client trading activity, and the pick up in volumes has not been consistent across all markets. In addition, we are contending with other trading platforms that offer services priced at levels which, on a standalone basis, currently appear economically unsustainable.

Regulatory Change

The Group operates in a market environment in which external factors weigh heavily, in particular the prospect of significant changes to regulation, at domestic and international levels. While we have gained some sense of the direction these changes may take, details are far from concrete.

Among the many regulatory reviews, both the effectiveness and unintended consequences of the Markets in Financial Instruments Directive (MiFID) will be the subject of a review during 2010. Alongside greater competition, the concomitant fragmentation has impeded market transparency and potentially market quality. These changes are likely to have a significant impact on the structure of the EU marketplace.

In the post trade arena, there is much debate about the regulation of clearing houses, the greater use of central counterparties (CCP) to reduce systemic risk and calls for greater interoperability among CCPs. As both a user and an owner of post trade services, we have an acute interest in the outcome of such discussions, which are likely to have a bearing on the quality, attractiveness and integrity of the wider services we provide. However, as one of Europe's most cost efficient providers of post trade services, with a track record of promoting post trade competition, including the introduction of interoperability between clearers in our trading services, we believe we have an authentic voice and are well positioned to lead reform in this part of the industry.

DIVIDEND PER SHARE
PENCE

24.4p

2009: 24.4 PENCE

More broadly, following the financial markets crisis it remains to be seen what new restrictions may be imposed on banks' capital requirements, or indeed the types of activities in which certain institutions may be allowed to engage.

We remain actively engaged in these debates, as their outcome will affect our clients and therefore our business, in potentially both positive and negative ways. However, we are also critically focused on those actions over which we have control.

Strategic Development

The Board is focused on the development of the Group's strategic capability and operational efficiency as ways of dealing with, and ultimately benefiting from, this climate.

Since his appointment as Group CEO last year, Xavier Rolet has been implementing a number of changes in a short period to reposition your business to meet both today's challenges and the opportunities we see in the future. Chief amongst these milestones, Xavier has put in place an international management team of experienced capital markets and technology specialists with track records of delivery.

The primary focus of the Group's executive management has been to improve our competitiveness in this changing environment. Consequently, we have looked at our product mix, our technical capabilities, our operational efficiency and the quality of our client relationships, and assessed them alongside those of our main competitors, existing and emerging.

During the year, we took a number of actions to improve our efficiency and competitiveness. We reduced our headcount by 12 per cent during the summer of 2009. We also committed to upgrading our in-house technology capabilities with the acquisition of MillenniumIT, an innovative software development company based in Sri Lanka, which will provide new trading technology to the Group, as well as to third parties in the capital markets.

Our decision to partner with 12 of our leading banking clients, to develop pan-European services through our acquisition of Turquoise, was an important milestone in improving a number of often complex relationships with our clients. We believe that our ability to deliver long-term shareholder value depends on creating and maintaining deep, constructive relationships with those clients with whom we collectively serve investors and issuers.

Financial Performance

The financial performance of the Group reflects the ongoing headwinds facing our business together with some delayed effects of the financial crisis.

Despite these challenges, we have remained strongly profitable. Moreover, while the financial performance in 2009/10 reflects much of the cost of actions taken to improve our competitive position and put in place the building blocks of future growth, it does not yet reflect the benefits.

The Board believes it is right to maintain a conservative approach to the dividend by maintaining it at last year's level. Consequently, we propose to pay a final dividend of 16p per share in August, bringing the total for the year to 24.4p per share.

Board Changes

At the year end, Massimo Capuano, Group Deputy CEO, resigned from the Company. Massimo leaves with the best wishes of the Board and staff for his years of service leading Borsa Italiana, and his role in the enlarged group following the merger.

We have also reviewed the composition of the Board (see Governance Section) and expect to announce the appointment of new Non-Executive Directors in the near future.

Conclusion

The market, economic and regulatory environment in which our business operates is going through a period of significant change. We continue to take steps to ensure the business remains central to capital markets, competing for business as an efficient, low cost and client focused organisation with a clear strategy to deliver growth and value. We remain deeply focused on our strategic capabilities – at the Board and Management levels – and continue to engage in our pursuit of sustainable shareholder value that benefits the broad range of clients and stakeholders we serve.

C. S. Gibson-Smith

Chris Gibson-Smith
Chairman

Chief Executive's review

London Stock Exchange Group is a great company at an exciting time both in its history and for the future of the industry we serve. This belief is as strong now as it was on my joining the company last year. The past months have been replete with challenges, which we are addressing, and opportunities, which we are seizing.

"Notwithstanding the strength of our brand and the quality of our assets, we are operating in a fast changing and challenging environment, characterised by robust competition and a number of potential regulatory changes."

Introduction

Our financial performance provides an insight into the challenges we are facing, though it also reflects some of the investments and other costs associated with improving our long term prospects.

Against a difficult operating environment for exchange businesses in the past twelve months, we have delivered a resilient performance. Despite a weak IPO market, lower equity market valuations, subdued investor trading in the secondary markets, robust competition for trading and a contraction in financial market professionals who consume our real time and reference data, we achieved revenue of £605.6 million, only six per cent less than last year. Adjusted operating profit before acquisition impairment and amortisation, and exceptional items, was £280.3 million reflecting tight control of our costs but also certain one-off costs for the replacement of TradElect by MillenniumIT technology.

Backdrop and Observations

The Group has a range of assets that set us apart from our competitors. Foremost is our international brand. This is reflected in the people who work for the Company and those who do business with us: more international companies from more countries join our markets than any other exchange; we are privileged to provide trading services to a very wide range of brokers and intermediaries across Europe; and our real time information is distributed globally.

Through the merger with Borsa Italiana, completed in 2007, we have a good product portfolio beyond equities, encompassing derivatives and fixed income trading together with post trade services. The merger has also demonstrated our success in integrating businesses while, critically, preserving market identities.

Notwithstanding the strength of our brand and the quality of our assets, we are operating in a fast changing and challenging environment, characterised by robust competition and a number of potential regulatory changes. It is essential, therefore, that we have a clear, executable strategy that will enable us to thrive in the evolving markets in which we operate.

Left Antoine Shagoury, Chief Information Officer on his appointment in February 2010.

Below Xavier Rolet visiting Epistem in Manchester, June last year.

Second from bottom Tony Weeresinghe, CEO of MillenniumIT and its campus in Sri Lanka.

Bottom politicians and market participants at the launch of our new retail bond market in February.

Strategy

At the heart of our strategy is a fundamental corporate philosophy: to be a truly client-centred business. However, the breadth, diversity and changing composition of our client base creates certain challenges. The onus is on us to prove to our clients the fundamental value of an exchange as an independent, neutral, efficient and profitable provider of core capital markets infrastructure. By getting this right shareholders will also benefit as we successfully grow the business.

Within this context our strategy can be characterised as getting in shape, leveraging our assets and developing the opportunities for other forms of growth from joint ventures, partnerships and acquisitions. The strategic imperatives comprise the following elements:

- Drive efficiency
- Build scale
- Increase scope
- Extend reach

Over the course of the year, we have developed the top team to deliver this strategy. As well as harnessing the existing talent among senior managers within the Group, the management team has been augmented by select external appointments – such as Kevin Milne, who now heads up our Post Trade division, and Antoine Shagoury, who has joined us as Chief Information Officer – and through acquisition, in the case of Tony Weeresinghe who is responsible for our global development, overseeing our commercial and business relationships with other exchanges, as well as continuing as CEO of MillenniumIT.

Drive Efficiency

Identifying and establishing further efficiencies throughout the Group has been a priority over the past year. Faced with a drop in value traded on our markets, through a combination of lower asset prices, lower capital commitment by banks and increased competition, we have taken a number of actions to reduce our cost base, encompassing our three largest areas of cost: people, technology and property.

Early last summer we made a number of management changes to streamline and accelerate decision taking. In the process, we took some difficult decisions with respect to a number of roles across the Group, reducing the workforce at that time by 12 per cent and generating £11 million of annualised cost benefit. The positive way in which staff members have responded to these changes is testament to the quality of the people working here.

A smaller workforce in London has enabled us to improve our position on property costs through the release and subletting of another floor in our Paternoster Square headquarters, providing a net benefit of £3 million per annum from 2010/11. Meanwhile in Milan, we are managing the future cost increase of our lease on Palazzo Mezzanotte, our Italian HQ, by upgrading the building, which will enable us to consolidate all our Milan-based staff there over the next year and close two other facilities.

We also completed a major review of our technology requirements across the Group, culminating in the acquisition of MillenniumIT, an innovative software development firm based in Sri Lanka. As well as providing the Group with a new, high performance, scalable trading platform for our cash equities markets, MillenniumIT brings us our own in-house software development capability with dedicated R&D resource. We have already identified at least £10 million in technology related savings once our new trading system is rolled out, and believe that further savings will be forthcoming in due course.

Increased efficiency has enabled us to make some important tariff cuts in our UK cash equities business. As well as making our fees more competitive, we have sought to differentiate them from those of our competitors, underlining our desire to provide a balanced and neutral marketplace for the broadest range of clients.

Build Scale

In a highly competitive environment, the old adage about exchanges being scale businesses has never been more true. It is therefore essential that we continue to promote our world class listing business and establish new products that take advantage of existing infrastructure.

Through the combination with Borsa Italiana, we have a broad range of products and services, across asset classes and through the value chain. A number of these products, though, do not yet enjoy the full benefits of scale. Achieving greater scale in our business is critical to being able to reward both clients and shareholders alike.

Over the past year, we have made steady progress on leveraging our assets. In July, our clearing business, CC&G, was approved by the FSA to operate in the UK, following which we have started to use its services for our UK-regulated derivatives business, EDX. In February, we launched a retail bond market in the UK based on our offering in Italy, which is by far the most successful example of its kind in Europe.

Among product enhancements over the coming year, we intend to expand the range of equity derivatives contracts traded beyond our Italian, Russian and Scandinavian based products, and are part way through the process of migrating all derivatives trading to a single, high performance platform.

Increase Scope

Alongside building scale it is imperative that we increase the scope of our activities – in product development, trading functionality, post trade and information services. The acquisition of MillenniumIT is integral to our ability to achieve this.

As well as providing cost effective trading platforms, MillenniumIT will be used to deliver market surveillance, ticker plant, desktop services, smart order routing and post trade technology. In the process, we will be able to accelerate our time to market for new products and functionality enhancements while at the same time reducing our overall development and ownership costs.

In addition to improving our in-house assets and capabilities, our ability to introduce new products and services hinges on the quality of our client relationships. A significant development in this regard has been our recent creation of a partnership with 12 of the world's leading banks to lead Turquoise in the next phase of its development. As the majority shareholder, we will ensure that the pan-European platform is neutral, efficiently run, open to the broadest pool of clients and develops services on an international scale; as important stakeholders in the venture, the banks will support innovative product initiatives and broader strategy development.

Extend Reach

The acquisitions of Turquoise and MillenniumIT in the past year not only provide new assets but, importantly, also help us extend our reach. Through Turquoise, we have for the first time a platform with a pan-European footprint and significant potential for growth. And since the year end we have launched trading in US securities on the platform. Meanwhile, our brand and balance sheet backing of MillenniumIT has improved its international prospects and ability to extend the global reach of its technology sales. For us, this increases our capacity to broaden and deepen our commercial, business and strategic relationships with exchanges around the world.

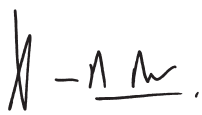
We believe that our future depends on our ability to become a truly global player, anchored in London but with a significant presence in other time zones. We will only achieve this goal through significant partnerships and inorganic growth opportunities within our industry.

We cannot outline specific prospects in this regard but, as and when it is appropriate to do so, we will set out inorganic opportunities which we believe meet with our strategic objectives and which will deliver benefits to shareholders and clients, and pursue them vigorously, but with a clear discipline.

A Year of Progress

This has been an eventful year, a period of change and challenge, and I am grateful to staff, shareholders and clients for the welcome and support they have shown to me since taking on the job. Collectively, we have made very good progress against our objectives, but we recognise that there remains much work to be done. We are aware that, in many cases, the fruits of our labour to date have yet to be harvested.

In the coming year, as we continue to deliver on the key elements of the strategy within a fluid market and regulatory environment, we expect to see further progress across our business.



Xavier Rolet
Chief Executive

Strategy in action

Our vision is to be one of the world's largest exchange groups within five years. We are delivering this vision by executing our clear strategy:

	STRATEGIC IMPERATIVES	DRIVERS FOR CHANGE	OUR STRATEGY IN ACTION – PLANS ANNOUNCED TO DATE
GETTING IN SHAPE	**DRIVE EFFICIENCY**	• More price and technology competition in core markets • Need to align with customer demands for efficient services	• Cost reduction programme underway: headcount reductions, property sub-letting and technology savings announced • Acquisition of MillenniumIT to provide scalable, low cost, high performance trading systems and other related technology – and brings a low cost offshore (but fully owned) operation • Management team restructured and strengthened with addition of new Director of Post Trade, new Chief Information Officer and Chief Executive of MillenniumIT • New tariff structures in UK equities and Italian derivatives to encourage greater volume
LEVERAGE OUR ASSETS AND DEVELOP OTHER OPPORTUNITIES	**BUILD SCALE**	• Need to service global customers • Scale drives efficiency • Better able to respond to regulatory change	• Launch of the UK retail bond market • Migrating both UK and Italian equity trading platforms onto MillenniumIT systems • Migrating both UK and Italian derivative trading platforms onto SOLA • Turquoise provides pan-European equities trading platform, in conjunction with partner banks
	INCREASE SCOPE	• Increased diversification away from local markets to at least pan-European cash equities • Ability to service customers in multiple asset classes • Need to work closely with clients to incentivise trading and develop new services	• Acquisition of MillenniumIT as a provider of technology to third parties • Enhance dark and a pan-European lit offering plus trading of US equities through Turquoise in the coming year • Launch of currency ETFs
	EXTEND REACH	• Globalisation of capital markets	• Global capital markets relationships through MillenniumIT • Turquoise provides framework with client partners to develop further services

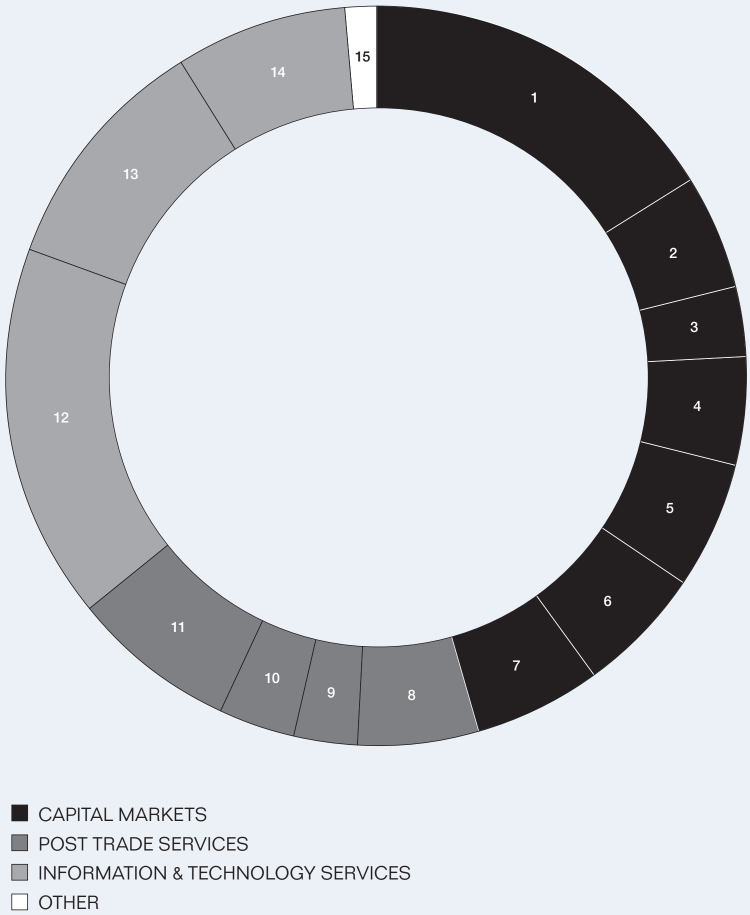
Segmental review

The executive management team was strengthened in the year, with the addition of experienced capital markets and technology specialists with track records of delivery.

WE MANAGE AND REPORT ON PERFORMANCE OF THE GROUP IN THREE PRINCIPAL SEGMENTS:

- CAPITAL MARKETS
- POST TRADE SERVICES
- INFORMATION & TECHNOLOGY SERVICES

In addition, we provide sub-segmental breakdown of revenues and activities, shown here:



Total income	£m
Capital Markets	
1 Cash equities trading UK	101.8
2 Cash equities trading Italy	31.7
3 Derivatives trading	19.5
4 Fixed Income trading	29.3
5 Annual fees	35.2
6 Admission fees	34.0
7 Other Capital Markets	35.9
Post Trade	
8 Clearing	33.4
9 Net interest income through CCP business	16.2
10 Settlement	21.1
11 Custody & other	45.5
Information & Technology Services	
12 Real time data	103.7
13 Other information	65.6
14 Technology	47.3
Other	
15 Other revenues	8.1
	628.3

For the year ending March 2011, we will make a small change to the segmental reporting of our business, by splitting the current Information & Technology Services segment into an Information division which will continue to be run by David Lester (and includes Turquoise), and a Technology division which reflects the services managed by Antoine Shagoury and Tony Weeresinghe.

The business is managed on a day to day basis by an Executive Committee, comprising:

Xavier Rolet - Chief Executive Officer
Doug Webb - Chief Financial Officer
See biographies on page 37.

Raffaele Jerusalmi
Director of Capital Markets and CEO of Borsa Italiana
Joined Borsa Italiana in 1998. Previously Head of Trading for Italian fixed income at Credit Suisse First Boston.

Kevin Milne
Director of Post Trade Services
Joined the Group in 2010. Previously CEO of Xtrakter and senior manager at Euroclear. Has over 25 years of experience in financial markets including Thomson Financial and Omgeo.

David Lester
Director of Information Services and CEO of Turquoise
Joined the Group in 2001. Over 20 years experience in financial markets including Thomson Financial, Accenture and KPMG.

Antoine Shagoury
Chief Information Officer
Joined in 2010 from American Stock Exchange (now part of NYSE Euronext) where he was CIO. Previous experience also includes Instinet Services and Datastream Corporation.

Tony Weeresinghe
Director of Global Development and CEO of MillenniumIT
Joined the Group in 2009. Prior to founding MillenniumIT in 1996 he was Head of the Open Systems Division of ComputerLand and Country Manager of Oracle in Sri Lanka.

The team meets regularly to review business and financial performance, discuss new ideas, project development, set targets and agree actions.

The following pages detail the activities and performance of the business over the past financial year.

Capital Markets

London Stock Exchange Group's Capital Markets division facilitates companies' raising of capital - both equity and debt – together with the provision of liquid secondary markets for the trading of those and other securities.

"We are one of just a handful of exchange businesses across the world that can claim to have a truly international franchise. Our exposure to both equities and fixed income provides some diversification over the economic cycle."

RAFFAELE JERUSALMI
Director of Capital Markets and Chief Executive Officer of Borsa Italiana

STRATEGY

- BECOME A MORE CLIENT-CENTRIC BUSINESS
- IMPROVE THE COMPETITIVENESS AND SCALE OF OUR CASH EQUITIES BUSINESS
- PRODUCT INNOVATION BEYOND EQUITIES – IN PARTICULAR IN EQUITY DERIVATIVES AND FIXED INCOME
- ADD VALUE THROUGH INTEGRATED OFFERING FROM LISTING TO CASH TRADING AND INDICES TO DERIVATIVES TRADING

Introduction

We are one of just a handful of exchange businesses across the world that can claim to have a truly international primary markets franchise. In the past year, we have helped companies raise £77 billion in new and further equity issuance. We have also enabled companies and sovereign states to raise £680 billion of debt.

In our secondary markets, we have continued to provide high levels of liquidity across our markets, and to develop the scope and scale of our offering. Nevertheless, the value and volume traded on our markets has been affected by the drop in investor activity following the volatility associated with the financial crisis. Our exposure to both equities (cash and derivatives) and fixed income provides some diversification over the economic cycle.

Fundamental to the success of our strategy is the need to work in partnership with our clients, providing them with the highest standards of service at competitive prices.

Primary Markets

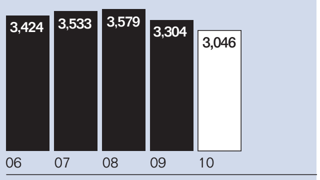
At the year end, there were 3,046 companies listed or quoted on our markets. While the IPO market was subdued for much of the year, our markets still assisted companies in raising £77 billion through new and further equity issuance, critically remaining open for business while many other financial markets faltered.

London maintained its pre-eminence as a listing venue for international companies seeking capital, profile and a liquid secondary market in their shares. We maintained a high level of marketing activity throughout the year in key markets including India, China, Latin America and Russia, all of which we expect to yield listings in the future.

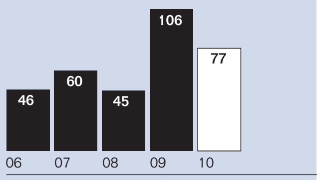
Russia has continued to be a particular success story for the London Stock Exchange, attracting another two companies this year. In total there are now 54 Russian companies listed and traded on our markets (see case study on page 17).

The difficult economic conditions have weighed disproportionately on small and medium sized companies, making capital more difficult and costly to raise. Over the past year we have continued to work with governments, regulators and policy makers – in particular in the UK and Italy where we offer listing venues – to identify mechanisms by which innovative companies might benefit from our markets more easily and cost-effectively.

NUMBER OF COMPANIES



MONEY RAISED
£BN



In particular we have engaged in constructive dialogue with the UK Government to both broaden the scope for Venture Capital Trusts to support and invest in innovative smaller companies and enable AIM shares to be eligible for inclusion in Individual Savings Accounts (ISAs). We are grateful to the Government for its commitment to consult on both these matters.

Also in the UK, we have been working with third parties to propose ways to address current imbalances in the taxation system, which promotes debt over equity. Success may help to increase levels of equity investment and trading.

RUSSIAN AND CIS SERVICE OFFERING

a range of linked capital markets services related to Russian company listings

54 Russian and CIS companies listed on our primary markets have a combined market capitalisation of $590 billion, making the Group the largest market for Russian and CIS companies outside this region.

Russian and CIS shares are traded on our secondary markets through our International Order Book (IOB). $153 billion traded last year and a total $843 billion traded through our IOB since the launch in 2002.

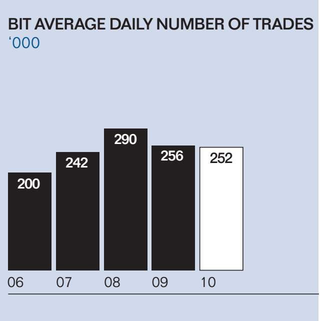
We also trade related futures and options through EDX, supported by the FTSE IOB tradeable index product, created by the Group's FTSE indices business. 37.4 million Russian contracts were traded on EDX last year, up 97 per cent on the prior year.

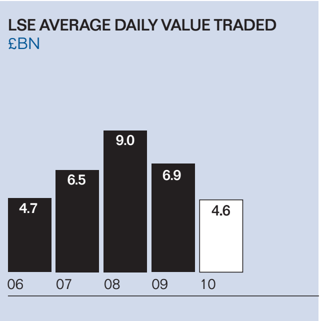
A critical mass of research and trading expertise in the Russian and CIS market exists in London - 11 Russian-owned brokers actively trading on both the London Stock Exchange and MICEX, one of the leading equities exchanges in Russia.

RATIONALE

Expansion of products and services based on attracting international listings.

Provision of these services is complementary to the domestic offering on the Russian market – the Group has a co-marketing agreement with MICEX (a leading Russian equity exchange) with information available at www.russianipo.com





Secondary Markets

Equity trading

Within our cash equity trading business, the most important performance metrics are value traded in the London market and volume traded in the Italian market. In London, the average daily value traded was down 33 per cent at £4.6 billion reflecting continued uncertainty in the markets together with stronger competition. The percentage decline also reflects the very strong comparators in the previous financial year, in particular in H1 at the height of the global financial crisis. In Italy the average daily number of trades fell two per cent to 252,000. Nevertheless, there was a noticeable pick up in Italian retail trading during the year.

Over the course of the year, we have made good progress on improving the scope and competitiveness of our offering in the trading of shares and other equity products.

Following the acquisition of MillenniumIT in October 2009 (see case study on page 25), we are in the process of migrating to new trading technology, which will be available to London Stock Exchange clients in the latter half of 2010. The MillenniumIT platform will increase the performance and functionality available to clients and lower the operating and development cost of our trading platform.

With lower internal costs, the London Stock Exchange has made a number of pricing adjustments to make its services more attractive to the broadest possible cross-section of its client base. We believe we will be able to continue to innovate in order to reduce fees to clients, which will help us to compete successfully in cash equities. However, we believe that unlocking greater turnover velocity in the UK and Europe is the major determinant to our success in this asset class.

Exchange Traded Funds, Commodities and Notes (ETFs, ETCs and ETNs) have continued to deliver strong growth as individual investors increase the extent to which they personally manage their portfolios. In aggregate there were 861 ETFs listed on the London Stock Exchange and Borsa Italiana at the year end, up 30 per cent on the previous year. Average daily turnover for the year reached £366 million, comprising 13,987 trades a day; up 83 per cent on last year and underlining our leading position in European ETF trading.

Derivatives

We operate three derivatives businesses: IDEM, which specialises in the trading of Italian equity derivatives; IDEX, which offers trading in Italian energy contracts; and EDX, which offers trading in Russian and Scandinavian equity derivatives products. The key determinants to our revenue are the number of contracts traded and product mix.

Growth in trading on IDEM has been strong in the past year, with the number of contracts reaching 41.0 million (up 11 per cent on the previous year). As well as strong underlying demand, the volume growth was stimulated by the introduction of a fee cap for large trades: while this lowered our effective yield per contract, the new tariff succeeded in attracting liquidity from some of IDEM's competitors as well as over the counter trading.

IDEX, which was launched in November 2008, has made good progress and seen sustained trading throughout the year. During the past financial year, there was an average of 61 GWh traded each day, up 49 per cent on the previous year. The offering was enhanced in November 2009 with the option of physical delivery as well as cash settlement.

In December, EDX migrated to the SOLA trading technology provided by TMX. This forms part of an alliance with TMX Group through which TMX made a strategic investment by acquiring 19.9 per cent of EDX. The migration also coincided with a market linkage between EDX and Oslo Børs for the trading of Scandinavian derivatives.

In the year ahead, we intend to expand our derivatives product range in a number of areas, including the introduction of a competitive equity derivatives offering in other European markets.

