

Annual Report 2012

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Delivering on our strategy

Getting in shape
Leveraging our assets
Developing opportunities

*Building a diversified international business,
based on strong customer partnerships*



London

Stock Exchange Group

Annual Report 2012

Welcome to our Annual Report

London Stock Exchange Group (LSE.L) sits at the heart of the world's financial community. The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, Europe's leading fixed income market; and Turquoise, offering UK and Russian derivatives trading and pan-European lit and dark equity trading. Through its markets, the Group offers international business unrivalled access to Europe's capital markets.

The Group is a leading developer of high performance trading platforms and capital markets software and also offers its customers around the world access to an extensive range of real time and reference data products and market-leading post trade services. The Group is also home to a world leading index provider, FTSE, which creates and manages over 200,000 equity, bond and alternative asset class indices.

Headquartered in London, with significant operations in Italy and Sri Lanka, the Group employs around 1,900 people.



Further information on London Stock Exchange Group can be found at:
www.londonstockexchange.com

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Registered in England and Wales No. 5369106



Overview

An overview of our business, the markets and regulatory environment in which we operate, our vision and strategy, and statements from our Chairman and our Chief Executive.

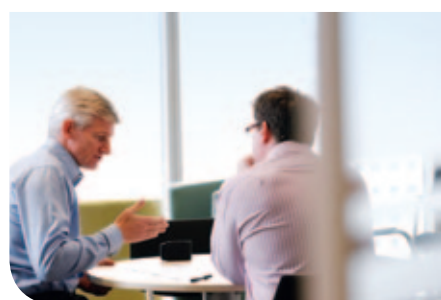
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Business review

More detail on each of our divisions, our performance, our relationship with our employees and other stakeholders and the principal risks and uncertainties that could affect our business.

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Group financial statements

Detailed financial information setting out our performance for the year and financial position at year end, together with the report thereon by our independent auditors.

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Shareholder information

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Images above

Top: Glencore raised \$10 billion in London's largest ever IPO, May 2011

Second down: Salvatore Ferragamo joined Borsa Italiana's main market, June 2011

Third down: Meeting at FTSE International offices

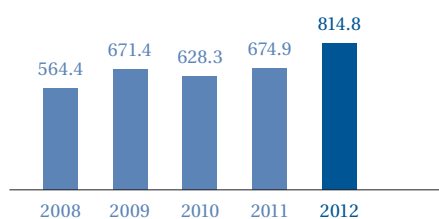
Fourth down: London played host to WIE50 on International Women's Day, March 2012

Bottom: Staff meeting at the Group's MillenniumIT offices, Sri Lanka

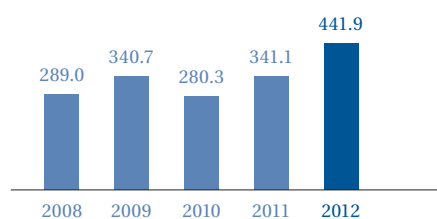
Highlights

Financial highlights

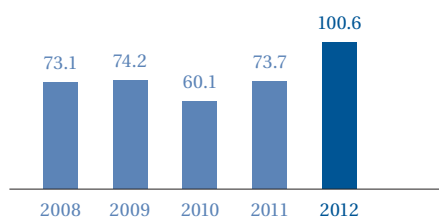
Total Income (+21%)
£ million



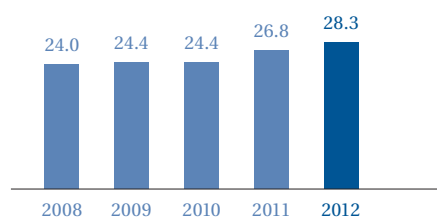
Adjusted Operating Profit* (+30%)
£ million



Adjusted Basic Earnings per share* (+36%)
pence



Dividends per share (+6%)
pence



Year ended 31 March	2012	2011	Variance %
Total income	£814.8m	£674.9m	21
Adjusted operating profit*	£441.9m	£341.1m	30
Operating profit	£358.5m	£283.0m	27
Adjusted profit before tax*	£400.6m	£296.3m	35
Profit before tax	£639.7m	£238.2m	169
Adjusted basic earnings per share*	100.6p	73.7p	36
Basic earnings per share	193.6p	56.4p	243

* 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. Adjusted operating profit, adjusted profit before tax and adjusted earnings per share all exclude amortisation of purchased intangibles, goodwill impairment and non-recurring items.