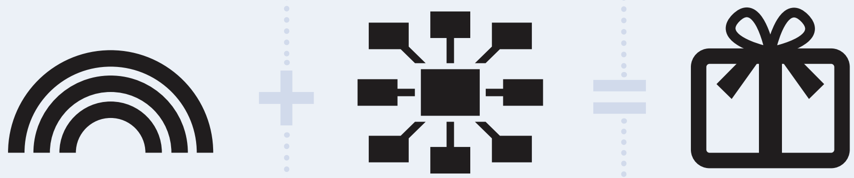
Fixed Income

We have strengthened our position as the market leader in the provision of electronic trading services in Fixed Income.

Within the wholesale market for sovereign debt, MTS, in which we have a 60 per cent stake, began a strong recovery in the second half of the year. Value traded was up 31 per cent to €45 trillion for the year (see case study below).

Our retail offering also delivered good growth, with Borsa Italiana's retail bond market attracting 3.5 million trades (2009: 3.4 million). During the year, the successful Italian market structure was adapted for the UK market. From 1 February, the London Stock Exchange launched its own retail bond market offering investors a simple, transparent electronic market for trading in corporate bonds and gilts.

MTS
operates Europe's premier electronic fixed income trading market



Services cover pre trade, trade execution and post trade capabilities across cash and repo markets, plus independent benchmark data and fixed income indices.

Over 500 unique counterparties and average daily volumes exceeding EUR 175 billion.

Benefits
- *Access to premium source of liquidity*
- *Confidence of regulated, orderly and efficient markets*
- *Stable and robust technology*
- *Open architecture for seamless integration with existing internal systems*
- *Cost-effective and comprehensive solutions*
- *Global view, local expertise*

RATIONALE

MTS provides an effective electronic trading platform for Government bonds, as well as corporate bonds. We will expand our business model to include more dealer-to-client services.

We will increase our efficiency in post trading by supporting consolidation of depositories and establishment of a European CCP.

Post Trade Services

London Stock Exchange Group's Post Trade Services division provides a range of risk management and trade processing services to ensure the successful completion of trades and custody of assets.

"Post Trade Services are strategically significant for the development of our trading services, the attractiveness of which can be dependent upon the competitiveness and efficiency of post trade processes."

KEVIN MILNE
Director of Post Trade Services

STRATEGY

- PROVIDE CAPITAL MARKETS WITH MOST EFFICIENT POST TRADE ARRANGEMENTS
- BUILD THE SCALE OF OUR OFFERING THROUGHOUT THE POST TRADE PROCESS
- CHAMPION GREATER POST TRADE EFFICIENCY AND COMPETITION IN EUROPE

Introduction

Post Trade Services are strategically significant for the development of our trading services, the attractiveness of which can be dependent upon the competitiveness and efficiency of post trade processes, especially clearing. Our ability to introduce new products in trading is invariably dependent on associated post trade developments.

These services are also critical because they are central to the management of counterparty risk. They instil confidence in our markets, helping to promote additional liquidity.

The Division has two inter-related objectives:

- To ensure that our markets gain access to the most efficient post trade arrangements, utilising in-house assets whenever appropriate; and
- To provide the wider European marketplace with the most efficient choice of post trade services and thereby bring down the total cost of trading and increase turnover.

Our post trade assets cover a broad range of services including trade routing, clearing, netting, settlement and custody. We provide services to multiple platforms and for OTC products as well as Group markets.

Trade Routing

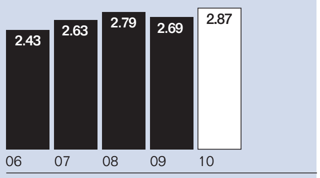
Once a trade has been executed the details need to be processed, and where appropriate forwarded on for clearing and settlement. As the range of assets traded grows and as clients seek greater choice of which post trade provider they use, the routing of trade details becomes more important and complex.

Our multi-purpose routing engine operates links to numerous clearing houses and settlement entities including CC&G, LCH. Clearnet SA, Euroclear Bank and Clearstream Banking Luxembourg. In the past year, we handled 1.3 million settlement instructions on a daily basis in Italy with a value of €800 billion, up three per cent by volume and 24 per cent by value. This is mainly attributable to non-captive over the counter activity which grew 18 per cent.

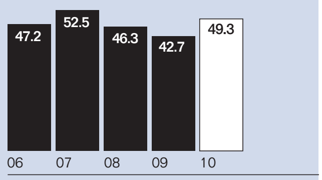
Clearing

Our clearing services, provided by CC&G, guarantee trades and manage counterparty risk in a range of assets and instruments including cash equities, derivatives, energy products and government bonds.

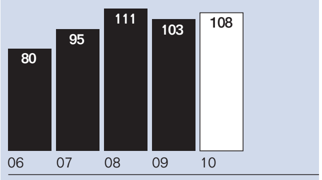
ASSETS UNDER CUSTODY
€ TRILLION



SETTLEMENT INSTRUCTIONS
MILLIONS



CONTRACTS CLEARED
MILLIONS



While predominantly clearing Italian based products, the scope of our offering is growing. During the year, we were approved by the FSA in the UK as a Recognised Overseas Clearing House, and now provide services for our London-based derivatives market, EDX.

By the year end, our customer base had expanded to 140 members from 11 countries around Europe. Nearly half of the members are now from outside Italy, and they account for 56 per cent of volumes in derivatives and 38 per cent in equities.

Netting

Netting services provide clients with scale benefits in two ways: a single risk position per member at the end of each day; and a single settlement instruction per security for each firm. The first is important for clients' capital management, the second for their post trade costs per transaction.

Our in-house services provide significant netting efficiencies. For instance, we charge a single fee for clearing a trade, including netting and settlement, leading to lower post trade costs for our large customers in Italy than in the UK despite the difference in market size.

Clients of our UK equity trading services, where post trade services are provided by external suppliers, have not benefitted from the same efficiencies. Until March of this year, they still had to pay separately for their netting facility on a per trade basis. Following vigorous campaigning, we secured a fee reduction worth around £10 million for our clients, which we anticipate will stimulate more trading.

Settlement and Custody

Our settlement and custody business, Monte Titoli, has a broad client base with a wide range of connections to international markets and central counterparties.

During the year, we processed around 50 million settlement instructions, an increase of over 15 per cent on the previous year. Through our collateral management services, clients achieved significant efficiencies: of the €155 billion required for settlement each day, our settlement algorithm and collateral management programme facility meant that clients were only required to provide €3 billion to execute their settlement instructions.

By the year end, assets under custody had reached €2.9 trillion, of which 18 per cent was equities, 51 per cent was government bonds, and 31 per cent was corporate bonds.

INDUSTRY DEVELOPMENTS

The post trade industry is undergoing potentially profound change, driven by a combination of clients' desires to see a more competitive environment and European regulators' desire to create a more efficient and safe construct. We share these objectives and are actively engaged with the intent of being an agent for positive change. Indeed, our clearing services are the most open, integrated and pro-competitive in Europe.

Nevertheless, two landmark pan-European industry initiatives are taking longer to reach fruition than we would have hoped. Interoperability, the means by which central counterparties can interact with one another – thereby providing valuable choice to trading platforms and their clients – requires greater harmonisation of risk management procedures across Europe to become effective.

Meanwhile, the implementation date for the European Central Bank's Target 2 Securities (T2S) project, aimed at facilitating cheaper cross border settlement across Europe, has been delayed beyond 2013. Nonetheless, within these constraints, we continue to enhance our services and develop new business opportunities.

Information & Technology Services

London Stock Exchange Group's Information & Technology Services division encompasses a diverse range of services aimed at meeting the varied requirements of our broad, international client base.

"Our business success depends on our ability to deploy innovative products and services powered by high performance technology."

Above, from left to right

DAVID LESTER
Director of Information Services and CEO of Turquoise

TONY WEERESINGHE
Director of Global Development and CEO of MillenniumIT

ANTOINE SHAGOURY
Chief Information Officer

Introduction

Investment decisions, trading strategies and efficient execution all depend on extensive and reliable market information, delivered in a variety of formats and via ever-faster means of connectivity. We estimate the global market for such services to be worth at least £50 billion in annual revenues.

Our Information & Technology Services businesses are grouped into three categories: real time data; other information services (including reference data, indices and desktop solutions); and technology services.

Real Time Data

At the core of our real time offering is an unparalleled depth and quality of data on the London and Italian markets, forming the benchmark for over 40 per cent of Europe's most liquid blue chip securities. Nevertheless, demand for our real time data, which is currently charged for on a per terminal basis, was affected by difficult economic and market conditions in which a number of our clients reduced their headcount.

At the year end, there were 93,000 and 142,000 professional users respectively accessing London Stock Exchange and Borsa Italiana real time data via our direct network and also via over 200 network service providers and market data vendor partners. While these figures were lower than a year earlier (2009: 104,000 and 151,000 respectively), the number of users stabilised in the second half of the year and we expect the coming financial year to show signs of improvement alongside an economic upturn.

Other Information

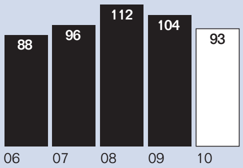
Reference data and software solutions are widely seen as the key building blocks in effective data management and straight through processing (STP). Transaction security sits at the core of our services, with two products in particular delivering strong growth over the year.

We continue to expand our global, multi-asset class SEDOL Masterfile Service (SMF), with the addition of nearly 4.5 million new identification codes in the past year, bringing the total number to 10 million. The majority of the new SEDOL codes were allocated against exchange traded derivatives, sourced from over 80 countries worldwide. The number of SMF customers continues to increase, with over 200 new subscribers across the UK, Europe and the US, bringing the total customer base to over 1,500 (2009: 1,300). We have also seen significant growth in SMF usage across Asia following the establishment of a stronger sales presence in the region.

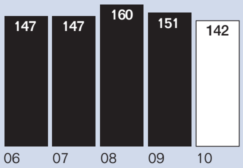
STRATEGY

- DEPLOY LOW COST, HIGH PERFORMANCE TRADING AND INFORMATION PLATFORMS
- LEVERAGE FLEXIBLE PLATFORM TO EXPAND SCALE AND SCOPE OF PRODUCT OFFERING ACROSS THE GROUP
- DELIVER INFORMATION SERVICES THAT IMPROVE EFFICIENCY OF OUR INDUSTRY

LSE PROFESSIONAL TERMINALS
000'S



BORSA PROFESSIONAL TERMINALS
000'S



UnaVista, our matching, reconciliation and data validation service, has continued to expand in scope. This year we extended our reconciliation services to facilitate cash and stock reconciliations, exchange reconciliations and commission sharing. We also introduced the UnaVista Confirmation Portal, a central service enabling broker to broker matching and improving post-trade communications between sell side and buy side firms.

During the coming year, we will transfer our existing transaction reporting service onto the UnaVista platform. This will provide clients with additional levels of data validation and management information to help minimise the risks associated to adhering to regulatory requirements.

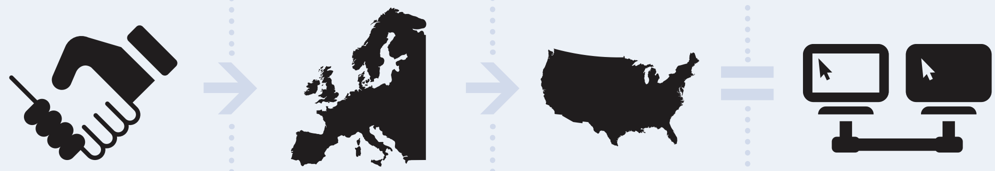
In addition to reference data services, our desktop solutions provide a front-end for market data as well as order and execution management systems, all provided through our Proquote brand, in Italy and the UK.

In Italy, Proquote targets a variety of clients including financial advisors, banks, brokerage firms and financial institutions, and listed companies. It allows easy and intuitive access to a store of financial information including Italian and foreign market quotes, news and security profiles. We reached 34,000 screens by the year end, up 8,000 on the previous year. We continue to offer effective web solutions to our clients and we aim to further expand our client base by branching out to the retail market in India and China by providing web-based solutions.

TURQUOISE – MTF

acquired majority control of Turquoise Trading, the pan-European equity trading platform

The European marketplace for trading securities has scope to become more efficient and to grow significantly in coming years. In particular, the provision of pan-European services across a range of asset classes is in increasing demand



Important partnership with 12 leading global bank clients.

Pan-European venture, offering trading services in over 1,800 securities based in 19 European countries.

Stock coverage extended in April 2010 to 175 US listed equities, ETFs and ADRs.

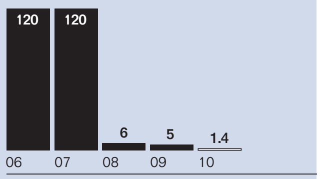
Trading services comprise a lit electronic order book, a dark pool and an order aggregation facility.

RATIONALE

Example of aligning services with clients for mutual benefit – banks own 49 per cent and benefit from efficient, neutral, well regulated, exchange-run market infrastructure.

Expansion of Group's scale and scope, by extending trading to take place on the MillenniumIT platform, and increasing the range and number of securities traded in new geographic areas for the Group.

EQUITY TRADING PLATFORM LATENCY
MILLISECONDS



The UK-based Proquote offering provides cost effective access to over 160 markets, news and data sources throughout the trading day. During the year, the number of desktop users taking real time data from Proquote increased from 4,800 to 4,900.

As well as distributing and displaying market data, Proquote provides order management and execution services, predominantly to the private client broking community in the UK. Central to its appeal is Proquote's leading position in connecting brokers with 28 Retail Service Providers (RSPs), which we believe to be more than any other vendor in the market. Over the course of the year, Proquote's RSP order flow increased by 150 per cent. We aim to further expand this service on a pan-European basis.

Separately, we have sought to broaden the scope of our activities with the acquisition of Turquoise, and its merger with Baikal (see case study on page 23). We will develop Turquoise's existing range of services in the trading of pan-European equities, from its European market share of 2.5 per cent at year end.

Technology Services

We provide clients with a wide range of technology services, from connectivity to our markets through to trading platform solutions to other capital markets clients worldwide.

Demand for ever faster trading technology creates a market for a more sophisticated means of connecting to our trading platforms, in order to reduce the time it takes to send and receive orders to our markets.

FTSE
providing global index services

Generates revenue from the provision of indices and benchmarking services to a range of investors, consultants, asset owners, fund managers, investment banks, stock exchanges and brokers. These indices are used for: performance management; asset allocation; portfolio hedging; and creation of investment products such as tracker funds, Exchange Traded Funds and tradeable derivatives.

Over $3 trillion of assets benchmarked to FTSE Indices globally. Revenues in 2009 grew 20 per cent.

120,000 end of day and real time indices covering 80+ countries.

Provides users with fastest index calculations and broadest range of real time indices.

Building strong presence in emerging markets - assets under management in the iShares FTSE/Xinhua China Index Fund 25 ETF listed in the US grew 33 per cent over the year, at one point rising to over $10 billion.

RATIONALE

FTSE, the global index provider, is a 50-50 joint venture between London Stock Exchange and the Financial Times.

We are leveraging FTSE's expertise in indices products to construct tradeable products.

FTSE now operating the MIB index in Italy.

In addition to our established Information Service Provider Network business, where we provide a secure and reliable network connection to our trading systems offering a variety of bandwidths, we now also offer hosting services. Hosting allows clients to place their trading algorithms inside our Data Centre, providing sub-millisecond access to our matching engine and market data.

The service underlines our commitment to encouraging market efficiency through the removal of time friction in the system and further extends our variety of connectivity options. We have 33 clients signed up to our hosting service.

Following the acquisition of MillenniumIT, we provide trading technology to a wide range of exchanges and other capital markets companies across the world. Although this was not our principal reason for the acquisition (see Case study opposite), it represents a good business opportunity for the Group. The research and development team at MillenniumIT continuously strives to ensure that these solutions evolve with the future needs of customers and with technology capabilities.

In addition to existing clients such as LME, ICAP and Indian Commodity Exchange, MillenniumIT has secured new contracts since acquisition, including Tullett Prebon and the Egyptian Exchange, both announced in March 2010.

MILLENNIUMIT

We operate in an extremely competitive marketplace. At the heart of our ability to compete successfully is the performance and cost of the technology that supports our whole range of services.

Last summer, we reviewed 18 different alternative technology options to replace our trading technology infrastructure. This assessment included options where we might partner with another exchange to share technology infrastructure costs, upgrade our existing technology or purchase an existing technology platform.

The MillenniumIT platform scored highly on a number of counts:

- Tried and tested in other markets
- Based on flexible technology principles
- Run by an innovative software development team
- Flexible and scalable, proven during laboratory trials
- Extremely competitively priced
- Independent of any of our major competitors.

The decision to acquire the company for US$30 million was clear cut. We were, and continue to be, impressed by the quality and motivation of the people working for MillenniumIT. So, in addition to acquiring our next trading platform, we now have a first class software development capability within the Group, which will ensure fast and cost efficient technology development.

MillenniumIT will make a positive contribution through its own commercial sales of technology, which are enhanced through our balance sheet backing.

We plan to introduce MillenniumIT's technology for the UK equities market later in 2010. It will also be introduced for the Italian market and recently-acquired Turquoise.

As well as core trading capabilities, MillenniumIT has expertise in market surveillance, smart order routing and post trade systems amongst other things. We see scope for Group companies to use MillenniumIT's solutions to very good effect in the coming years.

Financial review

A good performance in challenging market conditions. Cash generation remained strong and our financial position was strengthened by the issue of a £250 million ten year bond.

"The Group's organic operating cost base decreased eight per cent in constant currency, reflecting our focus on cost reduction and more efficient operational delivery."

DOUG WEBB
Chief Financial Officer

FINANCIAL HIGHLIGHTS

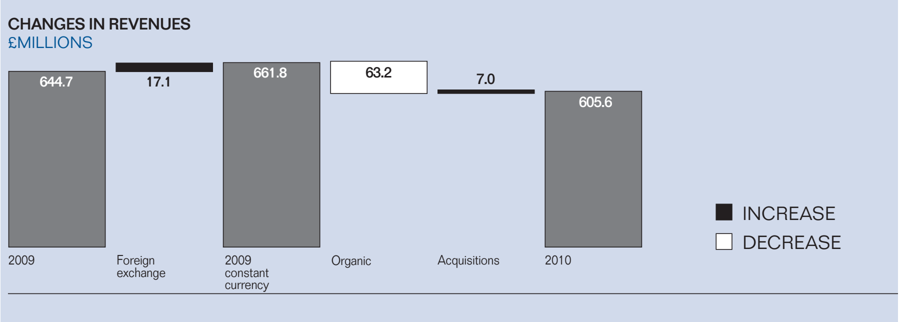
- REVENUE AT £605.6 MILLION DOWN SIX PER CENT (2009: £644.7 MILLION)
- OPERATING PROFIT BEFORE ACQUISITION IMPAIRMENT AND AMORTISATION, AND EXCEPTIONAL ITEMS DECLINED 18 PER CENT TO £280.3 MILLION (2009: £340.7 MILLION), THOUGH DECLINED ONLY 10 PER CENT TO £305.6 MILLION EXCLUDING ONE OFF COSTS ASSOCIATED WITH THE ACQUISITION OF MILLENNIUMIT
- OPERATING PROFIT AFTER ACQUISITION IMPAIRMENT AND AMORTISATION, AND EXCEPTIONAL ITEMS WAS £182.3 MILLION (2009: £207.9 MILLION LOSS)
- ADJUSTED BASIC EARNINGS PER SHARE, BEFORE ACQUISITION IMPAIRMENT AND AMORTISATION, AND EXCEPTIONAL ITEMS, DECLINED 19 PER CENT TO 60.1 PENCE (2009: 74.2 PENCE). BASIC EARNINGS PER SHARE WERE 33.8 PENCE (2009: NEGATIVE 126.1 PENCE)
- CASH GENERATED FROM OPERATIONS REMAINED STRONG AT £301.2 MILLION (2009: £352.6 MILLION)

Year ended 31 March

	2010 £m	2009 £m	Variance %	Variance at constant currency %
Revenue				
Capital Markets	**287.4**	341.5	(16)	(18)
Post Trade Services	**100.0**	91.6	9	2
Information & Technology Services	**216.6**	207.5	4	3
Other	**1.6**	4.1	(61)	(64)
Total revenue	**605.6**	644.7	(6)	(8)
Net interest income through CCP business	**16.2**	20.8	(22)	(27)
Other income	**6.5**	5.9	10	10
Total income	**628.3**	671.4	(6)	(9)
Operating profit before acquisition impairment and amortisation, and exceptional items	**280.3**	340.7	(18)	(20)
Operating profit after acquisition impairment and amortisation, and exceptional items	**182.3**	(207.9)		
Adjusted basic earnings per share	**60.1p**	74.2p	(19)	
Basic earnings per share	**33.8p**	(126.1)p		

Revenue

With the introduction of IFRS 8 'Operating Segments', this year, we have undertaken a more comprehensive review of the way in which we disclose our revenue to most clearly present the performance of the business. Accordingly, in addition to restating the segments to align with our internal reporting structure as required by IFRS 8, we have separated out "net interest income through CCP businesses" and "other income", the latter primarily being property income from the sub-letting of surplus space. The net interest income through CCP businesses is the net interest earned on assets held by us on behalf of third parties as part of the risk management process within our clearing business and is based on the spread between EONIA and EURIBOR rates, which is outside the control of management. Total income stated above is equal to total revenue as presented previously.



Capital Markets

Year ended 31 March

Revenue	**2010 £m**	**2009 £m**	**Variance %**	**Variance at constant currency %**
Primary Markets				
Annual fees	**35.2**	41.0	(14)	(16)
Admission fees	**34.0**	28.1	21	20
	69.2	69.1	0	(2)
Secondary Markets				
Cash equities: UK	**101.8**	156.2	(35)	(35)
Cash equities: Italy	**31.7**	28.0	13	7
Derivatives	**19.5**	25.6	(24)	(26)
Fixed income	**29.3**	25.8	14	7
	182.3	235.6	(23)	(24)
Other	**35.9**	36.8	(2)	(7)
Total revenue	**287.4**	341.5	(16)	(18)

Performance in the Capital Markets segment remained mixed, reflecting the uncertain economic and market conditions.

Within primary markets, admission fee revenues grew strongly due to the high level and mix of secondary capital raisings, with a larger proportion of smaller and medium size issues compared with the prior year. Whilst down year on year, the level of new issues across all our markets has increased significantly in recent months, with 72 new issues in the second half of the year, compared with 38 in the first half and 46 in the second half of last year.

As expected, annual fee revenues declined reflecting the reduction in market capitalisations in 2008 and a fall in the number of companies on AIM. UK market capitalisations at the end of November 2009 (which form the basis of fees for the year ending 31 March 2011) increased by 27 per cent compared with the prior year, although the reduction in company numbers on AIM will hold the overall growth in UK annual fee revenues to around 10 per cent.

In secondary markets, the key drivers of equity trading revenues are value traded in the UK and volume traded in Italy. UK equity trading revenues declined 35 per cent, with average daily value traded on the UK order book declining 33 per cent to £4.6 billion per day (2009: £6.9 billion), in part reflecting continued competition from alternative venues as well as an overall lower level of value traded in the market. As a result of tariff changes in September 2009, the average basis point yield decreased from 0.92 in the first half of the year to 0.80 in the second half, giving a full year 0.86 basis point average (2009: 0.87 basis points). In Italy, the average daily number of trades was more resilient, declining only two per cent to 252,000 trades per day (2009: 256,000), reflecting both the benefit of the stronger retail element in this market and the cost efficient straight through processing provided by our integrated trading and post trade operations.

Our derivatives revenues declined in both the UK and Italy. EDX volumes fell eight per cent, with a doubling in Russian derivatives trading to 37.4 million contracts (2009: 19.0 million) helping to offset a fall in Scandinavian business. EDX successfully migrated to the SOLA trading platform in December 2009, with trading in Scandinavian derivatives dropping away, as expected, at this point. IDEM volumes increased 11 per cent following the introduction of tariff caps earlier in the year, although a shift away from index products together with the tariff changes reduced the average yield.

Fixed income revenues performed strongly, with value traded in MTS up 31 per cent to €45 trillion for the year, with a particularly strong second half.

Other capital markets revenues comprise fees for membership of all our markets and other non-trading revenues within MTS.

Post Trade Services

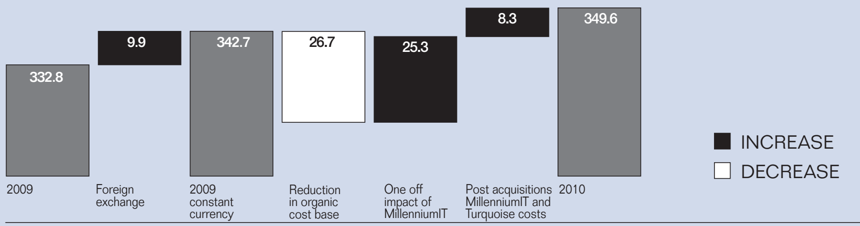
Year ended 31 March

Revenue	**2010 £m**	**2009 £m**	**Variance %**	**Variance at constant currency %**
Clearing	**33.4**	32.0	4	(2)
Settlement	**21.1**	17.2	23	15
Custody and Other	**45.5**	42.4	7	1
Total revenue	**100.0**	91.6	9	2
Net interest income through CCP business	**16.2**	20.8	(22)	(27)
Total income	**116.2**	112.4	3	(3)

Clearing transaction volumes increased four per cent versus prior year, though this was offset by a reduction in non transaction revenues as members took more care to ensure transactions cleared on time, avoiding fail fees.

The growth in settlement revenues was primarily driven by an increased share of OTC business settled by Monte Titoli. Custody and Other revenues benefitted from a seven per cent increase in the average value of assets under custody, partially offset by a decline in revenue in the company secretarial services business

CHANGES IN COSTS[1]
£MILLIONS



[1] Operating expenses before acquisition impairment and amortisation, and exceptional items.

arising from a decrease in the number of quoted companies and shareholders serviced.

The decline in net income through CCP business reflects a reduction in the net interest earned compared with the unusually high level experienced during the volatile markets last year, primarily due to lower spreads between EONIA (the basis for interest payments to members) and EURIBOR (the basis for interest received on cash deposits).

Information & Technology Services

Year ended 31 March

Revenue	2010 £m	2009 £m	Variance %	Variance at constant currency %
Real time data	**103.7**	114.4	(9)	(11)
Other information services	**65.6**	59.2	11	10
Technology services	**47.3**	33.9	40	37
Total revenue	**216.6**	207.5	4	3

Reflecting underlying market trends, professional users receiving real-time London Stock Exchange data accounted for 93,000 terminals at 31 March 2010, down 11,000 since last year but only slightly reduced since the half year (94,000) as financial services market employment levels began to stabilise. The number of professional users of Borsa Italiana data declined by 9,000 to 142,000 at 31 March 2010 but was broadly in line with the level at the half year.

Other information services delivered good growth from a number of our non real-time data businesses. In particular, growing contributions were provided by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post trade data matching service), royalties from the FTSE indices joint venture and Proquote. Turquoise contributed £0.3m of revenue following its acquisition in February 2010.

Technology services includes a first time contribution from MillenniumIT, which delivered £6.7million of revenue following its acquisition in October 2009. Excluding MillenniumIT, organic constant currency growth in Technology Services of 18 per cent reflects revenues from the hosting business and Oslo exchange partnership, both initiated at the end of the prior year.