Operational highlights

The Group continues to develop new products, expand its reach and improve the efficiency of its operations. Further good progress has been made in delivering on our strategy and our business provides an increasingly well diversified international portfolio of assets and services

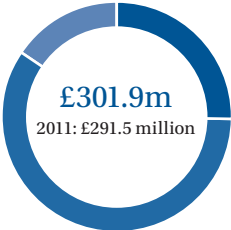


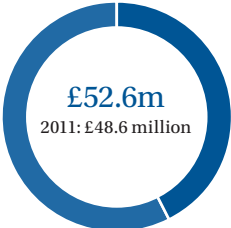
- Acquisition of the remaining 50 per cent of FTSE – providing full control of a high growth, global indices business with opportunities identified to enhance and develop wider Group products
- Our primary markets remain attractive to domestic and international issuers, with 159 new companies joining our markets during the year, including 40 international issuers
- Share of order book trading of UK equities remains stable following tariff improvements and successful introduction of the high performance MillenniumIT trading system in 2011
- International Order Book (IOB) equity trading at record levels
- Launch of FTSE 100 Futures and Options through Turquoise Derivatives and IDEM successfully started FTSE MIB Weekly Options trading
- MTS launched an electronic trading service for UK government bonds and is launching MTS Credit trading Euro-denominated non-government debt
- MOT devised an innovative bond distribution model, the first offering of ‘BTP Italia’ raising €7.3 billion – in addition, 500 new bonds were listed on MOT, up 120 per cent on last year; the UK electronic retail bond market, ORB, has now assisted companies in raising over £1.5 billion since launch
- CC&G clearing service extended to three additional trading venues and will provide services to a new Central Eastern European clearer
- Monte Titoli established a new settlement link with Euroclear and now provides cross-border settlement and custody services with links to nine CSDs in Europe and the US
- Demand for UnaVista confirmation and swaps portals remains strong; FSA Transaction Reporting Service acquired during the year further strengthens the offering and broadens the customer base
- MillenniumIT trading system being configured for our Borsa Italiana MTA cash market, with go-live expected H1 2012
- Partnership with the Mongolian Stock Exchange is progressing well; working closely with the Mongolian financial community to develop new market structure and rules

Group Total Income by segment
£ million



Group at a glance

London Stock Exchange Group is a leading diversified exchange business, incorporating the Borsa Italiana group, London Stock Exchange, FTSE International and MillenniumIT. The information below and on the next page provides an outline of our business model.

	Total income contribution	Sub-segment	Main types of income
<p>Capital Markets At the heart of what we do are our multi-asset markets in London and Italy – and increasingly throughout Europe</p> <p>37% Group Total income</p>	 <p>£301.9m 2011: £291.5 million</p>	<ul style="list-style-type: none"> ● <i>Primary</i> ● <i>Secondary</i> ● <i>Other</i> 	<ul style="list-style-type: none"> • Admission fees for initial listing or raising further capital • Annual fees for securities traded on our markets • Fees based on value traded (UK equities and Government bonds) or number of trades (Italian equities, retail bonds and derivatives) • Membership fees to access any of our trading markets, such as SETS
<p>Post Trade Services We offer open-access and efficient clearing, settlement and custody services. Our post trade business supports cash equity, derivative and fixed income markets</p> <p>28% Group Total income</p>	 <p>£228.5m 2011: £150.6 million</p>	<ul style="list-style-type: none"> ● <i>Clearing</i> ● <i>Net treasury income</i> ● <i>Settlement</i> ● <i>Custody</i> 	<ul style="list-style-type: none"> • Fees based on trades or contracts cleared, and Central Counterparty (CCP) services provided • Net interest on cash and securities held for margin and default funds • Revenue mostly comes from the settlement of equity and fixed income trades • 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
<p>Information Services We sell real time price information and a wide range of other information services from indices to post trade analytics</p> <p>27% Group Total income</p>	 <p>£218.9m 2011: £171.8 million</p>	<ul style="list-style-type: none"> ● <i>Data charges</i> ● <i>FTSE</i> ● <i>Other information</i> 	<ul style="list-style-type: none"> • Fees primarily based on number of terminals taking our real time price and trading data • Subscription fees for data and analytic services • License fees for access to indices for benchmarking funds • Fees vary based on the nature of service provided, for example a licence fee is paid to gain access to the SEDOL securities numbering system
<p>Technology Services Our businesses and customers depend on our secure technology that performs to high levels of availability and throughput</p> <p>6% Group Total income</p>	 <p>£52.6m 2011: £48.6 million</p>	<ul style="list-style-type: none"> ● <i>MillenniumIT</i> ● <i>Technology</i> 	<ul style="list-style-type: none"> • Sales of capital markets solutions • Provision of enterprise sales and IT infrastructure services in Sri Lanka and to international capital markets customers • Fees for network connections and systems supplied by Group businesses