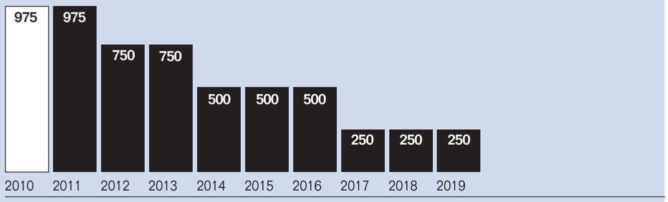
Operating Expenses

Our organic operating cost base, before goodwill impairment, amortisation of purchased intangibles and exceptional items, was reduced by eight per cent on a constant currency basis, highlighting our continued focus on cost reduction and more efficient operational delivery. These improvements include a full year's benefit from completion of the Borsa integration and an initial £6m saving following the 12 per cent reduction in our UK and Italy headcount during 2009. Current year costs also benefited from a £6.7 million reduction in expenses related to long term incentive arrangements reflecting the reduction in headcount and scheme performance in the year.

One off costs of £25.3 million following our acquisition of MillenniumIT comprise non-recurring accelerated depreciation (£19.7 million) and other IT costs (£5.6 million) relating to the existing TradElect platform, which will be replaced next year. A further £6 million of such accelerated depreciation will be incurred next year.

Exceptional items comprise £30.1 million of restructuring costs, including £17.1 million primarily associated with the 2009 headcount reduction programme and £13.0 million relating to the subletting of surplus space in our Paternoster Square premises, together with £12.4 million associated with the acquisition of Turquoise and a residual £0.9 million for the integration of London Stock Exchange and Borsa Italiana.

COMMITTED BORROWING FACILITIES
£MILLIONS



Profit for the Year

Operating profit before goodwill impairment, amortisation of purchased intangibles and exceptional items decreased 18 per cent to £280.3 million (2009: £340.7 million), though was down only 10 per cent to £305.6 million when excluding the one off costs associated with the acquisition of MillenniumIT. Net finance costs declined £4.2 million reflecting gilt lock hedge costs in 2009 not recurring this year, partially offset by lower market rates on the Group's cash balances and the higher coupon on our 2009 bond. Our effective tax rate was 30.5 per cent (2009: 32.0 per cent) reflecting the mix of lower UK and higher Italian effective rates and a greater current year benefit from settling open tax filings. The profit attributable to equity holders for the year, after tax and minority interests, was £90.4 million (2009: £338.0 million loss, after a £484.0 million goodwill impairment).

The Group's foreign exchange exposure arises mainly from translating the Group's euro earnings, assets and liabilities into sterling. During the year, the Group's income has benefited from the strengthening of the average euro rate against sterling.

	2010	2009
Spot £/€ rate at 31 March	**1.12**	1.08
Average £/€ rate for the year	**1.13**	1.20

A €5c weakening in the average £/€ rate for the year would have reduced the Group's operating profit before acquisition impairment and amortisation, and exceptional items by approximately £6.1 million.

Earnings per Share

Our adjusted basic earnings per share, excluding goodwill impairment, amortisation of purchased intangible assets and exceptional items, decreased 19 per cent to 60.1 pence (2009: 74.2 pence). The one-off costs related to the MillenniumIT acquisition reduced current year earnings per share by 6.8 pence (2009: nil). Basic earnings per share increased to 33.8 pence (2009: negative 126.1 pence, reflecting the goodwill impairment in the prior year).

Cash Flow and Balance Sheet

We remained strongly cash generative in the year. While cash generated from operations decreased by 15 per cent to £301.2 million (2009: £352.6 million), our net cash inflow from operating activities was only four per cent lower than prior year at £215.2 million. Our net cash investment in the business of £49.5 million included £42.2 million of capital expenditure, £16.3 million spent to acquire MillenniumIT and Turquoise and £6.1 million funding to our TOKYO AIM venture.

The Group has net assets of £1,030.8 million at 31 March 2010 (2009: £1,053.2 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. The gross clearing balances increased substantially year on year primarily as a result of a higher number and value of repurchase transactions processed by our clearing operations.

Net Debt, Facilities and Credit Rating

	2010 £m	2009 £m
Gross borrowings	**606.7**	624.8
Cash and cash equivalents	**(223.1)**	(143.7)
Net derivative financial liabilities	**18.4**	1.6
Net debt	**402.0**	482.7
Cash set aside	**125.0**	125.0
Operating net debt	**527.0**	607.7

The £125m of cash set aside is to meet regulatory, clearing and commercial requirements.

At 31 March 2010, the Group's key financing ratios remained strong with interest cover – the coverage of net finance expense by earnings before interest, taxation, amortisation and exceptional items – at 9.2 times (2009: 10.1 times) and our net debt to EBITDA at 1.5 times (2009: 1.6 times) on an actual basis. We remain well within our bank covenants.

In June 2009, we took advantage of the reopening of the debt markets to issue £250 million of 9⅛ per cent Notes due in 2019. This allowed the repayment and cancellation of short dated bank facilities, further diversified our sources of debt and extended our average debt maturities. Committed term funding at 31 March 2010 increased to £975 million (2009: £905 million), of which £950 million is committed until February 2012 or beyond.

Our credit ratings remained unchanged during the year with Standard & Poor's long term rating of A- and Moody's long term rating of Baa2. Both ratings have a stable outlook which reflects the continuing robust nature of the Group's cash flow.

Doug Webb
Chief Financial Officer

Our wider responsibility

We believe that to succeed over the longer term we must continue to consider a wider set of stakeholders and issues that might not normally be captured in business as usual activities.

Corporate Responsibility

Our people and our reputation, as well as our technology, are our most important assets. We have a clear set of business principles to help ensure that the way we conduct our business and our client focus is consistent with our brand values.

We have a Corporate Social Responsibility (CSR) Committee consisting of employees from across the Group's core business areas, which meets six times a year to consider specific actions consistent with our corporate responsibilities. These matters are represented at Board level by Xavier Rolet, CEO, with the exception of environmental matters, which are represented by Doug Webb, CFO.

The CSR Committee aims to reflect our overall business objectives, using available resources where we can make the most impact. In particular, we are committed to reviewing and implementing initiatives that focus on the key areas below.

Our People

We operate in an increasingly competitive market where the quality of our people and their performance is what can set us apart from our competitors.

Our performance management policy aims to ensure that all employees understand how they contribute to the Group's goals, get regular feedback on how effectively they are performing, receive meaningful but not excessive reward for their achievements and are encouraged to develop their skills to further their career. Nearly 40 per cent of employees in the UK and Italy participate in share based reward and savings schemes, and this opportunity will be extended to staff in MillenniumIT.

We have launched a new Graduate Programme targeting high calibre graduates from around the world to become the future leaders of our business. We have developed a comprehensive two-year programme designed to give participants the skills necessary to take an early leadership role in our business. This will include extensive technical and personal development and an overseas assignment directly linked to our business objectives.

In addition to these specific initiatives we continue to review our remuneration framework, training and development policies and other elements of our Human Resources strategy to ensure that they are fully aligned with our corporate strategy and are as compelling as possible to current and potential employees. Voluntary annual employee turnover rate across the UK and Italy stabilised at eight per cent over the last two years, having dropped from 16 per cent in 2007 in response to market conditions.

Where necessary we have strengthened our executive team with new talent and, through the acquisition of MillenniumIT, we gained another group of motivated, innovative employees, with particular expertise in business technology, which will add significant value to our growing organisation.

We have created an environment in which employees have the ability to voice genuinely held concerns about behaviours or decisions that they perceive to be unethical. Through our whistleblowing policy employees can confidentially report any conduct or activity which may violate our business principles.

A full health and safety audit is completed annually which includes external advice 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.

Our Community

We are proud of our roots, and the communities in which we operate – in London and other UK cities, across Italy and in Sri Lanka.

We believe that engaging with local communities both instils a sense of pride and connectedness among our employees and demonstrates that we are a 'good neighbour'. We endeavour to be sensitive to the cultural, social and moral principles of the communities in which we conduct business and contribute directly and indirectly to the general well-being of these communities.

We operate community investment programmes in the UK, Italy and Sri Lanka which support charitable and other good causes and actively encourage and support our staff in making personal contributions – whether time or money – to their community. In the past year, we contributed corporately and through our charities aid fund to a number of organisations through a variety of programmes and initiatives amounting to £506,000 in cash donations plus £29,000 of in-kind contributions. In addition, £100,000 of London Stock Exchange Fine Income was donated to charity.

Highlights include:

- *Our UK partner charity* - For the last two years, the Princess Royal Trust for Carers has been the main focus of our UK fundraising activities. Fundraising through dress down days, quiz nights, talent shows and book sales augmented our own £100,000 corporate contribution during the year. Our total contribution since the partnership began amounted to

Far left London Air Ambulance, our new UK partner charity

Left Money raised for Princess Royal Trust for Carers went towards the young carers Summer Camp Project

£330,000. Employees in London have selected the London Air Ambulance Service as its next partner charity for the coming two years.

- ***Give as you earn*** - Employees based in the UK have the option to donate to charitable organisations through our payroll giving scheme. In 2009, London Stock Exchange received the payroll giving quality mark gold award for workplace giving.
- ***Local charitable donations*** - Borsa Italiana, Monte Titoli and CC&G donated €100,000 to a number of local Italian charitable organisations. MillenniumIT supports scholarship funds at both the University of Colombo and the University of Morotuwa.
- ***Volunteering*** - In both Italy and the UK we offer a number of volunteer opportunities through various partnerships with local organisations including Tower Hamlets Education Business Partners and Junior Achievement Italia.
- ***Employee matching*** - Through our staff matching programme, which supports employees' own fundraising efforts for charities close to them, we made £26,000 in charitable contributions.
- ***Local arts and culture*** - After the earthquake in L'Aquila, Borsa Italiana donated €120,000 for the restoration of Fontana delle 99 Cannelle, one of the city's major historical sites. In the UK, we have donated over £25,000 to the St Paul's Cathedral Foundation and the Lord Mayor's Show.
- ***Gifts in-kind*** - In London, where appropriate we offer our events facilities to local charitable organisations and have contributed over £13,000 to supporting their events.

Environment

As a growing business, we recognise that our activities have an impact on the environment. We continue to look for ways to reduce the environmental impact of our business by supporting the principles of sustainable development and committing to a process of continual environmental improvement and pollution prevention.

This year we have gathered data on the Group's energy usage and business travel for the first time. In total, the Group consumed energy amounting to 46,113 MW-h over the year. Of this amount, 51 per cent of our energy consumption comes from our UK data centres and 12 per cent comes from tenants in properties that we manage. Our Italian headquarters use energy from renewable sources.

Group energy consumption: utilisation by type

Type	MW-h	%
LSEG occupied office areas	17,248	37
Sub-let office areas	5,404	12
Data Centre	23,461	51
Total	46,113	

We have completed an Environmental Impact Assessment and have identified the other key environmental impacts across our business.

Group environmental metrics

Metric	2010
Water Usage (m^3)	94,407
Waste (tonnes)	958
Waste sent for recycling (%)	63

We regularly assess ways in which we can help manage, and where possible reduce, our impact on the environment.

This year, we have sought to reduce, reuse and recycle wherever practical. In Italy, more than 50 per cent of our waste is segregated and sent for recycling and in Sri Lanka we have a scheme in place to capture and re-use rain water. In the UK we have recycled a large portion of our glass and cardboard waste and have committed to sending 98 per cent of our food waste to an East London community recycling project where it is turned into compost.

From April 2010, we will be participating in the UK Government's Carbon Reduction Commitment Energy Efficiency Scheme. We have also been seeking to limit travel to business that cannot be undertaken via audio or video conferencing and encouraging efficient travel practices when travel is required, all of which has business benefits in terms of travel spend.

Group calculated CO_2 emissions

Type	Source	Tonnes CO_2
Scope 1: Direct Emissions	Gas	562
Scope 2: Indirect Emissions	Electricity	9,913
Scope 3: Indirect Emissions (Other)	Business Travel	1,965
Total		12,440

We continue to participate in both the FTSE4Good and the Dow Jones Sustainability indices and will continue to look for ways in which we can improve our standings.

Principal risks and uncertainties

The following section covers the principal risks and uncertainties which may have an impact on the Group's ability to execute its strategy. Whilst not principal risks per se, the financial risks the Group is exposed to are detailed on pages 68 to 72.

MARKET RISKS

RISK AREA	CONTEXT	MITIGATION
CHANGING REGULATORY ENVIRONMENT INCREASING FOCUS ON THE SECURITIES MARKETS FOLLOWING THE GLOBAL ECONOMIC CRISIS AND THE POTENTIAL FOR SIGNIFICANT CHANGES IN OUR REGULATORY ENVIRONMENT	This risk has increased in the current year as the regulatory agenda has developed and also in the context of our wider product offering over a broader range of jurisdictions. There is a marked trend towards regulation imposed at an EU level, potentially affecting our ability to influence change from London and Milan. National and EU regulators are increasing the scope of their interest following the credit crisis and increasing their scrutiny of market participants, practices and infrastructure. A number of initiatives including the MiFID review in 2010/11 and the review of OTC derivatives and the post trade arena are likely to change the competitive environment. Some may reduce our profitability and market share but others will provide us with new growth opportunities. Regulatory restrictions on the risk taking activities of major clients and other trading companies through higher capital requirements and/or restrictions on proprietary trading may lead to a curtailment of trading volumes, although they may also provide potential opportunities in the form of, for example, a move to trading on exchange or clearing through a CCP. Regulators may likewise impose higher capital requirements on entities within the Group.	We continually monitor developments and engage in direct dialogue with regulatory and government authorities at both the national and EU level, as well as in the US. Our strategic planning takes account of the uncertain regulatory environment and our plans are flexible, with alternative options dependent on how the regulatory environment develops. We work closely with our clients to best align our services to their needs in the context of emerging regulation.
CLIENTS AND COMPETITION MAINTAINING GOOD RELATIONSHIPS WITH OUR CLIENTS IS ESSENTIAL TO THE SUCCESSFUL OPERATION AND GROWTH OF OUR BUSINESS	Our business is reliant on a relatively small number of clients, who also maintain close relationships with our primary competitors and may be direct competitors in their own right as market providers. Competitive pressure, including the creation of competing venues with economic models which are unprofitable on a stand alone basis, coupled with the concentration of market participants, may lead to further strain on both our market share and pricing. Clients may be able to influence our strategic direction, while loss of market share could have an adverse impact on the value of our market data. The changing regulatory environment may also result in changes in the commercial strategies of major clients, including the reduction of/withdrawal from certain activities leading to an adverse impact on our revenues.	A key element of our strategy is "Getting in Shape", with a focus on cost reduction, new technology deployment and client engagement designed to increase our competitiveness. We operate a structured client engagement programme, meeting with major clients on a regular basis to provide and solicit feedback. In addition, we aim to align our commercial initiatives with the interests of our major clients. Through Turquoise, we are working in partnership with 12 global investment banks to grow the market for pan-European equity trading. Appropriate management structures are in place to ensure the delivery of the projected benefits.

RISK AREA	CONTEXT	MITIGATION
COUNTERPARTY/ CREDIT RISK AS A CENTRAL COUNTERPARTY FOR EQUITY, FIXED INCOME AND DERIVATIVE PRODUCTS	Our counterparty/credit risk is predominantly limited to our clearing operations, through which we closely monitor our exposure to clearing members. We address this exposure by holding collateral in the form of member margin deposits and maintain default funds of member contributions which are held with Italian banks (for further details refer to note 2 to the financial statements). There is a risk that the quantum of the margin deposits and default funds could be insufficient in the event of the failure of one or more of the clearing members. A failure of one or more of the deposit banks could result in a direct financial loss to the Group.	To date, no clearing members of CC&G have defaulted and it has never had to utilise the default funds held. CC&G maintains a Financial Risk Committee which is responsible for managing the risks connected to the placement of the funds held by the company and of the operational limits concerned. Assets are only deposited with banks which are investment grade or (if unrated) Italian listed banks that are appropriately capitalised. We have a close and ongoing dialogue with the Bank of Italy, the regulator and supervisor of both domestic Italian banks and central counterparties.
MACRO ECONOMIC RISK UNFAVOURABLE TAX REGIMES OR THE CHANGING REGULATORY ENVIRONMENT IN THE UK MAY REDUCE THE ATTRACTIVENESS OF LONDON AS A MAJOR FINANCIAL CENTRE	London's status as a global financial centre could be diminished by tax regimes that are less attractive than alternative locations and by increasing regulatory pressures, thereby reducing its ability to retain/attract investment. This could have a significant impact on our revenues.	We maintain cross party political relationships and play an active role by sharing expertise and experience with policy makers on the impact of government and regulatory decisions on financial markets.
POLITICAL RISK WITH THE ACQUISITION OF MILLENNIUMIT IN OCTOBER 2009 THE GROUP HAS BECOME EXPOSED TO INCREASED POLITICAL RISK IN THE FORM OF A RETURN TO POLITICAL INSTABILITY IN SRI LANKA WHERE IT IS LOCATED	Recent presidential and parliamentary elections in Sri Lanka could result in new legislation that destabilises or erodes the current working environment. Client investment may be limited until the political environment is stabilised, limiting expansion potential.	We maintain regular meetings with key governmental parties in Sri Lanka.

OPERATIONAL RISKS

RISK AREA	CONTEXT	MITIGATION
CHANGE MANAGEMENT THE GROUP HAS A NUMBER OF MAJOR, COMPLEX PROJECTS UNDERWAY CONCURRENTLY	We have a large number of projects and initiatives underway including implementation of new technology, cost management initiatives, a client engagement programme and strategic development of our post trade and derivatives businesses. If not delivered to sufficiently high standards and agreed timescales, certain initiatives could have an adverse impact on the operation of core services, revenue and revenue growth, as well as damaging our reputation. The volume of simultaneous change could also lead to a loss of client goodwill, and the projects are not certain to deliver the anticipated synergies and cost benefits. With regard to the capability of our MillenniumIT offering, losing the balance between key growth projects and on-going product development may undermine the future competitiveness of our technology platforms.	Senior management are focused on the implementation of our strategy and the project pipeline in view of their critical importance to our future success. We have strong project and programme management disciplines, with each project being managed via a dedicated project workstream, overseen by senior management. Rigorous software design methodologies, testing regimes and test environments are employed to minimise implementation risk. Product development teams are being strengthened to ensure that we can continue to deliver advanced trading and information technology to meet clients' needs.
MIGRATION OF IT PLATFORMS TECHNOLOGY IS FUNDAMENTAL TO THE GROUP'S MAJOR REVENUE STREAMS AND MIGRATION TO THE MILLENNIUMIT PLATFORM IS A CORE COMPONENT OF ITS STRATEGY IN TERMS OF LEVERAGING OUR ASSETS AND REDUCING OUR COST BASE. FAILURE TO DELIVER A SUFFICIENTLY ROBUST OR COMPETITIVE TRADING SYSTEM AND/OR EXCESSIVELY LATE DELIVERY COULD JEOPARDIZE CLIENT GOODWILL AND DAMAGE THE GROUP'S REPUTATION	We are reliant on the recently acquired MillenniumIT to deliver our new trading platform, and inevitably face a learning curve in moving away from our established technology. The timetable is necessarily challenging, and there is a risk that a critical mass of clients may be unable to make the required changes to their respective systems and processes in time. This may impact our programme of work leading to increased costs and schedule congestion with other initiatives.	MillenniumIT products are tried and tested in existing markets. We have recruited a number of key individuals to facilitate and ensure execution of the migration and bolster our existing experienced project management capability. Continuous contact is being maintained with clients in respect of the project timelines to ensure that they are able to adhere to the proposed timetable.

RISK AREA	CONTEXT	MITIGATION
EMPLOYEES THE CALIBRE OF OUR EMPLOYEES IS CRITICAL TO THE SUCCESS OF THE GROUP. THE GROUP'S ABILITY TO ATTRACT AND RETAIN HIGH QUALITY INDIVIDUALS DEPENDS ON THE CONDITION OF RECRUITMENT MARKETS AND CORRESPONDING COMPENSATION PACKAGES OF BANKS AND REGULATORS WITH WHOM WE COMPETE FOR THE SAME KEY STAFF	This risk has increased in the current year in the context of increasing recruitment activity, particularly in the financial services sector in London, Long Term Incentive Plan (LTIP) awards not vesting in recent years and a streamlined organisation post the restructuring. The loss of key members of staff could have an adverse impact on our operations and our ability to execute our change programme. We recognise the importance of retaining and developing employee skills and balancing resource allocation in the face of the changing nature of our business environment.	A performance related annual bonus and pay review process is in place for all employees and regular benchmarking of reward and incentive systems is performed to ensure they are competitive. We also offer LTIPs for high performers and critical staff (see note 35 to the financial statements and the Remuneration Report). Staff turnover is monitored and reported to the Executive Committee on a monthly basis. We operate a performance management and appraisal system, and Executive development opportunities are provided with the Nominations Committee responsible for considering succession plans for key senior positions. A centralised training budget allows a co-ordinated approach to development across the Group.
ONGOING OPERATIONS THE GROUP'S BUSINESSES ARE DEPENDENT ON SECURE AND STABLE TECHNOLOGY WHICH PERFORMS TO HIGH LEVELS OF AVAILABILITY AND THROUGHPUT	If our systems fail to perform we could experience unanticipated disruptions in service as has happened in the recent past. Any such technology failures can potentially lead to a loss of trading volumes and adversely impact our reputation and brand.	The performance and availability of our systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues. A disconnection policy has also recently been implemented in respect of clients who exhibit repeated erratic or erroneous connectivity behaviour. Alternative standby computer facilities are maintained to minimise the risk of system disruptions.

Board of Directors

Corporate governance at a glance

Combined Code
London Stock Exchange Group 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 2010.

Board structure
The Board comprises:

- Non-Executive Chairman (who was independent on appointment)
- Non-Executive Deputy Chairman and Senior Independent Director
- Seven other independent Non-Executive Directors
- Two Executive Directors

Board and Committee

Meetings in	2010	2009
Board	**8**	10
Supporting committees		
– Audit	**4**	4
– Remuneration	**6**	5
– Nomination	**0**	3

Changes
Board member changes are set out on page 38.

1

2

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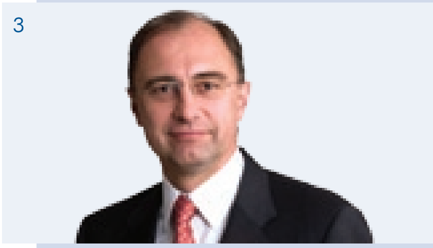
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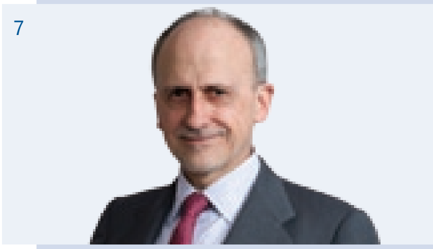
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11


1. CHRIS GIBSON-SMITH (64) [2,3]
CHAIRMAN
Appointed to the Board in May 2003. 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 (70) [1,3]
DEPUTY CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR
Appointed to the Board in October 2007. 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..

3. XAVIER ROLET (50)
CHIEF EXECUTIVE
Appointed to the Board in March 2009 and appointed 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, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994. He is a Non-Executive Director of LCH.Clearnet.

4. DOUG WEBB (49)
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. He was appointed as a Non-Executive Director of SEGRO plc from May 2010.

5. BARONESS (JANET) COHEN (69) [1,3]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in February 2001. A Life Peer. Vice Chairman of Borsa Italiana S.p.A.. Non-Executive Director of Management Consulting Group plc and Proudfoot Trustees Limited. Previously Non-Executive Director of BPP Holdings plc from 1994-2002 and Chairman from 2002-2006, Freshwater UK plc from 2007 to February 2009 and Trillium Partners Ltd from September 2009 to April 2010. Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993. Governor of the BBC from 1994 to 1999.

6. SERGIO ERMOTTI (50) [2]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in October 2007. Group Deputy CEO of UniCredit Group, Head of Corporate & Investment Banking and Private Banking Strategic Business Area. 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 he was latterly 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 Virt-X Exchange Limited.

7. OSCAR FANJUL (61) [1,2]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in February 2001. 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.

8. ANDREA MUNARI (47) [1]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in October 2007. CEO and Managing Director of Banca IMI (Intesa Sanpaolo group). Previously, a Managing Director of Morgan Stanley Fixed Income Division, Director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January to September 2007.

9. PAOLO SCARONI (63) [2,3]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in October 2007. CEO of Eni since May 2005. Non-Executive Director of Assicurazioni Generali, Veolia Environnement, Fondazione Teatro alla Scala and Member of the Board of Overseers of Columbia Business School (New York). Previously 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 from 2002 to 2005, Director from 2002 to 2005 and then Chairman from 2005 to 2006 of Alliance Unichem plc.

10. NIGEL STAPLETON (63) [1]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in February 2001. Chairman Postal Services Commission. Non-Executive Director of Reliance Security and KazPost JSC, 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.

11. ROBERT WEBB QC (61) [2,3]
NON-EXECUTIVE DIRECTOR
Appointed to the Board in February 2001. Non-Executive Chairman of Autonomy Corporation plc and BBC Worldwide. Non-Executive Director of the BBC Executive Board, Hakluyt Ltd, Argent Group plc and the Emerging Health Threats Forum. Bencher, Inner Temple. General Counsel of British Airways from September 1998 to April 2009, responsible for law, government affairs, safety, security and risk management. Formerly Head of Chambers at 5 Bell Yard, London.

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

Corporate Governance

London Stock Exchange Group plc and its subsidiaries are committed to high standards of corporate governance and business integrity in all their activities. Throughout the year ended 31 March 2010 the Company has complied with all provisions of the Combined Code.

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 main 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. This Corporate Governance Report forms part of the Corporate Governance Statement on pages 55 to 56 of the Directors' Report.

Board of Directors

Changes to the Board

Dame Clara Furse stepped down as CEO in May 2009 and from the Board on 15 July 2009. Massimo Capuano stepped down from the Board of the Company with effect from 31 March 2010. He remains a director of Borsa Italiana until 31 July 2010.

The Directors recognise that the Board includes a number of long serving Directors who have now served more than nine years. Whilst the Board values their experience, the Board is also mindful of the need to periodically refresh its membership. By way of background, the Company faced a succession of takeover offers between 2004 – 2007 which meant it was not appropriate to change the Board composition. This was followed by significant changes to the Board in 2007 when a number of Directors left and five new Directors joined following the merger with Borsa Italiana. The Company also appointed a new CEO in 2009. The Board considered that a period of stability and continuity of Board membership was required. It did not therefore make further Non-Executive Director changes between 2008 – 2010.

As part of the 2010 Review of its Effectiveness, the Board reviewed its composition. It engaged an independent external consultant, MWM, to review existing competencies and identify additional skills, knowledge and experience needed at Board level to take the business to its next stage of development. Following interviews with each Board Director, the Board agreed a set of criteria to assist the Board in recruiting new Non-Executive Directors with the assistance of the external consultant. The Company will therefore shortly be announcing the appointment of new Non-Executive Directors, with some long serving Non-Executive Directors also stepping down over the course of the next 12 months.

Role of the Board

The Board is the principal decision-making forum for the Group 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:

- Establishing, reviewing and maintaining the Corporate strategy;
- The annual budget;
- Increases or significant variations in the terms of borrowing facilities;
- Committing to major capital expenditure or acquisitions; and
- Dividend policy.

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.

Activities in 2010

Matters considered by the Group Board during the year included:

- Reports at each meeting from the Chief Executive on performance in each of the business areas, regulatory strategy, public affairs and Italian regulatory matters;
- Reports at each meeting from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury, UK Regulatory and HR matters;
- Updates from the Board Committees;
- Full and half year results and dividends;
- The results of the Board Effectiveness Review;
- Acquisitions of MillenniumIT, including the associated decisions regarding replacement of our trading systems, and Turquoise;
- Whether to establish a separate Risk Committee, where the Board agreed that risk could continue to be dealt with by the Audit Committee which, going forward, would hold at least two meetings a year focused on risk;
- Approval of the risk appetite for the Group and review of the Group Risk Register;
- Approval of Group Health and Safety policy;
- Papers relating to development of various elements of the Group strategy;
- Group response to various regulatory consultations;
- Approval of CSR strategy and Business Principles; and
- Board succession planning.

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 37. 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.

Board and Committee Meetings 2010

The Board held six scheduled meetings, two ad hoc meetings and three strategy days. The Chairman meets Non-Executive Directors without the presence of Executive Directors on a number of occasions throughout the year. As a result of feedback in the Board Effectiveness Review, the Board has also agreed that ahead of each scheduled Board meeting, the Chairman and Non-Executive Directors will meet without the Executive Directors at the start of each meeting to discuss the business of that meeting.

	Board and Strategy meetings	Audit	Remuneration	Nomination[1]
Total number of Meetings in the year ended 31 March 2010	11	4	6	0
Dr Chris Gibson-Smith	11		5	
Professor Angelo Tantazzi	11	4		
Mr Xavier Rolet	11			
Mr Doug Webb	11			
Baroness Janet Cohen	10	4		
Mr Sergio Ermotti	9		5	
Mr Oscar Fanjul	10	4	6	
Mr Andrea Munari	10	4		
Mr Paolo Scaroni	7		5	
Mr Nigel Stapleton	7	3		
Mr Robert Webb	10		6	

Directors who left the Board during the year

Dame Clara Furse[2]	1
Mr Massimo Capuano[3]	9

[1] The Board considered that Board succession planning should be discussed by the Board as a whole (see description under changes to the Board). Additionally, members of the Nominations Committee have participated in interviews with Non-Executive Director candidates.
[2] Dame Clara Furse left the Board on 15 July 2009.
[3] Massimo Capuano left the Board on 31 March 2010.

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 of the meeting.

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. The Company purchased and maintained a directors' and officers' liability insurance policy throughout 2010. This policy covers the Directors for any such liabilities in respect of which they are not indemnified by the Company, and the Company, to the extent to which it has indemnified the Directors. This insurance cover will be renewed on 1 June 2010. 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 deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy. Following Massimo Capuano's departure from the Board on 31 March 2010, the Board comprises 11 Directors: the Chairman (who was independent on appointment), two Executive Directors and eight independent Non-Executive Directors.

The Board considers that the 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 also seeks to balance the continuity of experience and succession.

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 the Company's Italian subsidiaries. Their employer companies also 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. The Board finds their knowledge and experience of financial markets particularly valuable. Neither has been appointed under any arrangement with their respective employers.

Janet Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb have all served on the LSEG Board since 2001. The Combined Code suggests that length of tenure is a factor to consider when determining independence of a Non-Executive Director. The Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service. The Board has concluded that each of the Directors named above continue to demonstrate the characteristics of independence expected by the Board. The Board also benefit from their experience and knowledge resulting from their length of service. Additionally, given the changes to the Board in recent years, in particular following the merger with Borsa Italiana, the Board considers that a period of continuity and phased changes to the composition of Non-Executive Directors is beneficial for the Company. It is the Company's policy, in line with the Combined Code, that Directors having served nine years or more will be subject to annual re-election.

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, its Committees and Directors was undertaken in 2010 and was conducted by the Group Company Secretary using a detailed questionnaire. In addition, as highlighted above, the Board carried out a review of its composition using the services of an external provider. The results of the review were 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 a separate assessment of the Chairman's performance with feedback provided to the Chairman on an individual basis.

The results were discussed by the Board and actions agreed where appropriate. The evaluation concluded that the Board and its Committees were working effectively. One of the key matters considered by the Board was a review of its future composition. The Board agreed that it should recruit new Non-Executive Directors to refresh the composition of the Board and agreed the criteria and process for doing this. The Board also agreed that: there should be further contact between Non-Executive Directors and all levels of management; there should be additional meetings between the Chairman and Non-Executive Directors; and talent management and succession planning should be considered more frequently.

Conflicts of Interest

The Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Company has 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 2010 this procedure operated effectively.

Board Committees

Remuneration Committee

The Committee members as at 31 March 2010 were: Robert Webb (Chairman), Chris Gibson-Smith (who was independent on appointment), Oscar Fanjul, Paolo Scaroni and Sergio Ermotti. All members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in a separate Remuneration Report on pages 44 to 53. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at www.londonstockexchangegroup.com

Audit Committee

The Audit Committee is chaired by Oscar Fanjul and comprises four other independent Non-Executive Directors – Janet Cohen, Nigel Stapleton, Angelo Tantazzi and Andrea Munari. 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. Recent and relevant financial experience is provided by the Chairman of the Committee. In addition the Board considers that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively.

The Committee normally invites the Chairman of the Board, Chief Financial Officer, Group Financial Controller, Head of Group Internal Audit and the Group's external auditor, PricewaterhouseCoopers LLP, to attend its meetings. As a matter of best practice the Committee meets privately after each committee meeting with each of the external auditor and the Head of Group Internal Audit, both of whom have direct access to the Chairman of the Audit Committee. The Chairman reports to the subsequent meeting of the Board on the Committee's work.

Activities of the Audit Committee

The Committee's main responsibilities include:

- Reviewing the Group's accounting and financial reporting process and integrity of the financial statements;
- Reviewing the effectiveness of the Group's internal controls and risk management systems;
- Monitoring and reviewing the effectiveness of the Group's internal audit function; and
- Overseeing the relationship with the Group's external auditor.

The full remit of the Committee is set out in its terms of reference, which are approved by the Board, reviewed on an ongoing basis and are available on the Company's website at www.londonstockexchangegroup.com or on request from the Group Company Secretary.

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

- The Group's annual and half yearly reporting including significant financial reporting judgements made by management. Particular focus has been placed during the year under review on revenue recognition for software projects following the acquisition of MillenniumIT, acquisition accounting including the preliminary valuation of intangibles, the evaluation of goodwill for any impairment, and the application of International Financial Reporting Standard (IFRS) 8 – Operating Segments;
- The revised Group risk management procedures as set out in the section on the internal control framework. In addition to reviewing the Group risk register arising from this process, each Executive Committee member also presented the risk register and heat map for their respective division to the Committee. The Committee also agreed that at least two of its meetings a year should focus on risk;

- 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;
- The external auditors' report and findings from the half year review and year end audit;
- The Group's arrangements for dealing in confidence with employee whistle-blowing complaints; and
- The revised guidance on Audit Committees issued by the Financial Reporting Council.

The Committee may obtain, at the Group's expense, legal and other independent professional advice on any matter within its terms of reference. No such advice was sought by the Committee during the year.

Auditors' Independence

The Committee assesses annually the independence and objectivity, qualifications, expertise and resources of the Group's external auditor. It also reviews the effectiveness of the audit process.

PricewaterhouseCoopers LLP have been the Group's auditors for many years, although they were only appointed as auditors of Borsa Italiana in 2008 following the merger.

Under Italian law, the auditors of regulated entities are appointed for nine years and PricewaterhouseCoopers were therefore appointed as auditors of Borsa Italiana until the year ending 31 March 2016. The auditors can be replaced after a three year period, although Borsa Italiana would have to demonstrate to regulators that there are valid reasons for doing so. The auditors must be replaced at the end of the nine year tenure and cannot be re-appointed within three years.

The external auditors rotate lead engagement partners at least every five years as required by their own rules and relevant professional standards. In accordance with this requirement PricewaterhouseCoopers LLP appointed a new audit partner, who has previously had no involvement in the audit of any Group company, to lead the annual audit for the financial year covered by these 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 to ensure that it would not impair the external auditors' independence and objectivity. The policy permits specified compatible services, prohibits the provision of selected other services and requires prior approval by the Chief Financial Officer or Chief Executive Officer of those services that are potentially incompatible with independent external audit services where the aggregate fee for the service is anticipated to be less than £50,000. Above this level prior approval by the Audit Committee is required. The Committee semi-annually reviews all non-audit services provided by the external auditor to ensure compliance with the policy. The policy separately considers the provision of non audit services by other "big four" firms to ensure that their independence and objectivity is not impaired and that they could be considered, should the Group wish to change external auditors.

Annually, the external auditors are required to provide an account of all relationships with the Group and assess, in their professional judgement, whether they are independent of the Group.

The Committee has updated the policy on the employment of former employees of the external auditor. The policy outlines, inter alia, that partners involved in the audit of the Group would not be employed until two years have lapsed from the end of their involvement.

The Committee reviews the ratio of audit fees to non-audit fees charged by the external auditors and the economic importance of our business to the external auditor. The Committee has concluded that the fee payable in respect of audit services is appropriate and the nature and extent of overall and non-audit fees do not compromise the external auditors' independence. A breakdown of amounts paid to the external auditors is given in note 37 to the financial statements.

The Committee is satisfied that there is an appropriate framework in place to ensure the required level of independence and objectivity, and that the external audit process remains effective. Accordingly, the Group does not consider it necessary to tender for the provision of audit services. There are no contractual obligations that restrict the Group's choice of external auditor except as highlighted above. Resolutions to authorise the Board to re-appoint PricewaterhouseCoopers LLP as auditors of the Group and determine their remuneration will be proposed at the Company's Annual General Meeting (AGM) on 14 July 2010.

Nomination Committee

The Nomination Committee members as at 31 March 2010 were: Chris Gibson-Smith (Chairman), Janet Cohen, 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 has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website www.londonstockexchangegroup.com

As described above, the Board as a whole discussed and agreed the criteria and process for the appointment of new Non-Executive Directors. Members of the Nominations Committee have been involved in the process of selecting and interviewing prospective candidates.

Internal Control

The Board has overall responsibility for the framework of risk governance and maintaining an adequate system of internal control which meets the Group's particular needs and risks to which it is exposed. The Audit Committee assists the Board in discharging this responsibility by reviewing and assessing the Group's systems of risk management and internal control. A divisional internal control and risk management certification process is also performed as part of this review process. 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 misstatement or loss.

The fundamental elements of the Group's internal control framework are described below:

Organisational structure
The day to day running of the Group is managed by the Executive Committee which meets regularly, chaired by the Chief Executive Officer. This team is also responsible for recommending the Company strategy to the Board and its implementation. The Group is organised into a number of divisions, each comprised of a number of business units. Each division is overseen by a member of the Executive Committee. Line management are accountable for internal controls and risk management and appropriate delegated authorities are in place, with a clear definition of those matters reserved for Executive Committee and Board approval only.

Policies and procedures
The Group has established a number of policies and procedures which are designed to outline and enhance the system of internal control. These policies are reviewed and updated to meet changing business needs and are available to all employees via the Group's intranet.

Risk management system
As part of an increased focus on risk management, the continuing geographical expansion of the Group and changes to the executive management team, a revised risk management framework and process has been implemented. Underlying this process is a Board endorsed risk management policy and a risk appetite statement. The Board has categorised the Group's risk appetite using a five point scale ranging from zero to high, and has established limits for each risk type which have been cascaded throughout the organisation via appropriate Group policies, delegated levels of authority and its internal control framework. For example, the Group has a zero tolerance for matters such as fraud or unethical behaviour, although will tolerate a moderate amount of risk (where such risks can be quantified and managed) where an opportunity is likely to lead to successful delivery whilst providing an acceptable level of return.

Risk management is an integral part of managements' agenda and business managers are responsible for risk identification, analysis, evaluation, mitigation, monitoring and reporting in their area within the framework of appetite and policy established by the Board.

Risks are identified at a business unit, divisional and Group level. A bottom up approach is adopted initially with review and assessment by a panel of senior management and thereafter by the Executive Committee and the Board. Executive Committee members are responsible for presenting the risk register for their respective divisions annually to the Audit Committee. Divisional registers are consolidated into a Group Risk Register which is discussed and agreed by the Executive Committee and then presented to the Audit Committee and the Board for approval every six months. The principal risks and uncertainties for the Group are detailed on pages 32 to 35.

Financial Reporting Process
A comprehensive financial reporting and review process using a single consolidation system is in place 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. This process provides management with appropriate and relevant financial information on which to base decisions. Key issues are reported at each Board meeting. Clear authorisation levels and appropriate segregation of duties are in place. Clearly defined guidelines have been established for all investment decisions including the preparation of budgets and appraisal and review procedures.

Programme and Project Governance
The Group has an established project management methodology governing the projects that it undertakes. Individual projects are monitored by a project board, which includes Executive Committee representation where appropriate and who are accountable for project delivery. A comprehensive project portfolio report summarised by division, encompassing project status and cost reporting, is reviewed regularly by the Executive Committee.

Regulatory Monitoring
Regulatory and compliance risks are monitored by experienced compliance functions who work closely with the FSA and CONSOB, the respective UK and Italian regulators. These compliance functions are managed independently from the customer facing business units.

Internal Audit
The Internal Audit department undertakes a risk-based audit plan which is approved by the Audit Committee with individual reviews performed using a risk assessment approach. All major Group projects are audited regularly.

The Board confirms that it has reviewed the operation and effectiveness of the Group's internal controls including financial, operational and compliance controls and risk management for the financial year to which these statements apply and up to the date of their approval. No significant failings or weaknesses were identified during this review and the Group remains compliant with the revised Turnbull guidance (2005).

Relations with Shareholders

The Company runs an extensive Investor Relations (IR) programme, designed to ensure that shareholders and sell side analysts who produce investment research and commentary about the Group have appropriate access to information to understand the activities, performance and prospects of the Company. The IR programme typically consists of meetings, calls, presentations and news releases throughout the year.

The IR team, which reports to the CFO, has responsibility for organising the IR programme and for day to day contact with the market. The Chief Executive Officer and Chief Financial Officer engage in regular dialogue with shareholders through meetings and presentations to discuss strategy and performance, and the Chairman, Senior Independent Director and Chairman of the Remuneration Committee are also available to meet major investors, particularly to discuss corporate governance and remuneration, as required. Senior management and the IR team held meetings and calls with over 350 shareholders and potential investors in the UK, Europe, the Middle East and North America during the course of the past year.

The Investor Relations section of the website at www.londonstockexchangegroup.com is the primary source of regularly updated information about the Group. Annual and interim reports and accounts, interim management statements, news releases, presentations at investor conferences and other key documents are archived on the website together with a summary of analysts' forecast performance. Presentations of preliminary and interim results are accessible by all shareholders via webcasts in real time and also via replay for a period after the event.

During the year the Board receives a report on IR 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 AGM provides the opportunity for shareholders to meet Directors and 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.

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 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Shareholders will be provided with an opportunity to vote on the Remuneration Report as set out in this Annual Report at the AGM. Further details are 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 50 to 53 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 2010, the Committee met on six occasions. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and the Executive Committee, 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 at www.londonstockexchangegroup.com or on request from the Group Company Secretary.

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.

Deloitte LLP are appointed advisers to the Committee and provide independent advice on executive remuneration issues. Deloitte LLP also advised the Company in relation to tax, assurance, technology consulting and transaction support services. The Committee is satisfied that the advice provided by Deloitte LLP is independent.

To assist the Committee, the results of market surveys are made available and, where appropriate, the Committee 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 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 continues to keep all these matters under review.

2009/10 Review

As in previous years, the Committee reviewed executive remuneration arrangements to ensure that they remain aligned with the business strategy and shareholders' interests. The following sets out a summary of the key decisions made in relation to Executive Directors in the year ended 31 March 2010.

No salary increases

Executive Directors' salaries have been frozen again for the year ending 31 March 2011.

Review of long term incentives

The Committee reviewed the operation of the Long Term Incentive Plan (LTIP) and resolved that for upcoming awards, performance would still be measured against Total Shareholder Return (TSR) and Earnings Per Share (EPS). It also determined that it would be appropriate to set absolute targets for TSR growth and average growth targets for EPS (described later in this report). The Committee believes this approach is particularly appropriate in the context of our continuing objective to significantly increase shareholder value over the next three to five years and the difficulty of defining an appropriate group of companies against which to compare TSR performance.

Termination arrangements for Deputy Chief Executive

Massimo Capuano ceased to be a Director of the Company and his employment with Borsa Italiana ended with effect from 31 March 2010. The terms of his severance arrangements are set out in full in the Service Contracts section below. He will continue as a Non-Executive Director of Borsa Italiana until 31 July 2010.

The Committee recognises that the headline numbers are higher than UK market practice and best practice guidelines. However, in Massimo Capuano's case, his contract prior to the merger with Borsa Italiana provided for substantial termination payments, consistent with Italian market practice. At the time of the merger these termination arrangements were re-negotiated and reduced to a significantly lower level. The Committee remains committed to ensuring that any compensation paid to departing executives is in line with ABI and NAPF best practice.

Remuneration Policy

The Group 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 Group 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 Group 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 Group compared with many other quoted companies with similar market capitalisations;
- The Group seeks to comply with best practice as expressed by institutional shareholders and their representative bodies; and
- The expansion of the Group beyond the UK.

Together these factors have helped to form the Group remuneration policy.

The chart above 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 2010.

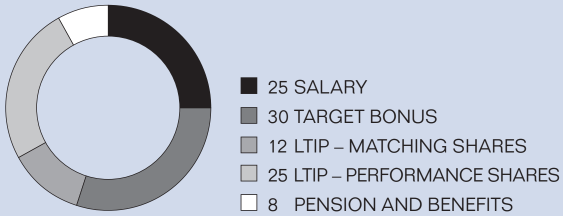
The Committee recognises that this is a more geared remuneration structure than a typical FTSE company, in that it provides for a higher annual bonus potential, although this is significantly less than a City financial institution and is balanced by a below median base salary.

During the year, the Committee reviewed the comparator group against which remuneration is benchmarked. Whilst elsewhere in this report reference is made to the difficulties of finding a performance benchmark group for the purposes of the LTIP, it was considered appropriate to continue to use the benchmark group of companies ranked 31–100 in the FTSE for benchmarking remuneration. 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 Group when determining the remuneration policy for the Executive Directors. The same remuneration policy and incentive structure is applied to senior executives immediately below the Board, and all employees participate in the annual bonus pool and flexible benefits arrangements.

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

TOTAL TARGET REMUNERATION (%)
YEAR END 31 MARCH 2010



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 2010 Executive Directors' base salaries were not increased and will remain as follows:

	2010
Xavier Rolet	£650,000
Doug Webb	£330,000

For the year ended 31 March 2010, Massimo Capuano's base salary was €750,000 and he received an additional Director's fee of €126,000 as Managing Director of Borsa Italiana which was not included for the purposes of calculating annual bonus and LTIP awards.

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 ended 31 March 2010, 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 financial focus for annual bonus plan purposes.

For the year ended 31 March 2010, 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 2010 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 strategic performance objectives was most appropriate for determining bonus. These objectives included a number of criteria, for example: achievement of targets attached to our cost reduction programme; expansion of existing businesses in Capital Markets and Information Services into new markets; identification and execution of alternate technology solutions;

developing a strategy to respond to the growth in alternative trading venues; and extending the Company's pan-European and global reach. These objectives also include core business performance against group and divisional targets.

Adjusted operating profit has fallen when compared to the previous year and, consequently, the overall bonus pool (available to be paid to Executive Directors and all other staff) has also fallen. In relation to strategic performance objectives, there have been a number of significant achievements in what has been a challenging external environment. Key highlights include:

- Successful cost reduction programme. This includes reducing the number of employees by 12 per cent delivering £11 million of annualised savings and reduction of property costs for Paternoster Square of £3 million per annum from the next financial year;
- Completion of MillenniumIT and Turquoise acquisitions, enabling significant transformation of our technology and Capital Markets capabilities; and
- In absolute terms, an increase of over 50 per cent in Total Shareholder Return over the year.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded an annual bonus of £1,040,000 to Xavier Rolet, €400,000 to Massimo Capuano and £350,000 to Doug Webb.

Long Term Incentive Plan

The LTIP was approved by shareholders in July 2004 and amended by ordinary resolution at the AGM 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 2010 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 per cent on recruitment)

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

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

For the year to 31 March 2010, awards of Performance Shares were made to Executive Directors over shares with a value of £1,000,000 for Xavier Rolet, £500,000 for Massimo Capuano and £500,000 for Doug Webb. Doug Webb also received awards of Matching Shares equivalent to 100 per cent of salary following his investment in London Stock Exchange Group shares.

Vesting of Performance Shares and Matching Shares

The policy for share awards granted in the year to 31 March 2010 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. For TSR, performance is calculated using a two month average share price at the start and end of the performance period to ensure that any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three year period. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders.

For awards made in year to 31 March 2010, the following vesting schedules apply:

Awards made in year to 31 March 2010

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%

Aggregate adjusted EPS performance over the 3 year period	Proportion of EPS element vesting
Below 181p	0%
181p	30%
Straight-line pro-rating applies between these points	
234p or above	100%

The comparator groups and vesting schedules for awards made in previous years are set out in the following tables:

Awards made in year to 31 March 2009

TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of TSR element (50%) 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 (50%) 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%

Awards made in year to 31 March 2008 (based on TSR performance only)	
TSR performance against FTSE 31-150 (excluding investment trusts)	
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%

Awards made in year to 31 March 2008

TSR performance in the three year period to 31 March 2010 was below median against the FTSE 31-150 comparator group and accordingly Performance and Matching Shares awards made in May 2007 did not vest in May 2010 and have lapsed. The TSR performance was independently verified on behalf of the Committee by Deloitte LLP.

Future awards

Following shareholder consultation, awards for the year ending 31 March 2011 will remain subject half to TSR performance and half to adjusted EPS performance. As explained earlier in this report, instead of relative TSR performance against those companies ranked 31-100 in the FTSE, absolute TSR targets have been set. For awards made in the year ended 31 March 2010 cumulative EPS targets were used for the first time. For the year ending 31 March 2011, EPS targets will revert to average annual growth targets in common with market practice. These TSR and EPS targets are described below:

Awards made in year to 31 March 2011	
Absolute TSR growth over 3 years	**Proportion of TSR element vesting**
Less than 8% per annum	0%
8% per annum	30%
Straight-line pro-rating applies between these points	
16% per annum	100%

Average EPS growth over 3 years	Proportion of EPS element vesting
Less than 6% p.a.	0%
6% p.a.	30%
Straight-line pro-rating applies between these points	
12% p.a. or more	100%

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.

Xavier Rolet and Doug Webb 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 received benefits in kind, which included 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 was 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. In the year ended 31 March 2010, Xavier Rolet and Doug Webb received an allowance equivalent to 25 per cent of base salary. This is invested in the defined contribution pension scheme up to HM Revenue & Customs lifetime allowance limits. Where lifetime allowance limits are exceeded, these are paid as a cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Massimo Capuano received a pension allowance equal to 25 per cent of his combined base salary and fees. In addition Massimo Capuano participated 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 51 to 53.

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 at the date of grant. 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. It is intended that this scheme will be extended to Sri Lankan employees in the forthcoming year.

In 2009 a HM Revenue & Customs Approved Share Option plan was introduced and awards made to a limited number of employees under this plan. Any recipient of an award under the LTIP, including Executive Directors and other senior executives, is not eligible to participate in this 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.

Xavier Rolet entered into a service agreement on 16 March 2009. 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 with Borsa Italiana.

All service agreements may be terminated by the relevant employer on not less than 12 months' notice. Xavier Rolet and Doug Webb are each required to give 12 months' notice of termination and Massimo Capuano was required to give six 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.

Xavier Rolet's notice period is 12 months on either side and there is no liquidated damages clause. Alternatively, the Company may 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. 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.

Massimo Capuano stepped down from his role as Deputy Chief Executive and resigned as a Director of the Company on 31 March 2010. His employment with Borsa Italiana terminated on the same date. In accordance with the terms of his service contract with Borsa Italiana, he received a total compensatory payment of €1,968,750 (£1,756,558) comprising €1,781,250 (£1,589,267) being equal to 15 months salary and fifteen-twelfths of the bonus awarded to him for the previous financial year and €187,500 (£167,291) in exchange for compliance with certain post termination restrictive covenants for periods of three and six months after the date of his termination. He is also entitled to continue to receive life insurance, permanent invalidity insurance and private medical expenses insurance for three years following termination of employment, at an estimated total cost of €175,000 (£156,138) . He also received the sum of €10,000 (£8,922) as consideration for a waiver of any claims against Borsa Italiana and €160,000 (£142,755) in lieu of his fee as Managing Director of Borsa Italiana for the remainder of the term of his appointment to July 2011.

Mr Capuano is liable to UK tax on a portion of his earnings (including the payments made on termination) which are attributable to his UK duties. The required UK tax has been withheld and accounted for to the UK tax authorities and since these earnings are also subject to Italian tax, Mr Capuano has agreed to claim any appropriate tax credits in respect of the UK tax that has been paid on his behalf (to the extent that it cannot be claimed by Borsa Italiana directly) and to pay to Borsa Italiana an amount equal to any such offsetting tax credit. In addition Borsa Italiana has agreed to keep Mr Capuano indemnified for any penalty that may be imposed on him by the Italian tax authorities if it is concluded that he was not entitled to claim such tax credit. Under Italian law all employees have an entitlement to trattamento di fine rapporto (TFR) which accrues during their employment and is released to individuals or paid into a retirement fund as a lump sum payment when their employment ends. They are also entitled to be paid for any accrued but untaken holidays. Massimo Capuano received a TFR payment of €1,069,157 (£953,923) and €221,000 (£197,181) for 48 days of untaken holiday. None of the LTIP awards held by Massimo Capuano were capable of vesting on termination of his employment since the performance targets had not been satisfied at that time and accordingly LTIP awards over 320,311 shares held by Mr Capuano have lapsed. Under good leaver provisions and with the agreement of the Remuneration Committee, Massimo Capuano retains options over 1,838 shares granted under the International Sharesave Plan which will remain exercisable on a time pro-rated basis until 30 September 2010.

As previewed in last year's report, Clara Furse stepped down from her role as Chief Executive on 20 May 2009 and ceased to be a Director on 15 July 2009. She did not receive any cash compensation in respect of salary or bonus for resigning her position. She was 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. This was subject to performance in relation to the transitioning of the Chief Executive role and amounted to £187,000. She continues 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 is paid £2,500 per annum. She is 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 shares.

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. Executive Directors may retain fees to encourage them 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.

In the year ended 31 March 2010 Xavier Rolet served as a director of LCH.Clearnet Group Ltd for which he receives a fee of £40,000 per annum (£13,333 for year ended 31 March 2010) which he donates to charity. No other Directors received fees for outside appointments during the year ended 31 March 2010. Doug Webb was appointed on 1 May 2010 to the Board of SEGRO plc as a Non-Executive Director and Audit Committee Chairman for which he will receive a fee of £49,000 per annum.

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. For the year commencing 1 April 2010 the Remuneration Committee Chairman's fee will be increased by £5,000 to £17,500, to reflect market levels and be comparable with the Audit Committee Chairman's fee. All other fees remain in line with market levels so will be unchanged.

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

Following the merger with Borsa Italiana in 2007, 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 (£471,765); and
- Chairman, Monte Titoli S.p.A. €173,000 (£153,124).

Angelo Tantazzi does not receive any additional fees as Deputy Chairman of the Company or as Chairman of CC&G. His appointment as Chairman of Borsa Italiana S.p.A. and Monte Titoli S.p.A. are for fixed terms expiring at the AGMs in June 2011 and 2012 respectively.

The original date of appointment as a Director of the Company 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

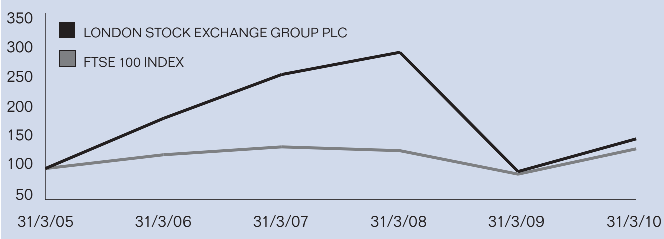
Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb have letters of appointment with the Company reflecting their responsibilities and commitments dated 1 February 2010 (with no notice period). Each of their appointments continues until 31 January 2013, provided each Non-Executive Director is re-elected. Angelo Tantazzi, Sergio Ermotti, Andrea Munari and Paolo Scaroni have letters of appointment (with no notice period) with the Company 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 15 July 2009. His appointment is for three years until the end of the AGM in 2012 and can be terminated on six months notice.

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 2010 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.

VALUE OF £100 INVESTED ON 31 MARCH 2005



The TSR graph represents the value, at 31 March 2010, of £100 invested in London Stock Exchange plc on 31 March 2005 compared with 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.

Table A - Directors' Remuneration - Auditable

	2010				2009				2010	2009
	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										
C Furse	171	189	1	361	560	648	1	1,209	39	135
X Rolet	670	1,040	1	1,711	31	–	1	32	162	8
Executive Directors										
M Capuano (Note iv)	775	357	142	1,274	730	562	80	1,372	188	177
D Webb	350	350	1	701	292	330	1	623	83	69
	2,336	1,936	145	4,417	1,983	1,540	83	3,606	472	389

Non-Executive Directors' Fees

	Fees £000	Benefits £000	Total £000	Fees £000	Benefits £000	Total £000	Pensions £000	Pensions £000
A Tantazzi (Note iv)	619	55	674	583	49	632	–	–
Baroness Cohen (Note iv)	77	–	77	76	–	76	–	–
S Ermotti	54	–	54	54	–	54	–	–
O Fanjul	72	–	72	72	–	72	–	–
A Munari	54	–	54	54	–	54	–	–
P Scaroni	54	–	54	54	–	54	–	–
N Stapleton	54	–	54	54	–	54	–	–
R Webb	67	–	67	67	–	67	–	–
Total Non-Executive Directors fees (Note v)	1,051	55	1,106	1,014	49	1,063	–	–
Total Directors' Emoluments			5,523			4,669	472	389

Notes

i) Salary
Salary includes base salary, on which bonus and benefits allowance are based, and flexible benefit allowances paid in cash.

ii) Benefits
For C 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 benefit 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 to the senior executive defined contribution plan for D Webb as shown in the table above. C Furse, X Rolet and M Capuano received their pension as a cash supplement.

iv) Executive and Non-Executive Directors
M Capuano and A Tantazzi, are paid in euros. Baroness Cohen is a Non-Executive Director of Borsa Italiana S.p.A. for which she receives an annual fee of €26,000 (£23,013). Where their remuneration is presented in sterling in the Remuneration Report, a euro:sterling conversion rate of 1.13 has been used for 2010 and 1.20 for 2009.

v) Non-Executive Directors' fees
Fees paid directly to the employer company of two (2009: two) Non-Executive Directors were £108,000 (2009: £108,000).

vi) Waiver of emoluments
None of the Directors waived their emoluments during 2009 and 2010.

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. Details of the performance conditions are set out on pages 46 and 47.

	Number of shares						
Share awards	**At start of year**	**Awarded during year**	**Vested during year**	**At end of year[1]**	**Price at award date**	**Date of award**	**Final vesting date**
X Rolet	290,016	–	–	290,016	4.48	16/03/09	Prelims 2012
	–	147,928	–	147,928	6.76	16/07/09	16/07/12
	290,016	147,928	–	437,944			
M Capuano	28,493	–	–	–	18.82	16/11/07	lapsed
	30,318	–	–	–	17.72	04/12/07	lapsed
	73,724	–	–	–	8.06	30/06/08	lapsed
	113,812	–	–	–	7.84	23/07/08	lapsed
	–	73,964	–	–	6.76	16/07/09	lapsed
	246,347	73,964	–	–			
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
	–	73,964	–	73,964	6.76	16/07/09	16/07/12
	–	48,349	–	48,349	6.83	28/07/09	28/07/12
	136,257	122,313	–	258,570			

[1] Under his termination arrangements, Massimo Capuano forfeited 320,311 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 options	**At start of year**	**Granted during year**	**Exercised during year**	**Lapsed during year**	**At end of year**	**Option price (£)**	**Date of grant**	**Vesting date**	**Expiry date**
C Furse	1,652	–	–	1,652	–	5.69	07/08/08	–	–
D Webb	1,652	–	–	–	1,652	5.69	07/08/08	01/09/11	01/03/2012
	3,304	–	–	1,652	1,652				

International Sharesave Plan

	Number of shares							
Share options	**At start of year**	**Awarded during year**	**Exercised during year**	**At end of year**[1]	**Option price (£)**	**Date of grant**	**Vesting date**	**Expiry date**
M Capuano	1,838	–	–	1,838	5.69	07/08/08	31/03/10	30/09/10
	1,838	–	–	1,838				

[1] Under his termination arrangements, Massimo Capuano can exercise his option under the International Sharesave Plan until 30 September 2010.

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 and the awards vested in full.

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**	**Vesting date**	**Expiry date**
C Furse	76,924	–	–	76,924	–	3.90	15/07/02	15/07/05	15/01/11
	102,168	–	–	102,168	–	3.23	16/05/03	16/05/06	15/01/11
	87,072	–	–	87,072	–	3.79	20/05/04	20/05/07	15/01/11
	266,164	–	–	266,164					

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 were 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**	**Vesting date[1]**	**Expiry date**
C Furse	273,600	–	–	273,600	–	2.52	25/01/01	25/01/02	15/10/10
	211,450	–	–	211,450	–	3.15	25/01/01	25/01/02	15/10/10
	3,430	–	–	3,430	–	3.65	25/06/01	25/06/02	15/10/10
	488,480	–	–	488,480					

[1] 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 2010 was £7.11 and the range during the year was £5.51 to £9.41.

Directors' interests in shares

The Directors who held office at 31 March 2010 had the following other beneficial interests in the shares of the Company:

	Ordinary Shares 31 March 2010	**B shares 31 March 2010**	**Ordinary Shares 31 March 2009**	**B shares 31 March 2009**
C Gibson-Smith	63,757	–	50,768	10,213
A Tantazzi	–	–	–	–
X Rolet	–	–	–	–
M Capuano	202,390	–	176,678	–
D Webb	24,820	–	10,660	–
Baroness Cohen	6,616	–	6,616	–
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 2010 and 21 May 2010.

Directors' report

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 2010.

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 and technology services. The Group made a profit before taxation, before impairment of goodwill, amortisation of purchased intangible assets and exceptional items, of £242.0 million (2009: £304.7 million). After taking into account impairment of goodwill, amortisation of purchased intangible assets and exceptional items, the profit of the Group before taxation for the year ended 31 March 2010 was £144.3 million (2009: £250.8 million loss) and profit after taxation was £91.7 million (2009: £332.8 million loss).

Business Review

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

- Introduction pages one to 13; and
- Review of the Business (including the Financial Review) pages 14 to 35.

Dividend

The Directors are recommending a final dividend for the year of 16.0 pence (2009: 16.0 pence) per share which is expected to be paid on 16 August 2010 to shareholders on the register on 23 July 2010. Together with the interim dividend of 8.4 pence (2009: 8.4 pence) per share paid in January 2010, this produces a total dividend of 24.4 pence (2009: 24.4 pence) per share estimated to amount to £65.4 million (2009: £65.1 million).

Share Capital

As at 31 March 2010 the Company had 271.1 million ordinary shares in issue with a nominal value of 6 79/86 pence each, representing 100 per cent of the total issued share capital. Details of the changes to the Company's issued ordinary share capital during the year are set out in note 30 to the financial statements on page 95.

B Shares

As at 31 March 2009, 1.1 million B shares were in issue, representing 11.1 per cent of the total issued share capital. All remaining B shares were redeemed by the Company on 1 June 2009 in accordance with their terms.

Share Rights

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

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Every shareholder who is present in person or by proxy shall have one vote on a show of hands and one vote for every ordinary share he or she holds on a poll. Proxy appointments and voting instructions must be received by the Company's Registrars not less than 48 hours before the time appointed for holding a general meeting or adjourned general meeting if in hard copy or electronic form or, in either case, not less than 24 hours before the time appointed for the taking of a poll where a poll is taken more than 48 hours after it is demanded. Proxy appointments and voting instructions in hard copy form, where a poll is not taken forthwith but is taken not more than 48 hours after it is demanded, may be delivered at the meeting at which the poll was demanded to the Chairman, Secretary or any Director.

Subject to the provisions of the Companies Act 2006: (a) the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board; and (b) 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 a special resolution of the Company and any other sanction required by the Insolvency Act 1986: (a) divide among the shareholders in specie the whole or any part of the assets of the Company and may, for that purpose, 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.

Subject to the provisions of the Companies Act 2006, 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 written consent of the holders of 75 per cent in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares); or

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

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 she, 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. Shareholders' rights to vote may also be restricted where the shares that they hold are not fully paid.

Transfers of Shares

The Board may 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. Transfers of uncertificated shares must be carried out using the relevant system and the Board may refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and with applicable statute.

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.

Corporate Governance Statement

The Company's Corporate Governance Report is set out on pages 38 to 43 and is, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 9 July 2008 in order to implement changes permitted under the Companies Act 2006) may only be amended by special resolution at a general meeting of the shareholders. The Company proposes to adopt new articles of association at the forthcoming AGM in order to reflect further changes in English company law pursuant to the full implementation of the Companies Act 2006.

Substantial shareholding

As at 21 May 2010 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 DTR 5 of the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Unicredito Italiano S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
Legal & General Group plc	5.0%
Horizon Asset Management Inc.	3.7%

Directors

Details of the Directors are set out on pages 36 and 37.

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 it is the Company's policy in line with the Combined Code that Directors who have served nine years or more will be subject to annual re-election.

Powers of the Directors

Subject to the provisions of applicable statute, the Company's 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 and to issue or buyback shares under the authorities described below. No alteration of the Company's Articles of Association 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.

Issue of shares

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.

Authority to Allot Shares
The authority conferred on the Directors at last year's AGM to allot the unissued share capital of the Company up to a maximum nominal amount of £6,200,000 (representing approximately 33.1 per cent of the issued share capital of the Company as at the date of the notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of amount of £12,400,000 (representing approximately 66.2 per cent of the issued share capital of the Company as at the date of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

Authority to Purchase Shares
The authority for the Company to purchase in the market up to 27 million of its ordinary shares, representing approximately 10 per cent of the issued ordinary share capital of the Company, as at the date of the notice of the Company's last AGM, granted at the AGM held on 15 July 2009, expires at the end of the next AGM. Shareholders will be asked to give a similar authority to repurchase shares at the forthcoming AGM.

Directors' Interests
Directors' interests in the shares of the Company as at 31 March 2010 according to the register maintained under the Companies Act 2006 are set out in the Directors' Remuneration Report on pages 51 to 53. 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.

Employees
Information on the Company's employment policies is given on page 30. The Company 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
Charitable Donations
During the year the Group gave £506,000 (2009: £300,000) to charitable organisations.

Political Donations and expenditure
The Group made no political donations and incurred no political expenditure during the year. The Board is proposing that shareholders pass a resolution at the forthcoming AGM to authorise the Company to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006) in amounts not exceeding £100,000 in aggregate, until the end of the Company's AGM in 2011. It is the Company's policy not to make political donations or incur political expenditure and the Board has no intention of using this authority for that purpose. However, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and this authority is sought to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities.

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 and services have been satisfactorily supplied. During the year, the London Stock Exchange plc became an approved member of The Prompt Payment Code, part of a structured initiative devised by the UK Government, with the Institute of Credit Management, to tackle the issue of late payment and help small businesses. The Prompt Payment Code can be viewed at: www.promptpaymentcode.org.uk. The creditor days at 31 March based on the aggregate of the amount which was owed to trade creditors and the operational costs of the Group incurred at the end of the year was 16 days (2009: 25 days).

Significant Contracts
The Company (as borrower) has entered into:

(i) 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);

(ii) 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

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

Each of these Agreements contains 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 two sterling Notes due 2016 and 2019. Both 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 any accrued and unpaid interest due on the Notes.

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 the discretion to defer vesting and to require rights to be exchanged for equivalent rights over the acquiring company's shares).

Employee Benefit Trust

As at 31 March 2010 the trustee of the London Stock Exchange employee benefit trust, which is an independent trustee, held 3.0 million shares (2009: 3.6 million) 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 attaching to the shares 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 and with SIA for the provision of technology to CC&G, Monte Titoli 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

The use of financial instruments by the Group and the Group's financial risk management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 32 to 35 of this report, and in the notes to the Financial Statements on pages 64 to 100.

Audit Information

In accordance with Section 418(2) of the Companies Act 2006, 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 re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the AGM.

By Order of the Board

Lisa Condron
Group Company Secretary
21 May 2010

Directors' responsibilities in respect of the Annual Report, the Directors' Remuneration report and the financial statements

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 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 Remuneration Report comply with the Companies Act 2006 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.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Introduction, Business Review and in the Market Position and Outlook, on pages one to 35. In particular, the current economic conditions have created a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 32 to 35.

The financial risk management objectives and policies of the Group and the exposure of the Group to capital risk, credit risk, market risk and liquidity risk are discussed on pages 68 to 72. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed funding at 31 March 2010 increased to £975 million (2009: £905 million) of which £950 million is committed until February 2012 or beyond, described further in the Financial Review on pages 26 to 29.

The Directors have reviewed the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the Group has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

Each of the Directors, whose names and functions are set out on page 37 of this Annual Report, confirm that, to the best of their knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Lisa Condron
Group Company Secretary
21 May 2010

Auditors' report

Independent auditors' report to the members of London Stock Exchange Group plc

We have audited the financial statements of London Stock Exchange Group plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Statements of Changes in Equity, the Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2010 and of the Group's profit and group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 58, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Alison Morris
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 May 2010

Consolidated income statement

Year ended 31 March 2010

Continuing operations	Notes	2010 Before acquisition amortisation and exceptional items £m	2010 Acquisition amortisation and exceptional items £m	2010 Total £m	2009 Before acquisition impairment and amortisation, and exceptional items £m	2009 Acquisition impairment and amortisation, and exceptional items £m	2009 Total £m
Revenue	4	**605.6**	**–**	**605.6**	644.7	–	644.7
Net interest income through CCP business	4	**16.2**	**–**	**16.2**	20.8	–	20.8
Other income		**6.5**	**–**	**6.5**	5.9	–	5.9
Total income		**628.3**	**–**	**628.3**	671.4	–	671.4
Expenses							
Operating expenses	5,7	**(349.6)**	**(98.0)**	**(447.6)**	(332.8)	(64.6)	(397.4)
Share of profit after tax of joint ventures/associates	14,15	**1.6**	**–**	**1.6**	2.1	–	2.1
Operating profit before impairment		**280.3**	**(98.0)**	**182.3**	340.7	(64.6)	276.1
Impairment of goodwill	7	**–**	**–**	**–**	–	(484.0)	(484.0)
Operating profit/(loss)		**280.3**	**(98.0)**	**182.3**	340.7	(548.6)	(207.9)
Finance income		**15.2**	**–**	**15.2**	20.8	–	20.8
Finance expense		**(55.9)**	**–**	**(55.9)**	(58.8)	(6.9)	(65.7)
Net finance expense	8	**(40.7)**	**–**	**(40.7)**	(38.0)	(6.9)	(44.9)
Profit on disposal of shares in subsidiaries/ associates		**2.4**	**0.3**	**2.7**	2.0	–	2.0
Profit/(loss) before taxation		**242.0**	**(97.7)**	**144.3**	304.7	(555.5)	(250.8)
Taxation	7,9	**(73.9)**	**21.3**	**(52.6)**	(96.7)	14.7	(82.0)
Profit/(loss) for the financial year		**168.1**	**(76.4)**	**91.7**	208.0	(540.8)	(332.8)
Profit/(loss) attributable to minority interests		**7.3**	**(6.0)**	**1.3**	9.1	(3.9)	5.2
Profit/(loss) attributable to equity holders		**160.8**	**(70.4)**	**90.4**	198.9	(536.9)	(338.0)
		168.1	**(76.4)**	**91.7**	208.0	(540.8)	(332.8)
Basic earnings/(loss) per share	10			**33.8p**			(126.1)p
Diluted earnings/(loss) per share	10			**33.5p**			(126.1)p
Adjusted basic earnings per share	10			**60.1p**			74.2p
Adjusted diluted earnings per share	10			**59.6p**			73.6p
Dividend per share in respect of financial year							
Dividend per share paid during the year	11			**24.4p**			24.4p
Dividend per share declared for the year	11			**24.4p**			24.4p

Consolidated statement of comprehensive income

Year ended 31 March 2010

	Notes	Group 2010 £m	Group 2009 £m
Profit/(loss) for the financial year		**91.7**	(332.8)
Defined benefit pension scheme actuarial loss	19	**(1.8)**	(11.7)
Cash flow hedge		**(0.9)**	6.2
Net investment hedge		**(9.9)**	(24.8)
Exchange (losses)/gains on translation of foreign operation		**(56.8)**	284.3
Tax related to items not recognised on income statement	9	**1.5**	2.2
		(67.9)	256.2
Total recognised income/(expense) for the financial year		**23.8**	(76.6)
Attributable to minority interests		**(2.2)**	14.9
Attributable to equity holders		**26.0**	(91.5)
		23.8	(76.6)

Balance sheets

31 March 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Assets					
Non-current assets					
Property, plant and equipment	12	**74.9**	79.9	**–**	–
Intangible assets	13	**1,484.1**	1,584.9	**–**	–
Investments in joint ventures	14	**7.1**	1.7	**–**	–
Investments in associates	15	**1.5**	1.9	**–**	–
Investments in subsidiary undertakings	16	**–**	–	**3,744.6**	3,748.3
Deferred tax assets	17	**6.2**	5.7	**–**	–
Available for sale investments	18	**0.4**	0.4	**–**	–
Retirement benefit asset	19	**4.6**	5.0	**–**	–
Other non-current assets		**0.7**	0.4	**–**	–
		1,579.5	1,679.9	**3,744.6**	3,748.3
Current assets					
Inventories	20	**2.2**	–	**–**	–
Trade and other receivables	21	**132.2**	114.5	**161.4**	169.1
Derivative financial instruments	26	**0.6**	–	**0.6**	–
CCP financial assets		**79,669.3**	32,077.9	**–**	–
CCP cash and cash equivalents (restricted)		**4,580.7**	3,596.6	**–**	–
CCP clearing business assets	22	**84,250.0**	35,674.5	**–**	–
Current tax		**–**	–	**45.9**	40.3
Assets held at fair value	23	**9.5**	5.0	**–**	–
Cash and cash equivalents	24	**223.1**	143.7	**0.1**	–
		84,617.6	35,937.7	**208.0**	209.4
Total assets		**86,197.1**	37,617.6	**3,952.6**	3,957.7
Liabilities					
Current liabilities					
Trade and other payables	25	**137.1**	112.9	**203.3**	218.8
Derivative financial instruments	26	**2.7**	1.6	**2.7**	1.5
CCP clearing business liabilities	22	**84,257.5**	35,679.2	**–**	–
Current tax		**10.5**	7.6	**–**	–
Borrowings	27	**0.9**	2.3	**–**	2.3
Provisions	29	**3.7**	3.8	**–**	–
		84,412.4	35,807.4	**206.0**	222.6
Non-current liabilities					
Borrowings	27	**605.8**	622.5	**605.8**	622.5
Derivative financial instruments	26	**16.3**	–	**16.3**	–
Deferred tax liabilities	17	**94.3**	103.3	**–**	–
Retirement benefit obligation	19	**7.3**	8.3	**–**	–
Provisions	29	**30.2**	22.9	**–**	–
		753.9	757.0	**622.1**	622.5
Total liabilities		**85,166.3**	36,564.4	**828.1**	845.1
Net assets		**1,030.8**	1,053.2	**3,124.5**	3,112.6
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	30	**18.8**	18.7	**18.8**	18.7
Retained (loss)/earnings		**(775.7)**	(803.2)	**1,289.9**	1,284.3
Other reserves		**1,684.8**	1,741.4	**1,815.8**	1,809.6
		927.9	956.9	**3,124.5**	3,112.6
Minority interests in equity		**102.9**	96.3	**–**	–
Total equity		**1,030.8**	1,053.2	**3,124.5**	3,112.6

The financial statements on pages 60 to 100 were approved by the Board on 21 May 2010 and signed on its behalf by:

Xavier Rolet
Chief Executive

Doug Webb
Chief Financial Officer

London Stock Exchange Group plc

Registered Number: 5369106

Cash flow statements

Year ended 31 March 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flow from operating activities					
Cash generated from operations	31	**301.2**	352.6	**(3.5)**	(5.0)
Interest received		**2.1**	7.0	**7.2**	–
Interest paid		**(31.0)**	(52.1)	**(42.6)**	(52.0)
Corporation tax paid		**(48.1)**	(51.9)	**–**	–
Withholding tax paid		**(9.0)**	(30.5)	**–**	–
Net cash inflow/(outflow) from operating activities		**215.2**	225.1	**(38.9)**	(57.0)
Cash flow from investing activities					
Purchase of property, plant and equipment		**(12.3)**	(19.9)	**–**	–
Purchase of intangible assets		**(29.9)**	(36.5)	**–**	–
Disposal of associate		**–**	2.7	**–**	–
Investments in joint ventures		**(6.1)**	(0.7)	**–**	–
Investments in subsidiaries		**(16.3)**	(5.3)	**(7.0)**	–
Net cash inflow from acquisitions		**5.2**	–	**–**	–
Dividends received		**2.5**	3.8	**154.9**	163.3
Proceeds from sale of minority interest in subsidiaries		**7.4**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(49.5)**	(55.9)	**147.9**	163.3
Cash flow from financing activities					
Dividends paid to shareholders		**(65.2)**	(65.3)	**(65.2)**	(65.3)
Dividends paid to minorities		**(8.7)**	(7.0)	**–**	–
Redemption of B shares		**(2.3)**	(5.3)	**(2.3)**	(5.3)
Share buyback		**–**	(51.5)	**–**	(51.5)
Purchase of own shares by ESOP trust		**–**	(26.3)	**–**	–
Loan from/(to) ESOP trust		**–**	–	**1.4**	(25.4)
Loans (to)/from subsidiary companies		**–**	–	**(33.8)**	123.2
Proceeds from own shares on exercise of employee share options		**1.4**	0.9	**–**	–
Proceeds from borrowings		**305.4**	735.2	**303.9**	735.2
Repayment of borrowings		**(313.8)**	(818.5)	**(312.9)**	(817.2)
Net cash outflow from financing activities		**(83.2)**	(237.8)	**(108.9)**	(106.3)
Increase/(decrease) in cash and cash equivalents		**82.5**	(68.6)	**0.1**	–
Cash and cash equivalents at beginning of year		**143.7**	200.6	**–**	–
Exchange (losses)/gains on cash and cash equivalents		**(3.1)**	11.7	**–**	–
Cash and cash equivalents at end of year	24	**223.1**	143.7	**0.1**	–

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 for short periods in connection with this operation. Interest on CCP balances is received by CC&G net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow and is shown separately in the cash flow statement.

Statements of changes in equity

31 March 2010

Group	Ordinary share capital £m	Retained loss £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Foreign exchange translation reserve £m	Merger reserve £m	Hedging reserve £m	Total attributable to equity holders £m	Minority interest £m	Total equity £m
	Attributable to equity holders of the Company									
			Other reserves							
1 April 2008	**19.1**	**(331.1)**	**506.2**	**(512.5)**	**201.5**	**1,299.2**	**(14.7)**	**1,167.7**	**95.2**	**1,262.9**
Total comprehensive income for the financial year	–	(347.5)	–	–	274.6	–	(18.6)	(91.5)	14.9	(76.6)
Final dividend relating to the year ended 31 March 2008	–	(42.9)	–	–	–	–	–	(42.9)	–	(42.9)
Interim dividend relating to the year ended 31 March 2009	–	(22.4)	–	–	–	–	–	(22.4)	–	(22.4)
Dividend payments to minorities	–	–	–	–	–	–	–	–	(9.5)	(9.5)
Share buyback	(0.4)	(38.5)	0.4	–	–	–	–	(38.5)	–	(38.5)
ESOP share purchases net of employee share scheme expenses	–	(15.9)	–	–	–	–	–	(15.9)	–	(15.9)
Redemption of B shares	–	(5.3)	5.3	–	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–	(4.3)	(4.3)
Share of equity recognised by FTSE	–	0.4	–	–	–	–	–	0.4	–	0.4
31 March 2009	**18.7**	**(803.2)**	**511.9**	**(512.5)**	**476.1**	**1,299.2**	**(33.3)**	**956.9**	**96.3**	**1,053.2**
Issue of shares	0.1	–	–	–	–	5.1	–	5.2	–	5.2
Total comprehensive income for the financial year	–	90.0	–	–	(53.2)	–	(10.8)	26.0	(2.2)	23.8
Final dividend relating to the year ended 31 March 2009	–	(42.7)	–	–	–	–	–	(42.7)	–	(42.7)
Interim dividend relating to the year ended 31 March 2010	–	(22.5)	–	–	–	–	–	(22.5)	–	(22.5)
Dividend payments to minorities	–	–	–	–	–	–	–	–	(8.3)	(8.3)
Employee share schemes expenses	–	5.0	–	–	–	–	–	5.0	–	5.0
Redemption of B shares	–	(2.3)	2.3	–	–	–	–	–	–	–
Disposal of subsidiary	–	–	–	–	–	–	–	–	17.1	17.1
31 March 2010	**18.8**	**(775.7)**	**514.2**	**(512.5)**	**422.9**	**1,304.3**	**(44.1)**	**927.9**	**102.9**	**1,030.8**

The capital redemption reserve is a non distributable reserve set up as a result of a court approved capital reduction.
The reverse acquisition reserve is a non distributable capital reserve arising on consolidation as a result of the capital reduction scheme.
The foreign exchange translation reserve reflects changes in the impact of foreign currency on the translation of foreign operations.
The merger reserve arises on consolidation when the Company issues shares as part of the consideration to acquire subsidiary undertakings.
The hedging reserve represents the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Ordinary share capital	Retained earnings	Capital redemption reserve	Merger reserve	Hedging reserve	Total attributable to equity holders
	Attributable to equity holders of the Company					
			Other reserves			
1 April 2008	**19.1**	**2,069.4**	**506.2**	**1,299.2**	**(7.9)**	**3,886.0**
Total comprehensive income for the financial year	–	(656.7)	–	–	6.4	(650.3)
Final dividend relating to the year ended 31 March 2008	–	(42.9)	–	–	–	(42.9)
Interim dividend relating to the year ended 31 March 2009	–	(22.4)	–	–	–	(22.4)
Share buyback	(0.4)	(38.5)	0.4	–	–	(38.5)
Employee share schemes expenses	–	(19.3)	–	–	–	(19.3)
Redemption of B shares	–	(5.3)	5.3	–	–	–
31 March 2009	**18.7**	**1,284.3**	**511.9**	**1,299.2**	**(1.5)**	**3,112.6**
Issue of shares	0.1	–	–	5.1	–	5.2
Total comprehensive income for the financial year	–	69.7	–	–	(1.2)	68.5
Final dividend relating to the year ended 31 March 2009	–	(42.7)	–	–	–	(42.7)
Interim dividend relating to the year ended 31 March 2010	–	(22.5)	–	–	–	(22.5)
Employee share schemes expenses	–	3.4	–	–	–	3.4
Redemption of B shares	–	(2.3)	2.3	–	–	–
31 March 2010	**18.8**	**1,289.9**	**514.2**	**1,304.3**	**(2.7)**	**3,124.5**

The notes on pages 64 to 100 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated 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 2006 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 Group's majority-owned subsidiary Cassa di Compensazione e Garanzia S.p.A. (CC&G), and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's 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 and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition impairment and amortisation, and exceptional items is reconciled to profit before taxation on the face of the income statement.

Recent accounting developments

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

International accounting standards and interpretations
IAS 1 (Revised) 'Presentation of Financial Statements'
IFRS 7 'Financial Instruments': Disclosures (Amended)
IFRS 8 'Operating Segments'
IAS 23 'Borrowing Costs (Revised)'

IAS 1 (Revised) 'Presentation of Financial Statements' has been adopted. The revised standard prohibits the presentation of items of income and expense in the statement of changes in equity, requiring non-shareholder changes in equity to be presented separately from shareholder changes in equity. All non-shareholder changes in equity are required to be presented in a performance statement. IAS 1 (Revised) permits a choice between presenting a single performance statement (being a Statement of Comprehensive Income) or two statements (being an Income Statement and a Statement of Comprehensive Income). The Group has elected to present two statements.

IFRS 7 'Financial Instruments': Disclosures (Amended) has been adopted. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.

IFRS 8 'Operating Segments' has been adopted. This standard replaces IAS 14 'Segment Reporting' and effectively requires segmental information reported to be based on that which the Group's Executive Committee, which is considered to be the Group's chief operating decision maker, uses internally for the purposes of evaluating the performance of the Group's operating segments. Details of the products and services offered by the individual segments are given in the Segmental Review on pages 14 to 25. Note 4 of the consolidated financial statements sets out the Group's reportable segments and sets out reconciliations between these and the results reported in the income statement. Following the change in operating segments, the results of the joint ventures are now considered operating activities and as such are disclosed in operating profit. The Group has early adopted the annual improvement to IFRS 8, resulting in disclosure of the information reviewed by the Group's Executive Committee.

IAS 23 'Borrowing Costs (Revised)' has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the standard, the capitalisation of borrowing costs has been adopted as a prospective change from the commencement date of 1 April 2009. No change has been made for borrowing costs incurred prior to this date that have been expensed. Since adoption, the Group has incurred no borrowing costs on qualifying assets which are required to be capitalised.

The following standards and amendments were also effective for the current period, but the adoption of these did not have a material impact on these consolidated financial statements:

International accounting standards and interpretations
IFRIC 15 'Agreements for the Construction of Real Estate'
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
IFRS various Annual improvements 2009

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

International accounting standards and interpretations	Effective date
IFRS 2 'Share-based Payment' – Amendments relating to group cash-settled share-based payment transactions and vesting conditions	1 January 2010
IFRS 3 'Business Combinations' – Comprehensive revision on applying the acquisition method	1 July 2009
IAS 27 'Consolidated and Separate Financial Statements' – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 28 'Investments in Associates' – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31 'Interests in Joint Ventures' – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 39 'Financial Instruments: Recognition and Measurement' – Amendments for eligible hedged items	1 July 2009
IFRIC 17 'Distributions of Non-cash Assets to Owners'	1 July 2009
IFRIC 18 'Transfers of Assets from Customers'	1 July 2009
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010

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. The one potential exception to this is the requirement to expense acquisition costs under IFRS 3 'Business Combinations', the impact of which is entirely dependent on the incidence and size of future acquisitions, both of which are not determinable at this stage.

Accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries 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 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

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 is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates;
b) Admission fees – revenue is recognised at the time of admission to trading;
c) Royalties – revenue is recognised at the earlier of cash receipt or the date at which they are earned or measurable with certainty;
d) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer;
e) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;
f) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and
g) Other – 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 FTSE 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 of goodwill 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 fifteen years.

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 intellectual property, 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.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses.

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 those with 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.

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 sale and purchase 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 the counterparties honouring 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 sale and purchase 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 sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other.

Income recognised through the CCP clearing business includes net interest earned on margins and default funds held as part of our risk management process. This income stream is shown separately from the Group revenues as the interest is earned on assets held by the Group on behalf of third parties and is based on the spread between EONIA and EURIBOR rates, which is outside the control of management.

This amount has been shown separately on the face of the income statement to distinguish the income stream from those arising from the Group's other activities and provide the reader with a greater understanding of the operating activities of the Group. This new presentation has resulted in the comparatives being reclassified out of Revenue and into 'Net interest income from CCP business', with no impact on the overall income recognised in the prior year.

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 re-measured 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 re-measured 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, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

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 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 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.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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.

Cash and cash equivalents

Cash and cash equivalents 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.

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 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 financial statements 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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Due to the immaterial value of finance leases within the Group, they are not disclosed separately within the accounts.

Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes 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 expenses 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 comprehensive income. 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.

2. Financial risk management

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

Financial risk management is not speculative and 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 regulatory or operational risks. The Treasury Committee, chaired by the Chief Financial Officer, meets at regular intervals and operates within Board approved policies to review the management of foreign exchange, interest rate and credit risks, and the investment of excess liquidity.

CAPITAL RISK

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
Capital comprises resources that are raised by the Group from: – its shareholders (equity capital) – its lenders (debt capital), and – its retained profits. Details of the Group's equity capital and retained profits are set out in the Consolidated Statement of Changes in Equity and details of the Group's debt capital (current and non-current) are set out in note 27. The Group considers the following to be the principal risks in managing its capital: – a scarcity of new capital due to the Group's performance – a scarcity of capital driven by market conditions – an increase in regulatory capital requirements	The Group seeks to maintain its cost of capital at or close to an optimum level. It seeks to provide superior returns to its shareholders, whilst fulfilling its obligations to the relevant regulatory authorities and other stakeholders and ensuring that it is not overly dependent upon short and medium term debt that might not be available at renewal. 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 Board reviews dividend policy and funding capacity on a regular basis. To maintain the financial strength to access new capital at reasonable cost, 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 net finance charges, taxation, impairment, depreciation and amortisation). Net debt to EBITDA at 31 March 2010 was 1.5 times on an actual basis (2009: 1.6 times). 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 Group also has two bank facility covenants that have a bearing on its capital structure, Net Debt: EBITDA and coverage of net interest costs by EBITA or EBITDA. Performance against these ratios is comfortable and these covenants should not inhibit the Group's operations or financing plans. As at 31 March 2010 approximately £125m was set aside to comfortably cover regulatory and operational requirements, with the amount subject to ongoing review with regulators in the UK and Italy.

CREDIT RISK

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
CC&G in its role as central counterparty clearer (CCP) to Italian financial market participants faces the risk of losses from the deterioration in the creditworthiness or the default of a counterparty. It takes the position as the guarantor of the final settlement of equity, derivative and fixed income trade contracts, acting as a buyer towards each seller and as a seller towards each buyer. It also manages a significant quantum of member cash held within its margin and default funds. More broadly, credit risk relates to the Group's customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: – customer receivables – repayment of cash and cash equivalents including bank deposits – settlement of derivative financial instruments.	Credit risk is controlled through policies developed both at a Group level and, where appropriate, with regulators at an individual subsidiary level. Due to the nature of its business risk, CC&G has its own financial risk management policy approved by its Board of Directors and it works closely with the Bank of Italy to monitor this risk. **CC&G** CC&G is required to invest cash with counterparties that are either investment grade or who have a minimum level of capital, for periods of up to 12 months in an amount dependent on the credit quality of the counterparty. CC&G liaises closely with the Bank of Italy regarding the Italian banking institutions with whom these funds are deposited. CC&G has established a financial safeguarding against single or multiple defaults of market participants: 1. Clearing membership selection is based upon supervisory capital, technical and organisational criteria; 2. Margin accounts – each member must pay margins, computed at least daily, to cover the theoretical costs which CC&G would incur in order to close out open positions in the event of the member's default; and 3. Default funds – clearing members contribute to default funds managed by CC&G to guarantee 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. Amounts are determined on the basis of the results of periodic stress testing examined by CC&G's risk committee and are varied as appropriate according to circumstances.

CREDIT RISK (CONTINUED)

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
	Group Group companies make a judgement on the credit quality of their customers based upon the following factors: – the customer's financial position – past experience – low concentration of credit risk across a large number of customers – generally, a low historic incidence of customer defaults – the recurring nature of the billing and collection arrangements. Management assesses the credit quality of the Group's customers as high. Credit risk with respect to cash and cash equivalents is managed generally by limiting the exposure to each counterparty to: – £15m (or local currency equivalent) – a minimum rating of Aa3 (per Moody's) – periods not exceeding 12 months. Derivative transactions are limited to well-capitalised counterparties, authorised by policy, each of whom has an appropriate depth of coverage and expertise and with consideration given to the need for collateralisation. The Group recognises that sovereign risk assessment plays a part in its criteria for counterparty selection.

MARKET RISK – FOREIGN EXCHANGE

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
The Group operates predominantly in the UK, Italy and Sri Lanka. As group companies invoice revenues, incur expenses and purchase assets predominantly in their respective local currencies, foreign exchange risk arises mainly from the translation of the Group's euro earnings, assets and liabilities into its reporting currency, sterling. The Group also faces less significant foreign exchange exposures from transaction risk on export earnings, occasional strategic investments made in currencies other than the currency of the investing operation and dividends that are remitted in currencies other than the currency of the recipient operation.	The Group seeks to reduce its net asset exposure to movements between sterling and the euro by regularly distributing its euro cash earnings in dividends and by holding an element of its debt in euros or exchanging sterling debt into euros using cross-currency swaps. The Group's euro debt and cross-currency swaps are then serviced by cash generated by its Italian operations which, in turn, partially protects the Group's sterling income statement by increasing the proportion of euro denominated interest expense. At 31 March 2010 £284.0m (2009: £151.9m) of the Group's debt was denominated in or swapped into euros and designated as a hedge of the net investment in Borsa Italiana. During the year to 31 March 2010 a loss of £9.9m (2009: loss of £24.8m) on foreign currency borrowings was recognised in equity. There was no ineffectiveness of the hedge recognised in the income statement. Group treasury policy stipulates that if companies generate revenues in excess of an aggregate £1m or equivalent per annum in a currency other than their reporting currency then this should be hedged in accordance with policy guidelines. During the year foreign exchange derivative contracts required to hedge forecast foreign currency revenues represented less than 1 per cent of the Group's total revenue. The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2010 the Group has considered movements in the euro over the last year including recent volatility affecting this currency and has concluded that a 10 per cent movement in rates is a reasonable benchmark. At 31 March 2010, if sterling had weakened/strengthened by 10 per cent against the euro on the day with all other variables held constant, post tax profit for the year would have been £1.8m higher/£1.5m lower (2009: unchanged); however, equity would have been £16.4m lower (2009: £6.7m higher)/£13.4m higher (2009: £10.2m 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.

MARKET RISK – CASH FLOW AND FAIR VALUE INTEREST RATE RISK

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
The Group's interest rate risk arises on 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.	To provide a degree of income statement stability, and reflecting material levels of cash and cash equivalents held for short periods, the Group seeks to maintain a proportion of its net debt at fixed rates of interest over the medium term. At the start of the financial year, 60 per cent of the Group's net debt was effectively held at fixed rates of interest after taking into account interest rate swaps exchanging floating rate borrowings for fixed rate borrowings. These hedges were designated cash flow hedges and remained in place and fully effective at 31 March 2010. In June 2009, the Group increased its fixed rate borrowings when it issued a £250m bond due in 2019 (note 27) to refinance shorter dated bank debt resulting in greater than 100 per cent of its net debt being held at fixed rates of interest. Following a period of review the Group sought to increase its floating rate exposure by arranging interest rate swaps on a portion of its £250m bond due in 2016 (note 27). These hedges were designated fair value hedges and were deemed effective at 31 March 2010. Given the cash generative nature of the Group's operations, over 100 per cent of its net debt remains at fixed rates at 31 March 2010 after taking into account the effect of derivative financial instruments. This is subject to ongoing review. 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 prospects for rates over the next 12 months and has concluded that a two per cent upward movement (and no downward movement) reflects a reasonable level of risk to current rates. At 31 March 2010, 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 £1.7m higher (2009:£1.6m lower) mainly as a result of higher interest income on floating rate cash and cash equivalents.

LIQUIDITY RISK

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
The Company is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations. 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 to meet regulatory requirements and/or ensure the smooth operation of their respective markets.	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. 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. Treasury policy also requires that the Group maintains adequate credit facilities provided by a diversified lending group 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 with attention given during the year to the ongoing credit quality of the Group's lending banks. At 31 March 2010 £368.4m of the Group's facilities were unutilised (2009: £283.5m), the Group having increased its committed credit facilities during the year and generated and retained surplus cash in the business. The Group's borrowings at the 31 March 2010 have an average life to maturity of over six years. 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 22).

LIQUIDITY RISK (CONTINUED)

RISK DESCRIPTION	RISK MANAGEMENT APPROACH
	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.

31 March 2010	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	0.9	–	106.2	499.6
Trade and other payables	137.1	–	–	–
CCP liabilities	84,257.5	–	–	–
	84,395.5	–	106.2	499.6

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
Trade and other payables	112.9	–	–	–
CCP liabilities	35,679.2	–	–	–
	35,794.4	180.0	193.8	250.0

3. 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 valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;
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 corporation 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 financial statements of the value of subsidiary companies for the purpose of impairment testing 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.

4. Segmental information

Segmental disclosures for the year ended 31 March 2010 are shown below.

	Capital Markets £m	Post Trade Services £m	Information & Technology Services £m	Other £m	Group £m
Revenue	287.4	100.0	216.6	1.6	605.6
Net interest income through CCP business	–	16.2	–	–	16.2
Other income	–	–	–	6.5	6.5
Total income	287.4	116.2	216.6	8.1	628.3
Expenses					
Depreciation and non-acquisition software amortisation	(34.3)	(3.5)	(24.3)	(0.7)	(62.8)
Other non-exceptional expenses	(146.1)	(42.2)	(92.7)	(5.8)	(286.8)
Share of (loss)/profit after tax of joint venture/associates	(1.9)	–	3.5	–	1.6
Operating profit before amortisation of purchased intangible assets and exceptional items	105.1	70.5	103.1	1.6	280.3
Amortisation of purchased intangibles					(54.3)
Exceptional costs					(43.7)
Operating profit					182.3
Net finance expense					(40.7)
Profit on disposal of shares in subsidaries					2.7
Profit before taxation					144.3

Net interest income through CCP business of £16.2m comprises gross interest income of £498.3m less gross interest expense of £482.1m.

Comparative segmental disclosures for the year ended 31 March 2009 are as follows:

	Capital Markets £m	Post Trade Services £m	Information & Technology Services £m	Other £m	Group £m
Revenue	341.5	91.6	207.5	4.1	644.7
Interest income through CCP business	–	20.8	–	–	20.8
Other income	–	–	–	5.9	5.9
Total income	341.5	112.4	207.5	10.0	671.4
Expenses					
Depreciation and non-acquisition software amortisation	(16.9)	(3.3)	(15.5)	(0.7)	(36.4)
Other non-exceptional expenses	(159.9)	(38.7)	(78.8)	(19.0)	(296.4)
Share of (loss)/profit after tax of joint ventures/associates	(0.1)	–	2.2	–	2.1
Operating profit before amortisation of purchased intangible assets and exceptional items	164.6	70.4	115.4	(9.7)	340.7
Amortisation of purchased intangible assets					(49.4)
Exceptional costs					(15.2)
Operating profit before impairment					276.1
Impairment of goodwill					(484.0)
Operating loss					(207.9)
Net finance expense					(44.9)
Profit on disposal of shares in associates					2.0
Loss before taxation					(250.8)

Net interest income through CCP business of £20.8m comprises gross interest income of £671.0m less gross interest expense of £650.2m.

The comparatives are shown following restatement of the segmental disclosure.

Geographical disclosure

	2010 £m	2009 £m
Revenue		
UK	**292.5**	343.7
Italy	**163.0**	149.9
Other	**150.1**	151.1
Total	**605.6**	644.7

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

Total assets	2010 £m	2009 £m
UK	**315.2**	252.4
Italy	**85,861.1**	37,361.6
Other	**12.2**	–
Total	**86,188.5**	37,614.0
Joint ventures – UK	**2.3**	1.1
Joint ventures – Japan	**4.8**	0.6
Associates – Europe	**1.5**	1.9
Total	**86,197.1**	37,617.6

5. Expenses by nature

Expenses comprise the following:

	Notes	2010 £m	2009 £m
Employee costs	6	**111.0**	113.3
Depreciation and non acquisition software amortisation		**62.8**	36.4
Amortisation of purchased intangibles assets and exceptional costs	7	**98.0**	64.6
Other costs		**175.8**	183.1
Total before impairment		**447.6**	397.4
Goodwill impairment	13	**–**	484.0
Total expenses		**447.6**	881.4

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

6. Employee costs

Employee costs comprise the following:

	Notes	2010 £m	2009 £m
Salaries and other short term benefits		**84.5**	82.4
Social security costs		**15.5**	13.9
Pension costs	19	**7.5**	6.8
Share based compensation	35	**3.5**	10.2
Total		**111.0**	113.3

	2010					2009		
The number of employees in the Group was:	UK	Italy	Sri Lanka	Other	Total	UK	Italy	Total
At the year end	**539**	**458**	**461**	**30**	**1,488**	570	565	1,135
Average for the year	**568**	**496**	**453**[1]	**28**	**1,545**	592	583	1,175

The employees within Sri Lanka arose from the acquisition of MillenniumIT.
The employees within Euro MTS and MTS Next are shown in the UK headcount figures in 2010 compared to Italy in the prior year, to reflect the principal location of these employees.
The Company has no employees.

[1] Average from date of acquisition.

7. Impairment, amortisation of purchased intangible assets and exceptional items

	Notes	2010 £m	2009 £m
Impairment of goodwill	13	–	(484.0)
Amortisation of purchased intangible assets		(54.3)	(49.4)
Restructuring costs		(30.1)	–
Integration costs		(13.6)	(15.2)
Total affecting operating profit		(98.0)	(548.6)
Profit on disposal of shares in subsidiary		0.3	–
Exceptional finance expenses:			
Bond adjustment to reflect changes in valuation of cash flows		–	3.7
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		(97.7)	(555.5)
Tax effect on items affecting profit before tax and tax exceptional items			
Deferred tax on amortisation of purchased intangible assets		9.4	8.5
Tax effect on other items affecting profit before tax		11.9	6.2
Total tax effect on items affecting profit before tax and tax exceptional items		21.3	14.7
Total charge to income statement		(76.4)	(540.8)

Restructuring costs comprise £17.1m one-off implementation costs arising from the cost savings programme announced in July 2009 resulting in a reduction of 133 heads, and the departure of the Deputy Chief Executive, and £13.0m of property restructuring costs relating to the subletting of part of our Paternoster Square premises. The property restructuring costs include provision for onerous lease costs and the write off of prior leasehold improvements.

Current year integration costs include £12.4m related to the acquisition of Turquoise Trading Ltd and the associated costs of integrating them with the Group together with £0.9m (2009: £15.2m) of residual costs related to the integration of the businesses of the London Stock Exchange and Borsa Italiana.

8. Net finance expense

	Notes	2010 £m	2009 £m
Finance income			
Bank deposit and other interest income		2.5	7.5
Expected return on defined benefit pension scheme assets	19	11.8	13.0
Fair value gains on financial instruments		0.6	–
Investment income		0.3	0.3
		15.2	20.8
Finance expense			
Interest payable on bank and other borrowings		(38.9)	(40.4)
Other finance costs		(1.2)	(2.8)
Interest on discounted provision for leasehold properties		(1.2)	(1.2)
Defined benefit pension scheme interest cost		(14.6)	(14.4)
		(55.9)	(58.8)
Exceptional finance expense			
Bond adjustment to reflect change in future coupon		–	3.7
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)
Total finance expense		(55.9)	(65.7)
Net finance expense		(40.7)	(44.9)

9. Taxation

Taxation charged to the income statement	2010 £m	2009 £m
Current tax:		
UK corporation tax for the year at 28%	**27.8**	42.4
Overseas tax for the year	**37.4**	46.7
Adjustments in respect of previous years	**(6.9)**	(4.3)
	58.3	84.8
Deferred tax (see note 17):		
Deferred tax for the current year	**2.1**	3.1
Adjustments in respect of previous years	**1.6**	2.6
Deferred tax on amortisation of purchased intangible assets	**(9.4)**	(8.5)
Taxation charge	**52.6**	82.0

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

Taxation on items not (credited)/charged to income statement	2010 £m	2009 £m
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	**(0.4)**	(1.1)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial losses	**(0.5)**	(3.2)
Tax allowance on share options/awards (less than)/greater than expense recognised	**(0.6)**	2.1
	(1.5)	(2.2)

Factors affecting the tax charge for the year

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

	2010 £m	2009 £m
Profit/(loss) before taxation	**144.3**	(250.8)
Profit/(loss) multiplied by the UK rate of corporation tax at 28%	**40.4**	(70.2)
Expenses not deductible	**2.6**	10.5
Impairment of goodwill	**–**	135.5
Share of joint venture and associates consolidated at profit/(loss) after tax	**(0.5)**	(0.6)
Overseas earnings taxed at higher rate	**9.7**	3.2
Adjustments in respect of previous years	**(5.3)**	(1.7)
Amortisation of purchased intangible assets	**5.7**	5.3
Taxation charge	**52.6**	82.0

The weighted average statutory tax rate for the Group was 30 per cent (2009: 30 per cent).

10. 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 acquisition impairment and amortisation, and exceptional items to enable comparison of the underlying earnings of the business with prior periods.

	2010	2009
Basic earnings/(loss) per share	**33.8p**	(126.1)p
Diluted earnings/(loss) per share	**33.5p**	(126.1)p
Adjusted basic earnings per share	**60.1p**	74.2p
Adjusted diluted earnings per share	**59.6p**	73.6p

	£m	£m
Profit/(loss) for the financial year attributable to equity holders	**90.4**	(338.0)
Adjustments:		
Amortisation of purchased intangible assets	**54.3**	49.4
Impairment of goodwill	**–**	484.0
Restructuring costs	**30.1**	–
Integration costs	**13.6**	15.2
Exceptional profit on disposal of shares in subsidiary	**(0.3)**	–
Exceptional finance expenses	**–**	6.9
Tax effect of amortisation and exceptional items and tax exceptional item	**(21.3)**	(14.7)
Exceptional items, amortisation and taxation attributable to minority interests	**(6.0)**	(3.9)
Adjusted profit for the financial year attributable to equity holders	**160.8**	198.9
Weighted average number of shares – million	**267.6**	268.1
Effect of dilutive share options and awards – million	**2.4**	–
Diluted weighted average number of shares – million	**270.0**	268.1

The weighted average number of shares excludes those held in the ESOP. The effect of dilutive share options only applies to periods in which there is a profit. The effect of dilutive share options and awards at 31 March 2010 was 2.4 million (2009: 2.0 million).

11. Dividends

	2010 £m	2009 £m
Final dividend for 2009 paid August 2009: 16.0p per Ordinary share (2008: 16.0p)	**42.7**	42.9
Interim dividend for 2010 paid January 2010: 8.4p per Ordinary share (2009: 8.4p)	**22.5**	22.4
	65.2	65.3

The Board has proposed a final dividend in respect of the year ended 31 March 2010 of 16.0p per share, which is estimated to amount to £42.9m, to be paid on 16 August 2010.

12. Property, plant & equipment

Group	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and equipment £m	Total £m
Cost:				
1 April 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	159.6
Additions	–	–	12.1	12.1
Foreign exchange	(0.3)	–	–	(0.3)
Disposals	–	(5.6)	–	(5.6)
Acquisition of subsidiaries	2.0	–	1.6	3.6
31 March 2010	**61.7**	**41.0**	**66.7**	**169.4**
Depreciation:				
1 April 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
Charge for the year	1.2	6.8	12.2	20.2
Foreign exchange	–	–	0.2	0.2
Disposals	–	(5.6)	–	(5.6)
31 March 2010	**28.7**	**26.2**	**39.6**	**94.5**
Net book values:				
31 March 2010	**33.0**	**14.8**	**27.1**	**74.9**
31 March 2009	32.5	21.6	25.8	79.9

The Company has no property, plant and equipment.

13. Intangible assets

Group	Goodwill £m	Purchased intangible assets: Customer and supplier relationships £m	Purchased intangible assets: Brands £m	Purchased intangible assets: Software, licences and intellectual property £m	Software £m	Total £m
Cost:						
1 April 2008	1,082.2	621.2	9.6	97.5	137.6	1,948.1
Additions	0.5	0.8	0.1	–	35.2	36.6
Disposals	–	–	–	–	(8.6)	(8.6)
Foreign exchange	170.6	99.6	1.5	15.6	1.1	288.4
31 March 2009	1,253.3	721.6	11.2	113.1	165.3	2,264.5
Additions	–	–	–	–	30.3	30.3
Acquisition of subsidiaries	10.2	4.1	0.3	12.9	2.0	29.5
Disposals	(0.7)	–	–	–	–	(0.7)
Foreign exchange	(45.0)	(26.4)	(0.4)	(2.8)	(0.5)	(75.1)
31 March 2010	**1,217.8**	**699.3**	**11.1**	**123.2**	**197.1**	**2,248.5**
Amortisation and accumulated impairment:						
1 April 2008	21.1	14.7	0.5	9.3	80.6	126.2
Amortisation charge for the year	–	29.6	1.0	18.8	20.3	69.7
Impairment charge	484.0	–	–	–	–	484.0
Disposals	–	–	–	–	(8.5)	(8.5)
Foreign exchange	–	4.9	0.2	3.1	–	8.2
31 March 2009	505.1	49.2	1.7	31.2	92.4	679.6
Amortisation charge for the year	–	31.3	1.1	21.9	50.6	104.9
Foreign exchange	(17.5)	(1.0)	–	(1.4)	(0.2)	(20.1)
31 March 2010	**487.6**	**79.5**	**2.8**	**51.7**	**142.8**	**764.4**
Net book values:						
31 March 2010	**730.2**	**619.8**	**8.3**	**71.5**	**54.3**	**1,484.1**
31 March 2009	748.2	672.4	9.5	81.9	72.9	1,584.9

The fair values of purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill of £730.2m (2009: £748.2m) arising on consolidation primarily represents the growth potential and assembled workforces of the Borsa Italiana group, MillenniumIT and Turquoise.

The Company has no intangible assets.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to ten cash generating units (CGUs). The composition of the Borsa Italiana group's seven CGUs as at 31 March 2009 was reallocated on 1 April 2009 to reflect the impact of the restructuring of the Group's segments, as set out in note 1. Consequently, the Borsa Italiana group now comprises six CGUs (Issuer, Equities Trading, Derivatives Trading, Fixed Income Trading, Information & Technology Services and Post Trade Services), with goodwill previously associated with the Borsa Italiana group's other CGU now allocated to these current six CGUs. MillenniumIT comprises two CGUs (Software and Enterprise Service Provider), and Turquoise and EDX constitute one CGU each. Goodwill associated with Proquote was fully written off during the year ended 31 March 2009.

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 2015, with the exception of Turquoise for which reference has been made to a recent third party transaction. 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						
Cash generating unit	31 March 2009 £m	Impact of restructuring of segments £m	Additions £m	Disposals £m	Foreign exchange £m	31 March 2010 £m	Pre-tax discount rate used in value in use calculations
Borsa Italiana group:							
Issuer	26.0	(5.7)	–	–	(0.8)	**19.5**	12.9%
Equities Trading	68.5	–	–	–	(2.5)	**66.0**	13.1%
Derivatives Trading	30.7	–	–	–	(1.1)	**29.6**	12.9%
Fixed Income Trading	71.3	6.3	–	–	(3.0)	**74.6**	11.8%
Information & Technology Services	146.9	(5.0)	–	–	(5.2)	**136.7**	13.1%
Post Trade Services	385.9	22.8	–	–	(15.1)	**393.6**	11.8%
Other	18.4	(18.4)	–	–	–	**–**	N/A
MillenniumIT:							
Software	–	–	0.8	–	0.1	**0.9**	20.5%
Enterprise Service Provider	–	–	0.7	–	0.1	**0.8**	18.1%
Turquoise	–	–	8.7	(0.4)	–	**8.3**	N/A
EDX	0.5	–	–	(0.3)	–	**0.2**	15.8%
	748.2	**–**	**10.2**	**(0.7)**	**(27.5)**	**730.2**	

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 2.3 per cent for each of the Borsa Italiana group CGUs, 3.0 per cent for MillenniumIT's Software CGU, Turquoise and EDX, and 12.7 per cent for MillenniumIT's Enterprise Service Provider CGU) represent management's internal forecasts based on external estimates of GDP and inflation for the ten year period 1 January 2005 to 31 December 2014, 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, Sri Lanka 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.

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:

Cash generating unit	Excess of value in use over carrying value £m	Impact on value in use of: 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	0.1	(9.0)	(5.0)	(4.3)	(5.6)
Equities Trading	30.2	(20.6)	(9.5)	(11.9)	(15.4)
Derivatives Trading	21.3	(7.0)	(2.9)	(4.3)	(5.5)
Fixed Income Trading	89.2	(33.1)	(15.2)	(19.8)	(25.3)
Information & Technology Services	67.2	(26.6)	(9.9)	(16.2)	(20.8)
Post Trade Services	39.1	(66.0)	(30.1)	(37.0)	(47.4)

Management believes goodwill allocated to MillenniumIT, Turquoise and EDX CGUs 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 2010. 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.

14. Investment 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's investment of £2.3m at 31 March 2010 represents the Group's share of the joint venture's net assets as at 31 December 2009, FTSE's accounting reference date, adjusted for subsequent dividends received.

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 2008 and 2009.

	December 2009 £m	December 2008 £m
Revenue	43.9	36.7
Expenses, including tax	(40.4)	(34.3)
Profit after tax	3.5	2.4
Non-current assets	7.7	4.7
Current assets	21.1	16.2
Total assets	28.8	20.9
Current liabilities	(23.9)	(18.0)
Non-current liabilities	(1.1)	(0.5)
Total liabilities	(25.0)	(18.5)
Net assets	3.8	2.4

The Group has a 49 per cent interest in TOKYO AIM, a company incorporated in Japan to provide secondary market listings in Tokyo. TOKYO AIM is a joint venture with Tokyo Stock Exchange Group, a company incorporated in Japan, and the Group has recognised its £2.0m share of TOKYO AIM's loss in the income statement.

	2010 £m	2009 £m
Share of net assets of FTSE at 31 December 2009	**3.8**	2.4
Dividend paid by FTSE in March 2010	**(1.5)**	(1.3)
Share of net assets TOKYO AIM at 31 March 2010	**4.8**	0.6
Investment in joint ventures at 31 March	**7.1**	1.7

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 2010 was £9.6m (2009: £8.2m).

During the year the Group received dividends of £2.3m (2009: £3.5m) from FTSE. The final dividend for 2009, of which the Group's share is £1.5m (2008: £1.3m), was approved by the shareholders and paid after the publication of FTSE's 31 December 2009 results.

15. Investment in associates

	2010 £m	2009 £m
1 April	**1.9**	2.3
Share of profit/(loss) after tax	**0.1**	(0.1)
Share of capital decrease and dividend distribution	**–**	(0.1)
Disposal	**(0.3)**	(0.6)
Foreign exchange	**(0.2)**	0.4
31 March	**1.5**	1.9

The Group's share of the results of its principal associates, all of which are unlisted and have a reporting date of 31 December 2009, and its aggregated assets and liabilities are as follows:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit £m	% interest held
MTS France SA	France	2.5	0.7	1.6	–	22.5
MTS Associated Markets	Belgium	2.2	0.8	1.7	0.1	20.0
MTS Portugal SA	Portugal	2.1	0.2	0.9	–	15.0
MTS España SA	Spain	1.2	0.2	1.0	–	30.0

16. Investments in subsidiary undertakings

Company	Shares £m	Loans £m	Total £m
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)
1 April 2009	3,404.5	343.8	3,748.3
Acquisition of London Stock Exchange Group Holdings (UK) Ltd	7.0	–	7.0
Other movements during the year	–	(10.7)	(10.7)
31 March 2010	**3,411.5**	**333.1**	**3,744.6**

During the prior year the Company acquired London Stock Exchange Group Holdings (UK) Ltd for a nominal value.

Based on the results of the impairment tests performed in respect of the Borsa Italiana group goodwill referred to in note 13 and London Stock Exchange plc, no impairment of the carrying value of the Company's investment in London Stock Exchange Group Holdings (Italy) or London Stock Exchange plc 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 Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.96
Societa 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
MTSNext Ltd	Wholesale fixed income bonds	UK	UK	60.37
EDX London Ltd	Derivatives exchange	UK	UK	80.1
Proquote Ltd	Market data provider	UK	UK	100
Turquoise Global Holding Ltd	Holding company	UK	UK	51
Baikal Global Ltd	Trading facility	UK	UK	51
Turquoise Trading Ltd	Holding company	UK	UK	51
Turquoise Services Ltd	Trading facility	UK	UK	51
Millennium Information Technologies Ltd	Holding company	Sri Lanka	Sri Lanka	100
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100

In May 2009, the Group sold 19.9 per cent of equity in EDX London Ltd to TMX Group Inc., for a profit of £2.4m.

The Group acquired 100 per cent of the share capital of Millennium Information Technologies Ltd and 51 per cent of Turquoise Trading Ltd in the year.

London Stock Exchange Group 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 Group plc.

17. Deferred taxation

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

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
1 April 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 other comprehensive income:				
– 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)
Acquisition of subsidiaries	–	(0.2)	–	(0.2)
Balance sheet transfer of pre-acquisition balances	–	(1.8)	–	(1.8)
31 March 2009	(0.7)	(101.5)	4.6	(97.6)
Tax credited/(charged) to the income statement:				
– other movements to the income statement during the year	(0.8)	9.4	(2.8)	5.8
Tax credited to other comprehensive income:				
– defined benefit pension scheme actuarial loss	–	–	0.5	0.5
– allowance on share options/awards	–	–	0.6	0.6
– foreign exchange	–	3.0	–	3.0
Acquisition of subsidiaries	–	(0.4)	–	(0.4)
31 March 2010	**(1.5)**	**(89.5)**	**2.9**	**(88.1)**
Assets at 31 March 2010	**0.2**	**–**	**6.0**	**6.2**
Liabilities at 31 March 2010	**(1.7)**	**(89.5)**	**(3.1)**	**(94.3)**
Net (liabilities)/assets at 31 March 2010	**(1.5)**	**(89.5)**	**2.9**	**(88.1)**
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)

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. The liability is subject to foreign exchange differences, which are taken to the statement of changes in equity.

There was no deferred tax in the Company.

The Group has unrecognised deferred tax assets of £39m (2009: £36m) in respect of capital losses of £33m and trading losses of £6m. The assets will only be recognised in the future should suitable taxable income arise within the Group,

18. Available for sale investments

Available for sale financial investments of £0.4m (2009: £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.

19. 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 separate trustee administered funds and the funds are primarily managed by Schroder Investment Management Limited, Investec Investment Management Limited, Newton Fund Managers Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva.

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 schemes

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. 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.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a months gross salary multiplied by the number of years in service at MillenniumIT. The current obligations in the scheme is £0.6m.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in UK and Italy. 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, 6.91 per cent of pensionable pay is provided.

Amounts recognised in the income statement are as follows:

	2010		2009	
	UK Pension £m	Other plans £m	UK Pension £m	Italian plan £m
Defined contribution schemes	**(4.3)**	**(2.4)**	(3.2)	(2.6)
Defined benefit scheme – current service cost	**(0.7)**	**(0.1)**	(0.9)	(0.1)
Total pension charge included in employee costs (see note 6)	**(5.0)**	**(2.5)**	(4.1)	(2.7)
Finance income and expense				
Interest cost	**(14.3)**	**(0.3)**	(14.4)	(0.4)
Expected return on assets	**11.8**	**–**	13.0	–
Net finance expense	**(2.5)**	**(0.3)**	(1.4)	(0.4)
Total recognised in the income statement	**(7.5)**	**(2.8)**	(5.5)	(3.1)

Defined benefit assets/(obligations) for UK pension scheme

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of assets:					
Equities	**37.2**	25.1	33.2	35.7	69.4
Bonds	**218.5**	202.6	190.9	185.2	153.3
Property	**13.3**	7.1	8.8	3.7	–
Total fair value of assets	**269.0**	234.8	232.9	224.6	222.7
Present value of funded obligations	**(264.4)**	(229.8)	(221.1)	(239.6)	(243.0)
Surplus/(deficit)	**4.6**	5.0	11.8	(15.0)	(20.3)

The main actuarial assumptions are set out below:

	2010		2009	
	UK Pension	Italian plan	UK Pension	Italian plan
Inflation rate	**3.7%**	**2.0%**	3.1%	2.0%
Rate of increase in salaries	**5.2%**	**3.5%**	5.1%	3.5%
Rate of increase in pensions in payment	**4.0%**	**3.0%**	3.7%	3.0%
Discount rate	**5.5%**	**4.1%**	6.3%	4.2%
Expected return on assets as at 31 March 2010 and 2009				
– equities	**7.6%**	**–**	8.2%	–
– bonds	**5.2%**	**–**	5.4%	–
– property	**6.7%**	**–**	7.2%	–
Life expectancy from age 60 (years)				
– Non retired male member	**27.7**	**–**	29.2	–
– Non retired female member	**30.5**	**–**	32.7	–
– Retired male member	**26.1**	**–**	27.6	–
– Retired female member	**29.0**	**–**	31.0	–

Expected returns on equities and property are determined by applying an appropriate risk premium 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.

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008 (March 2009 – PA92 tables). The S1NA base data is derived from pension scheme data from 2000 to 2006 which is more recent than PA92 which was based on insurance death data from the period 1990 to 1994. The change in the assumption has been made on the basis of actuarial guidance to reflect the most current data available on mortality experience within pension schemes. In both cases we have used an allowance for the medium cohort effect and applied a one per cent underpin in respect of future mortality improvements.

Sensitivities

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 £0.9m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £12.6m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £26.2m
Mortality rate	Increase by 1 year	Increase by £2.7m

Movement in defined benefit obligation during the year

	2010		2009	
	UK Pension	Other plans	UK Pension	Italian plan
	£m	£m	£m	£m
1 April	**229.8**	**8.3**	221.1	7.6
Obligation arising from acquisition	**–**	**0.6**	–	–
Reclassification from/(to) other payables	**–**	**0.6**	–	(0.4)
Current service cost	**0.7**	**0.1**	0.9	0.1
Interest expense	**14.3**	**0.3**	14.4	0.4
Benefits paid	**(7.0)**	**(2.5)**	(6.4)	(1.1)
Actuarial loss/(gain)	**27.4**	**–**	(0.2)	0.6
Curtailment gain	**(0.8)**	**–**	–	–
Foreign exchange	**–**	**(0.1)**	–	1.1
31 March	**264.4**	**7.3**	229.8	8.3

Movement in fair value of UK plan assets during the year

	2010 £m	2009 £m
1 April	**234.8**	232.9
Expected return on assets	**11.8**	13.1
Contributions received	**3.8**	6.5
Benefits paid	**(7.0)**	(6.4)
Actuarial gain/(loss)	**25.6**	(11.3)
31 March	**269.0**	234.8

The actual return on plan assets was £37.4m (2009: £1.8m).

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 comprehensive income:

	2010		2009	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
Recognised up to 1 April	**4.5**	**(1.3)**	15.5	(0.6)
Net actuarial (loss)/gain recognised in the year	**(1.8)**	**–**	(11.0)	(0.7)
Cumulative amount recognised at 31 March	**2.7**	**(1.3)**	4.5	(1.3)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2009 by an independent qualified actuary. Following the valuation, ordinary contributions were increased from 36 per cent to 41 per cent of pensionable salaries. The Group expects to contribute approximately £0.8m to the defined benefit scheme during the year to 31 March 2011. The next actuarial valuation as at 31 March 2012 may result in an adjustment to future contribution levels.

The Group estimates the present value of the duration of defined benefit obligations on average fall due over 20 years.

History of experience gains and losses for UK scheme	2010	2009	2008	2007	2006
Experience adjustments arising on scheme assets:					
Gain/(loss) (£m)	**25.6**	(11.2)	(3.7)	(10.7)	21.8
Percentage of scheme assets	**9.5%**	(4.8%)	(1.6%)	(4.8%)	9.8%
Experience adjustments arising on scheme liabilities:					
Experience gain/(loss) (£m)	**7.5**	1.3	0.7	(0.4)	5.2
Impact of changes in assumptions (£m)	**(34.9)**	(1.1)	24.8	11.4	(31.0)
Total (£m)	**(27.4)**	0.2	25.5	11.0	(25.8)
Percentage of scheme liabilities					
Experience gain/(loss)	**2.8%**	0.6%	0.3%	(0.2%)	2.1%
Impact of changes in assumptions	**(13.2%)**	(0.5%)	11.2%	4.8%	(12.7%)
Total	**(10.4%)**	0.1%	11.5%	4.6%	(10.6%)

20. Inventories

Group	2010 £m	2009 £m
Work in progress	**1.5**	–
Finished goods	**0.7**	–
	2.2	–

The Company has no inventories.

21. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£m	£m	£m	£m
Trade receivables	**84,8**	72.3	**–**	–
Less: provision for impairment of receivables	**(6.8)**	(6.6)	**–**	–
Trade receivables – net	**78.0**	65.7	**–**	–
Amounts due from Group undertakings	**–**	–	**161.4**	169.2
Other receivables	**5.7**	0.9	**–**	–
Prepayments and accrued income	**48.5**	47.9	**–**	–
	132.2	114.5	**161.4**	169.2

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 the Group's past due debtors is as follows:

	2010		2009	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**–**	**0.2**	0.9	1.2
Greater than 3 months past due	**6.8**	**4.1**	5.8	1.0
	6.8	**4.3**	6.7	2.2

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

	2010	2009
	£m	£m
Sterling	**56.0**	52.7
Euro	**70.9**	61.8
Other currencies	**5.3**	–
	132.2	114.5

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

	2010	2009
	£m	£m
At 1 April	**6.6**	0.7
Acquisition of subsidiaries	**0.1**	–
Provision for receivables impairment	**0.7**	6.0
Receivables written off during the year as uncollectible	**(0.2)**	(0.2)
Provisions no longer required	**(0.1)**	(0.1)
Foreign exchange	**(0.3)**	0.2
At 31 March	**6.8**	6.6

The creation and release of provisions 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.

22. Financial instruments by category

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

31 March 2010	Group Loans and receivables £m	Group Available for sale £m	Group Assets at fair value through profit or loss £m	Group Total £m	Company Loans and receivables £m	Company Assets at fair value through profit or loss £m	Company Total £m
Assets as per balance sheet							
Financial assets of the CCP clearing business							
– CCP trading assets	–	–	5,467.9	5,467.9	–	–	–
– Receivables for repurchase transactions	72,687.0	–	–	72,687.0	–	–	–
– Other receivables from clearing members	1,489.8	–	–	1,489.8	–	–	–
– Financial assets held at fair value	–	–	24.6	24.6	–	–	–
– Cash and cash equivalents of clearing members	4,580.7	–	–	4,580.7	–	–	–
Financial assets of the CCP clearing business	78,757.5	–	5,492.5	84,250.0	–	–	–
Assets held at fair value	–	–	9.5	9.5	–	–	–
Total financial assets for CCP clearing	78,757.5	–	5,502.0	84,259.5	–	–	–
Trade and other receivables	132.2	–	–	132.2	199.5	–	199.5
Cash and cash equivalents	223.1	–	–	223.1	–	–	–
Available for sale financial assets	–	0.4	–	0.4	–	–	–
Derivative financial instruments	–	–	0.6	0.6	–	0.6	0.6
Total	79,112.8	0.4	5,502.6	84,615.8	199.5	0.6	200.1

31 March 2010	Group Derivatives used for hedging £m	Group Other financial liabilities £m	Group Total £m	Company Derivatives used for hedging £m	Company Other financial liabilities £m	Company Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	5,467.9	5,467.9	–	–	–
– Liabilities under repurchase transactions	–	72,687.0	72,687.0	–	–	–
– Other payables to clearing members	–	6,078.3	6,078.3	–	–	–
– Financial liabilities held at fair value	–	24.3	24.3	–	–	–
Financial liabilities of the CCP clearing business	–	84,257.5	84,257.5	–	–	–
Borrowings	–	606.7	606.7	–	606.7	606.7
Derivative financial instruments	19.0	–	19.0	19.0	–	19.0
Total	19.0	84,864.2	84,883.2	19.0	606.7	625.7

The valuation of assets held at fair value through profit or loss is performed with reference to quoted prices from the markets to which they relate and therefore are all considered to be level 1.

Financial assets of the CCP clearing business substantially offset its financial liabilities. The significant year on year increase principally reflects the higher number and value of repurchase transactions that remained open on 31 March 2010 together with an increase in the volatility of their nominal values compared to prior reporting dates.

During the period, the Group executed four cross-currency swaps, of €50m each, to exchange a proportion of its sterling bond issue obligations (swapping €100m sterling equivalent of each of the 2016 and 2019 £250m bond issues) into euros. The swaps are designated part of the Group's net investment hedge and these derivative financial instruments exactly match the term of the respective bonds, the sterling coupon interest rates and their timings and so these hedges are expected to be perfectly effective. For the year ended 31 March 2010, the Group recognised the movement in mark to market value of these derivatives (£16.3m) in reserves.

In addition, the Group arranged four new interest rate swaps of £25m each, switching a proportion of its 2016 sterling bond issue obligation from fixed interest rates into floating interest rates, the swaps accounted for as fair value hedges. These swaps were arranged for a period of two years from January 2009 and are expected to be effective hedges. At 31 March 2010, the Group recognised the movement in mark to market value of these derivatives (£0.6m) in the income statement.

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 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 2010, there were no provisions for impairment in relation to any of the CCP financial assets (2009: nil) and none of these assets were past due (2009: 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 2009	**Loans and receivables £m**	**Available for sale £m**	**Assets at fair value through 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**

31 March 2009	Group: Derivatives used for hedging £m	Group: Other financial liabilities £m	Group: Total £m	Company: Derivatives used for hedging £m	Company: Other financial liabilities £m	Company: 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

23. Assets held at fair value

	2010 £m	2009 £m
Financial assets held at fair value	**9.5**	5.0

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.

24. Cash and cash equivalents

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash at bank	**123.8**	85.2	**0.1**	–
Short term deposits	**99.3**	58.5	**–**	–
	223.1	143.7	**0.1**	–

Cash and cash equivalents is held with counterparties of a high credit standing, in interest bearing call accounts, short term deposits and AAA rated liquidity funds. 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 22). Cash and cash equivalents does include amounts held by regulated entities for regulatory and operational purposes. At 31 March 2010, the Group set aside £125m (2009: £125m), for such purposes, with the amount subject to ongoing review with regulators in the UK and Italy.

25. Trade and other payables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade payables	**15.1**	20.1	**–**	–
Amounts owed to Group undertakings (note 36)	**–**	–	**184.6**	209.8
Social security and other taxes	**20.1**	8.8	**–**	–
Other payables	**25.4**	21.1	**3.8**	3.3
Accruals and deferred income	**76.5**	62.9	**14.9**	5.7
	137.1	112.9	**203.3**	218.8

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

26. Derivative financial instruments

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current Asset				
Interest rate swaps – fair value hedges	**0.6**	–	**0.6**	–
Current Liability				
Interest rate swaps – cash flow hedges	**2.7**	1.5	**2.7**	1.5
Forward foreign exchange contracts	**–**	0.1	**–**	–
	2.7	1.6	**2.7**	1.5
Non Current Liability				
Cross currency interest rate swaps	**16.3**	–	**16.3**	–

The interest rate swaps are used to manage exposure to movements in interest rates. Debt converted from a fixed to floating rate is designated as a cash flow hedge. Debt converted from floating to fixed is designated as fair value hedge. The fair value is determined by reference to observable market interest rates.

The cross currency interest rate swaps are used to change the currency of borrowings to reduce exposure to net assets denominated in currencies other than sterling. These are designated as a hedge of the Group's net investment in Borsa Italiana and qualify for effective hedge accounting as both legs of the swap are at fixed rate.

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.

27. Borrowings

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current				
Bank borrowings and trade finance loans	**0.9**	–	**–**	–
Redeemable class B shares	**–**	2.3	**–**	2.3
	0.9	2.3	**–**	2.3
Non-current				
Bonds	**499.6**	252.6	**499.6**	252.6
Bank borrowings	**106.2**	369.9	**106.2**	369.9
	605.8	622.5	**605.8**	622.5

The Group has the following committed unsecured bank facilities:

Type	Expiry date	Facility £m	Carrying value at 31 March 2010 £m	Interest rate percentage at 31 March 2010
Multi-currency revolving credit facility	October 2011	25.0	–	LIBOR + 0.8
Multi-currency revolving credit facility	February 2012	200.0	–	LIBOR + 1.25
Multi-currency revolving credit facility	July 2013	250.0	107.1	LIBOR + 0.8
Capitalised bank facility arrangement fees		–	(0.9)	
Total bank facilities		475.0	106.2	
Notes issued July 2006	July 2016	250.0	252.3	6.125
Notes issued June 2009	October 2019	250.0	247.3	9.125
Total Bonds		500.0	499.6	
Total Debt		975.0	605.8	

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 €125m of committed facilities with banks, available for short term CCP related activity purposes only.

Current borrowings

MillenniumIT has a mixture of import loans and overdrafts drawn against on-demand facilities available in Sri Lanka. The import loans are drawn in Sri Lankan Rupees (LKR) and are priced at 2.75 per cent per annum over Sri Lankan LIBOR. The overdrafts are drawn partly in LKR and partly in USD with pricing at 1.5 per cent per annum and 4 per cent per annum over Sri Lankan LIBOR and US dollar LIBOR respectively.

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 in January and July each year. 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. Moody's rating improved from Baa3 (positive outlook) to Baa2 (stable) in February 2009.

The bond coupon was 6.375 per cent at the start of the last financial year but the impact of the rating improvement was to reduce the coupon to 6.125 per cent from July 2009. There were no further changes to the coupon during the year.

In June 2009 the Company issued another £250m bond which is unsecured and is due for repayment in 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the company's credit rating. The bond coupon was 9.125 per cent throughout the financial year.

As at 31 March 2010 the Company had drawn £107.1m (2009: £371.5m) from its unsecured committed revolving facilities.

Fair values

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

Group	Carrying value 2010 £m	Fair value 2010 £m	Carrying value 2009 £m	Fair value 2009 £m
Borrowings				
– within one year	**0.9**	**0.9**	2.3	2.3
– after more than one year	**605.8**	**664.0**	622.5	624.1
	606.7	**664.9**	624.8	626.4

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

Company	Carrying value 2010 £m	Fair value 2010 £m	Carrying value 2009 £m	Fair value 2009 £m
Borrowings				
– within one year	**–**	**–**	2.3	2.3
– after more than one year	**605.8**	**664.0**	622.5	624.2
	605.8	**664.0**	624.8	626.5

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

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

Currency	2010 £m	2009 £m
Sterling	**498.7**	472.9
Euro	**107.1**	151.9
LKR	**0.9**	–
	606.7	624.8

During the year, £177.8m of sterling denominated borrowings were swapped into euros effectively reducing total sterling borrowings above to £321.8m and increasing total euro borrowings to £284.0m.

28. Analysis of net debt

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Due within one year				
Cash and cash equivalents	**223.1**	143.7	**0.1**	–
Bank borrowings	**(0.9)**	–	–	–
Redeemable class B shares	**–**	(2.3)	–	(2.3)
Derivative financial assets	**0.6**	–	**0.6**	–
Derivative financial liabilities	**(2.7)**	(1.6)	**(2.7)**	–
	220.1	139.8	**(2.0)**	(2.3)
Due after one year				
Bank borrowings	**(106.2)**	(369.9)	**(106.2)**	(369.9)
Bonds	**(499.6)**	(252.6)	**(499.6)**	(252.6)
Derivative financial liabilities	**(16.3)**	–	**(16.3)**	–
Total net debt	**(402.0)**	(482.7)	**(624.1)**	(624.8)

Reconciliation of net cash flow to movement in net debt

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Increase/(decrease) in cash in the year	**82.5**	(68.6)	**0.1**	–
Bond issue – notes due 2019	**(248.9)**	–	**(248.9)**	–
Bank loan repayments less new drawings	**257.3**	82.0	**257.9**	82.0
B share redemptions	**2.3**	5.3	**2.3**	5.3
Other repayments	**–**	1.2	**–**	–
Change in net debt resulting from cash flows	**93.2**	19.9	**11.4**	87.3
Foreign exchange movements	**3.2**	(13.0)	**6.6**	(24.7)
Movement on derivative financial assets and liabilities	**(16.8)**	6.3	**(18.4)**	–
Bond valuation adjustment	**0.5**	3.5	**0.5**	3.5
Other non-cash movements	**0.6**	–	**0.6**	–
Net debt at start of year	**(482.7)**	(499.4)	**(624.8)**	(690.9)
Net debt at end of year	**(402.0)**	(482.7)	**(624.1)**	(624.8)

29. Provisions

Group	Property £m	Other £m	Total £m
1 April 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
Charges during the year	9.2	–	9.2
Utilised during the year	(3.2)	–	(3.2)
Interest on discounted provision	1.2	–	1.2
31 March 2010	**33.9**	**–**	**33.9**
Current	3.7	–	3.7
Non-current	30.2	–	30.2
31 March 2010	**33.9**	**–**	**33.9**

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 four and 18 years to expiry.

The Company has no provisions.

30. Ordinary share capital

	2010		2009	
	millions	£m	millions	£m
Issued, called up and fully paid				
Ordinary shares of 6 79/86p	**271.1**	**18.8**	270.5	18.7
Class B shares of £2	**–**	**–**	1.1	2.3
		18.8		21.0
Less: Class B shares designated as borrowings (see note 28)		**–**		(2.3)
Share capital		**18.8**		18.7

During the year the Company issued 0.5m shares in October 2009 at an average share price of £9.34 per share and 0.1m shares in February 2010 at an average share price of £6.55 per share in relation to the acquisition of MillenniumIT. The total consideration was £5.2m. The excess of the consideration over the nominal value has been charged against the merger reserve.

More information about the different classes of share, and rights attaching, is given in the Directors' Report on pages 54 and 55 in this Report.

31. Net cash flow generated from operations

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit/(loss) before taxation	**144.3**	(250.8)	**80.4**	(672.3)
Depreciation and amortisation	**123.0**	85.8	**–**	–
Impairment of goodwill and investments	**–**	484.0	**–**	768.9
Loss on disposal of property, plant and equipment	**2.3**	0.1	**–**	–
Profit on disposal of share of subsidiaries associates	**(2.7)**	(2.0)	**–**	–
Net finance expense/(income)	**40.7**	44.9	**(135.7)**	(107.9)
Share of profit after tax of joint ventures	**(1.6)**	(2.1)	**–**	–
Provisions created during the year	**9.2**	2.1	**–**	–
Provisions utilised during the year	**(3.2)**	(5.0)	**–**	–
Increase in inventories	**(1.1)**	–	**–**	–
(Increase)/decrease in trade and other receivables	**(15.5)**	15.2	**38.1**	–
Increase/(decrease) in trade and other payables	**8.7**	(32.7)	**(0.6)**	0.4
Increase/(decrease) in CCP clearing business liabilities	**49,498.8**	18,371.5	**–**	–
(Increase)/decrease in CCP financial assets	**(49,495.8)**	(18,371.2)	**–**	–
Defined benefit pension obligation – contributions in excess of expenses charged	**(4.9)**	(6.9)	**–**	–
(Increase)/decrease in assets held at fair value from operating activities	**(4.6)**	9.9	**–**	–
Share scheme expense	**3.5**	10.2	**–**	–
Foreign exchange losses/(gains) on operating activities	**0.1**	(0.4)	**14.3**	5.9
Cash generated from operations	**301.2**	352.6	**(3.5)**	(5.0)
Comprising:				
Ongoing operating activities	**325.0**	378.9	**(3.5)**	(5.0)
Exceptional items	**(23.8)**	(26.3)	**–**	–
	301.2	352.6	**(3.5)**	(5.0)

Non-cash transactions include the issue of shares as consideration for the acquisition of a subsidiary discussed in note 33.

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.

32. Commitments and contingent liabilities

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £2.0m (2009: nil) and £3.1m (2009: £7.6m) respectively.

The Group will fully fund the cash needs of Turquoise, within an agreed framework, for the first 24 months from acquisition.

33. Business combinations

In the year to 31 March 2010 the Group made two acquisitions involving the acquisition of 100 per cent of the issued share capital of each company.

Due to the share for share consideration for Turquoise, the Group's shareholding stood at 60 per cent immediately post transaction. This was reduced to 51 per cent following a disposal of nine per cent of the shareholding on 5 March 2010.

Acquisitions in the year to 31 March 2010

Company acquired	Date acquired	Consideration[1] £m	Goodwill £m	Fair value of assets acquired £m	Contribution post-acquisition: Revenue £m	Contribution post-acquisition: Operating profit/(loss) £m
Sri Lanka						
Millennium Information Technologies Ltd (MillenniumIT)	16 October 2009	19.1	1.5	17.6	6.7	0.5
UK						
Turquoise Trading Ltd (Turquoise)	17 February 2010	16.1	8.7	7.4	0.3	(1.8)
Total		35.2	10.2	25.0	7.0	(1.3)

[1] Consideration includes acquisition costs.

If both acquisitions had occurred on 1 April 2009, estimated Group revenue for the year would have been £613.0m, with operating profit (before acquisition amortisation and exceptional items) of £263.5m. These amounts have been calculated using the Group's accounting policies.

The assets and liabilities arising out of each acquisition at the relevant acquisition date are as follows:

	Millennium Information Technologies Ltd		Turquoise Trading Ltd		Total	
	Book value £m	Fair value adjustment £m	Book value £m	Fair value adjustment £m	Book value £m	Fair value £m
Non-current assets:						
Intangible assets	1.0	14.0	0.7	3.3	1.7	19.0
Property, plant and equipment	2.7	–	1.2	–	3.9	3.9
Other non-current assets	–	–	0.6	–	0.6	0.6
Current assets:						
Cash and cash equivalents	0.1	–	5.1	–	5.2	5.2
Other current assets	4.2	–	1.0	–	5.2	5.2
Current liabilities:						
Other current liabilities	(4.4)	–	(4.1)	–	(8.5)	(8.5)
Non-current liabilities						
Deferred tax liability	–	–	–	(0.4)	–	(0.4)
Net assets	3.6	14.0	4.5	2.9	8.1	25.0
Goodwill	–	1.5	–	8.7	–	10.2
Total consideration	3.6	15.5	4.5	11.6	8.1	35.2
Satisfied by:						
Cash (including transaction fees)						16.5
Shares						18.7
						35.2

The fair value adjustments include:

Millennium Information Technologies Ltd

The £14.0m of intangible assets arising on consolidation represents £12.0m of purchased intellectual property, £1.4m of customer contracts, £0.4m of supplier relationships and £0.2m of brand value. The fair values of these purchased intangible assets are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill of £1.5m arising on consolidation represents the future synergies and growth potential of MillenniumIT as part of the Group and its assembled workforce. These fair values are still preliminary and will be finalised during the following financial year.

Turquoise Trading Ltd

The £3.3m of intangible assets arising on consolidation represents £2.3m of customer relationships, £0.1m of brands and £0.9m of licences. The fair values of these purchased intangible assets are being amortised over their useful economic lives, which do not normally exceed

25 years. The goodwill of £8.7m arising on consolidation represents the future synergies with the Group and growth potential of Turquoise Trading Ltd and its assembled workforce. The carrying value of Turquoise goodwill as at 31 March 2010 is £8.3m due to a deemed disposal of £0.4m on 5 March 2010 on the sale of a nine per cent interest to third parties. These fair values are still preliminary and will be finalised during the following financial year.

34. Leases

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

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

	Group			
	Property		Equipment	
	2010 £m	2009 £m	2010 £m	2009 £m
Less than one year	**17.0**	21.0	**1.0**	–
More than one year and less than five years	**70.4**	75.0	**2.1**	–
More than five years	**119.6**	129.7	**–**	–
	207.0	225.7	**3.1**	–

Operating lease payments of £15.6m (2009: £19.0m) were charged to the income statement in the year in relation to property. No operating lease payments were charged to the income statement in the year in relation to equipment.

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

	Group	
	2010 £m	2009 £m
Less than one year	**4.4**	8.5
More than one year and less than five years	**18.9**	26.8
More than five years	**18.2**	10.6
	41.5	45.9

The Company has no lease commitments.

35. 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 for awards made since 2008 adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 44 to 53.

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.

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 a Long Term Incentive Plan 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 2,874,538 (2009: 3,621,781) 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 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	–
Granted	64,960	3.45	–	–	2,649,045	–
Exercised	(333,299)	3.37	(80,656)	3.50	(340,267)	–
Forfeited	(5,838)	3.45	(98,584)	6.06	(1,286,488)	–
At 31 March 2010	**1,328,497**	**3.32**	**444,971**	**5.79**	**4,651,632**	**–**
Exercisable at:						
31 March 2010	**1,269,105**	**3.17**	**9,425**	**10.26**	**–**	**–**
31 March 2009	1,602,674	3.33	–	–	10,284	–

The weighted average share price during the year was £7.40 (2009: £7.05).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	Awards/options outstanding 2010		Awards/options outstanding 2009	
Exercise price range	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Up to £3	**312,250**	**0.2**	341,880	1.0
Between £3 and £4	**952,837**	**2.1**	1,197,384	3.7
Above £4	**63,410**	**0.1**	63,410	2.2
SAYE				
Between £2 and £4	**–**	**–**	64,279	0.9
Between £5 and £6	**435,546**	**1.4**	542,352	2.9
Above £10	**9,425**	**0.1**	17,580	1.3
LTIP				
Nil	**4,651,632**	**1.7**	3,629,342	1.8
Total	**6,425,100**	**1.8**	5,856,227	2.2

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:

	Performance shares 25 November 2009	Matching/ Performance shares 25 November 2009	Matching/ Performance shares 16-28 July 2009	Matching shares 25 September 2009	Company share option plan 16 September 2009
Grant date share price	814.5p	814.5p	681.5p - 682.5p	839.5p	860.5p
Exercise price	n/a	n/a	n/a	n/a	808.0p
Volatility	54%	54%	53%	54%	54%
Expected life	2 - 3.25 years	3 years	3 years	3 years	3 years
Dividend yield	3.00%	3.00%	3.60%	2.90%	2.80%
Fair value	£7.67 - £7.39	–	–	–	£2.95
Fair value TSR	–	£4.83	£3.93	£4.99	–
Fair value EPS	–	£7.44	£6.12	£7.70	–

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 is based on a Total Shareholder Return (TSR) pricing model which takes account of the TSR vesting condition. The fair value of all other shares granted is based on a Black-Scholes model. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

36. Transactions with related parties

FTSE International Ltd
Details of transactions with FTSE International Ltd are included in note 14.

Key management compensation
Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	2010 £m	2009 £m
Salaries and other short term benefits	**7.1**	6.8
Pensions	**0.5**	0.2
Share based payments	**–**	2.0
	7.6	9.0

Inter-company transactions with subsidiary undertakings
The Company has loan agreements with some of its subsidiary companies. Details as at 31 March 2010 are shown in the table below:

	Amount due/(owed) as at 31 March			Interest rate as at	Interest credit/(charge)	
Loan counterparty	2010	2009	Term	31 March 2010	2010	2009
LSE plc	£(178.5)m	£(198.2)	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	£(6.7)m	£(12.0)m
London Stock Exchange Employee Benefit Trust	£21.0m	£60.5m	Repayable on demand.	Non-interest bearing	nil	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	€450.0m	€450.0m	5 years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum	€26.6m	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	€89.5m	nil	20 years from January 2008 with 5 equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	€1.2m	nil
Borsa Italiana S.p.A.	nil	€109.0m	20 years from January 2008 with 5 equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	€1.2m	€7.3m
London Stock Exchange Group Holdings Limited	£33.8m	nil	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	£0.5m	nil
MillenniumIT Limited	nil	nil	First anniversary of the initial utilisation date.	LIBOR plus 4.0% per annum	nil	nil

During the year the Company charged in respect of employee share schemes £2.1m (2009: £4.9m) to the London Stock Exchange plc, £1.1m (2009: £4.7m) to London Stock Exchange Group Holdings (Italy) Ltd and £0.1m to Millennium Information Technologies Ltd. The Company received dividends of £109.0m (2009: £117.9m), €51.1m (2009: nil) and nil (2009: €56.6m) respectively from its subsidiaries London Stock Exchange plc, London Stock Exchange Group Holdings (Italy) Ltd and Borsa Italiana S.p.A..

37. Other statutory information

Auditors' remuneration payable to PricewaterhouseCoopers LLP and its associates comprise the following:

	2010 £m	2009 £m
Audit of parent company and consolidated accounts	**0.2**	0.2
Audit of subsidiary companies	**1.1**	1.1
Other fees:		
– Taxation	**0.3**	0.3
– Corporate finance	**0.3**	0.3
– Other assurance services	**0.1**	–
	2.0	1.9

Directors' emoluments comprise the following:

	2010 £m	2009 £m
Salary and fees (including cash payments in lieu of pension contributions)	**3.8**	3.3
Performance bonus	**1.9**	1.6
Gains on exercise of share options	**–**	0.6
Benefits	**0.2**	0.1
	5.9	5.6
Contributions to defined contribution pension schemes	**0.1**	0.1
	6.0	5.7

During the year two Directors (2009: two) had retirement benefits accruing under defined contribution schemes and no Director (2009: none) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration report on pages 44 to 53.

Financial record

Income statement	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue					
– Capital Markets	**287.4**	341.5	346.0	236.3	190.1
– Post Trade Services	**100.0**	91.6	41.5	–	–
– Information & Technology Services	**216.6**	207.5	145.8	105.9	100.5
– Other	**1.6**	4.1	0.3	–	–
Total revenue	**605.6**	644.7	533.6	342.2	290.6
Net interest income through CCP business	**16.2**	20.8	4.6	–	–
Other income	**6.5**	5.9	8.2	7.4	6.9
Total income	**628.3**	671.4	546.4	349.6	297.5
Operating expenses					
– operating expenses before goodwill impairment, amortisation of purchased intangibles and exceptional items*	**(349.6)**	(332.8)	(257.4)	(164.0)	(171.0)
– goodwill impairment, amortisation of purchased intangibles and exceptional items	**(98.0)**	(548.6)	(23.8)	(11.4)	(41.1)
Adjusted operating profit*	**280.3**	340.7	291.2	187.5	121.6
Adjusted profit before taxation*	**242.0**	304.7	258.5	172.9	128.2
Profit/(loss) before taxation	**144.3**	(250.8)	227.0	161.5	93.5
Profit/(loss) for the financial year	**91.7**	(332.8)	173.0	110.6	66.8
Basic earnings per share	**33.8p**	(126.1p)	70.8p	50.5p	27.8p
Diluted earnings per share	**33.5p**	(126.1p)	69.7p	49.4p	27.4p
Adjusted basic earnings per share*	**60.1p**	74.2p	73.1p	56.2p	37.4p
Adjusted diluted earnings per share*	**59.6p**	73.6p	71.9p	55.0p	36.9p
Balance sheet					
Non-current assets	**1,579.5**	1,679.9	1,921.5	132.8	137.6
Current assets	**84,617.6**	35,937.7	17,642.7	134.3	276.1
Current liabilities	**(84,412.4)**	(35,807.4)	(17,918.7)	(329.4)	(78.7)
Non-current liabilities	**(753.9)**	(757.0)	(382.6)	(287.6)	(46.2)
Net assets/(liabilities)	**1,030.8**	1,053.2	1,262.9	(349.9)	288.8
Cash flow					
Net cash flow from operating activities before exceptional items*	**325.0**	378.9	295.4	198.6	145.9
Other information					
Adjusted operating profit*	**44.6%**	50.7%	53.3%	53.6%	40.9%
Share price – high	**£9.41**	£13.83	£19.79	£13.50	£11.90
Share price – low	**£5.51**	£3.70	£11.25	£10.00	£4.49
Total dividend per share declared in respect of financial year	**24.4p**	24.4p	24.0p	18.0p	12.0p

Financial information for the years ended 31 March 2008, 2009 and 2010 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.

The prior years in the financial record above have been represented to conform with the current year accounting presentation.

How the markets work

To understand all the services offered by a diversified exchange business, it is important to recognise both the process of trading financial instruments, and the various trading platforms available within the EU. With an effective date of introduction of November 2007, the EU's MiFID sought to increase competition and consumer protection in investment services. Information provided here focuses on two main areas:

THE PROCESS OF TRADING

	PROCESS	EXPLANATION	LSE GROUP'S INVOLVEMENT
	ELECTRONIC TRADING	Computerised systems for matching orders of financial instruments, such as equities, bonds and derivatives.	• Equities – London and Italian trading platforms • ETFs, ETCs – London and Italian trading platforms • Bonds – MTS and MOT • Derivatives – EDX, IDEM and IDEX
POST TRADE	CLEARING	After a trade has been matched, usually by a trading system, it is cleared. At this stage, a central counterparty (CCP) stands between the buyer and seller. By simultaneously buying from the seller, and selling to the buyer, the CCP reduces the counterparty risk to both parties. This is because if one party defaults, the CCP will manage the loss using margin collected.	CC&G acts as a CCP for Italian cash equities, derivatives and fixed income.
POST TRADE	SETTLEMENT	Settlement is the process of delivering title to the financial instrument to the buyer against payment to the seller. For equities, this normally takes place three days after the trade. Netted settlement reduces a large number of positions to a single position/payment.	Monte Titoli operates the X-TRM and EXPRESS II systems, which cover Italian pre-settlement and settlement, creating netted settlement instructions, making the actual payments and delivering securities.
	CUSTODY	A custodian or Central Securities Depositary (CSD) undertakes the safekeeping and administration of securities on behalf of issuers and investors.	Monte Titoli provides Italian custody services for all the financial instruments it holds, whether dematerialised or in paper form. De-materialised securities are those that can be held without the need for paper certificates.

TRADING UNDER MIFID

	EXPLANATION	ATTRIBUTES	LSE GROUP'S INVOLVEMENT
EXCHANGE MODEL FOR TRADING	• Traded through trading platforms run by an operator of a regulated market. • Reported business done off order book and reported to regulated market.	• Regulated • Order driven • Neutral • Transparent • Liquid • Widest stock coverage • Widest client base • Telephone trading	• Trading platforms offered by the London Stock Exchange and Borsa Italiana, including securities listed on the Group's primary markets • On exchange trade reporting and publication
MTF	MiFID allowed for the setting up of Multilateral Trading Facilities (MTF), new pan-European trading ventures thereby promoting venue choice. Trading is of securities listed on the primary market of a regulated exchange.	• Regulated • Order driven • Neutral • Transparent • Can include dark pool trading	• MTF services provided through Turquoise
OTC	Over the counter (OTC)/negotiated market operated by electronic networks or telephone. Electronically connected market consisting of dealers who are in constant contact thereby facilitating trading directly between two parties. OTC accounts for approximately 40-50 per cent of equity trades throughout Europe by value.	• Regulated • Large or block trades • Way to trade less liquid stock	• OTC trade reporting and publication service

WHAT IS DARK POOL TRADING?

Private trading networks (within Europe these are MTFs) developed to enable the internal matching of orders between buyers and sellers without being visible until the trade is complete, thereby creating a regulated environment in which to execute larger trades. Turquoise, the Group's pan-European MTF provides a dark pool service, as well as 'Lit' trading whereby traders can see potential buy and sell orders in advance. Brokers also operate OTC dark pools.

Glossary

AIM
The Group's market for smaller and growing companies established in London and now extended to AIM Italia and TOKYO AIM

Baikal
The Group's dark pool now merged into Turquoise

BIt
Borsa Italiana, the Group's Italian exchange business

CCP
Central Counterparty – stands between two parties to a trade to eliminate counterparty risk by ensuring that settlement takes place

CC&G
Cassa di Compensazione e Garanzia S.p.A., the Group's Italian subsidiary which manages the Italian CCP for equity, derivative and fixed income trades

Central Securities Depository (CSD)
An entity that enables securities to be processed, settled and held in custody

Company
London Stock Exchange Group plc or LSEG

Code of Conduct
The European Code of Conduct for Clearing and Settlement, signed by trading and post-trading infrastructures on 7 November 2006, to provide links between post trade providers for greater efficiency and choice of service

CONSOB
Commissione Nazionale per le Società e la Borsa, Italy's official body for regulating and supervising companies and trading infrastructure providers

CREST
The system for the paperless settlement of trades in securities and the holding of uncertified securities in the UK operated by Euroclear UK & Ireland Limited and regulated by the FSA

Dark Pool
Electronic trading networks developed by regulated venues such as Regulated Markets, MTFs and by OTC broker dealers to enable the matching of orders between buyers and sellers without being visible until the trade is complete, using exemptions permitted under MiFID thereby creating a secure environment in which to execute larger trades

Depositary Receipts/Global Depositary Receipts (GDR)
Tradeable certificates representing ownership of a number of underlying shares, mainly for companies in developing or emerging markets

Derivatives
Tradeable financial instruments whose value is determined by the value of other underlying financial instruments

EDX
EDX London Limited – the Group's UK based derivatives subsidiary which provides futures and options trading in a range of international markets

ESOP
Employee Share Option Plan

ETC
Exchange Traded Commodity – simple and efficient securities that provide exposure to a range of commodities and commodity indices

ETF
Exchange Traded Fund – simple, low-cost and flexible investments that track indices and sectors

FSA
Financial Services Authority, the regulator of providers of financial services in the UK

FTSE Group
The Group's 50 per cent joint venture which creates and manages indices on a global basis

FTSE 100 index
The index developed by FTSE and LSE for leading UK quoted companies

FTSE MIB index
The index developed by FTSE and Borsa Italiana for leading Italian quoted companies

FTSEurofirst 100 index
The index of leading European quoted companies

Group
The Company and its group undertakings

Group undertakings
Group undertakings shall be construed in accordance with s1161 of the Companies Act 2006 and, in relation to the Company, includes London Stock Exchange plc and Borsa Italiana S.p.A., together with respective direct and indirect subsidiaries

IDEM
The Group's Italian Derivatives Market, trading contracts based on equities and related indices

IDEX
The Group's Italian energy derivatives segment, trading contracts based on commodities and related indices

Infolect
The Group's high performance market data system that provides real time tick-by-tick data essential for anyone trading on our markets

IOB
International Order Book – the Group's electronic trading service for international securities

IPO
Initial Public Offering – the process whereby companies join our markets and raise capital for the first time

LCH.Clearnet
LCH.Clearnet Limited is the third party recognised clearing house that is the CCP to London Stock Exchange equity trades and EDX London derivatives

Main Market
The market for companies who have been admitted to trading on the London Stock Exchange's principal market; and in Italy, the market for companies listed on Borsa Italiana's principal MTA market

MiFID or Markets in Financial Instruments Directive
EU Directive introduced in November 2007 to harmonise cross border trading of equities, providing greater choice of trading venues

MillenniumIT
The Group's subsidiary that is the developer of low cost, high performance trading platforms and financial markets software serving both the Group's own businesses and third parties

Monte Titoli
Monte Titoli S.p.A., the Group's Italian Central Securities Depository and settlement company

MOT
Mercato Obbligazionario Telematico is the Group's Italian retail bond trading platform

MTA
Mercato Telematico Azionario is the Group's Italian electronic market on which shares, convertible bonds, warrants and option rights are traded

MTS
Società per il Mercato dei Titoli di Stato S.p.A., the Group's 60 per cent subsidiary which owns and operates an electronic trading platform for European fixed income securities

Multilateral Trading Facility (MTF)
Alternative electronic trading systems as categorised under MiFID

OTC
Over the counter transactions completed away from an exchange or MTF

Proquote
The Group's financial market software and data services provider

Repo
Repurchase Agreement – the process of borrowing money by combining the sale and subsequent repurchase of an asset

RNS
Regulatory News Service, the Group's Primary Information Provider, for dissemination of regulatory and non-regulatory news to the market

RPI
The Retail Price Index which measures inflation in the UK economy

SEDOL Masterfile (SMF)
The Group's securities identification service

SETS
The electronic order book operated by the London Stock Exchange for the most liquid securities

SOLA®
Derivatives trading platform used by EDX, supplied to the Group by TMX

Specialist Fund Market (SFM)
The Group's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors

Target 2 Securities (T2S)
Initiative led by the European Central Bank to provide a platform for settlement of bonds and equities traded in the Eurozone, expected to be launched at some point beyond 2013

TradElect
The Group's trading technology for SETS introduced in 2007, to be replaced with MillenniumIT technology in the latter half of 2010

Turquoise
The Group's 51 per cent owned pan-European MTF trading subsidiary, a venture between the Group and 12 global investment bank clients

UnaVista
The Group's web based matching, reconciliation and data integration engine that provides matching of post trade data in a simple, automated process

X-TRM
The Group's post-trade router, to manage the trade flows between two competing CCPs and onward to settlement

Investor relations

Shareholder services

Equiniti registrars shareview service

Shareview is a free service provided by our registrars, 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 service, please contact Equiniti on 0871 384 2544. Calls to this number are charged at eight pence per minute from a BT landline. Other telephone providers' costs may vary. For calls from outside the UK, please contact Equiniti on +44 121 415 7047. Please note that you should only use electronic addresses included in this Annual Report for the purposes expressly stated.

Group'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 at: www.londonstockexchangegroup.com and follow the link in the section on financial performance – reports and key documents.

Substantial Shareholders

As at 20 May 2010 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 DTR 5 of the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Unicredito Italiano S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
Legal & General Group plc	5.0%
Horizon Asset Management Inc.	3.7%

Financial calendar (provisional)

AGM	14 July 2010
Q1 Interim Management Statement (revenues only)	14 July 2010
Ex-dividend date for final dividend	21 July 2010
Final dividend record date	23 July 2010
Final dividend payment	16 August 2010
Half year end	30 September 2010
Interim Results	November 2010
Q3 Interim Management Statement (revenues only)	January 2011
Financial year end	31 March 2011
Preliminary Results	May 2011

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.

Investor relations contacts

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Visit the investor relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts
www.londonstockexchangegroup.com

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