Note: Other income £12.9m, 2% Group Total Income

Customer profile	Highlights	KPIs	
Companies from 68 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other assets	159 new companies joined our markets in the year New Admission to Trading service for sponsored Depositary Receipts	<i>Number of companies on our markets</i> 2,845 2011: 2,938	<i>Capital raised by new and further issues</i> £36 billion 2011: £40 billion
Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms	Share of order book trading stabilised during the year, at 62.0 per cent in UK equities and 84.5 per cent in Italian equities MOT, the Borsa Italiana bond market, number of trades up 41 per cent	<i>Average number of equity order book trades per day in Italy</i> 260,000 2011: 257,000	<i>Average equity value traded per day in London</i> £4.7 billion 2011: £4.7 billion
Banks and brokers worldwide	Integration of London and Italian markets has facilitated cross-membership	<i>Member firms connected to our markets</i> 509 2011: 532	
143 members, mainly banks and brokers, over 40 per cent of which are based outside Italy	CC&G extended its CCP service to three additional venues	<i>Number of equity and derivative contracts cleared</i> 117.0 million 2011: 115.8 million	
Clearing members	Growth in collateral held linked to increased derivative and fixed income trading	<i>Average initial margin held</i> €9.4 billion 2011: €6.9 billion	
Wide range of Italian and international banks and brokers for both on market and OTC trades	Settlement rate of 99.4 per cent exceeds the Bank for International Settlements' quality standards	<i>Settlement instructions handled</i> 68.2 million 2011: 69.8 million	
Issuers of equity and fixed income products (mostly Italian based)	Government and corporate bond issuance remained at high levels Sale of Servizio Titoli in May 2011	<i>Monte Titoli's custody assets under management</i> €3.08 trillion 2011: €3.02 trillion	
Direct to banks, also to service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information and sell onto users	Direct billing and non-display tariff initiatives Google licence to show last trade price	<i>Number of professional terminals taking group data (90,000 London data; 139,000 Italian data)</i> 229,000 2011: 232,000	
Asset managers, active and passive sell-side firms and exchanges	Completed acquisition of outstanding 50 per cent of FTSE in December 2011	<i>Number of indices calculated</i> 200,000	
Our customers vary based on the service provided, including fund managers, traders, retail brokers and market makers	Completed acquisition of FSA's Transaction Reporting Service and has migrated users to UnaVista	<i>Number of instruments contained in our SEDOL Masterfile</i> 20 million 2011: 19 million	
Other London Stock Exchange Group divisions, other exchange groups and capital market clients, banks, IT and other large Sri Lankan companies	MillenniumIT delivered systems for final testing to Borsa Italiana in Milan and to the Mongolian and Johannesburg stock exchanges	<i>Latency on UK trading platform (at average of 99th percentile)</i> 124 microseconds 2011: 113 microseconds	
Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region	Development continues on our data centre, trading platforms and a new Ticker Plant	<i>Availability of UK equity market during the year</i> 100% uptime 2011: 99.83%	

What we do – business model

We provide services to a broad set of customers across a diverse range of asset classes and functions. This section provides an overview of the Group's activities and their inter-connections.

Capital Markets

Our central economic function is to bring together companies and other issuers seeking capital with investors from around the world.

Primary market

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

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 depository receipts on our International Order Book, European corporate and government bonds (fixed income) and equity and index derivatives (Italian, Norwegian, Russian and now UK).

Post Trade Services

The Group offers a full range of Post Trade services, providing risk management and efficiency for traders. Based in Italy, CC&G provides clearing services to a number of Group trading platforms and third party venues. Monte Titoli offers pre-settlement, settlement and custody services.

Information Services

Real time data

We supply real time prices and trading data, creating the transparency and liquidity that are essential for market users.

Indices

Through FTSE, a global leader in the calculation and provision of indices, we assist asset managers and owners to benchmark investment performance.

Other information services

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

Technology Services

All of our businesses depend on technology that is secure, stable and performs to high levels of availability and throughput. We provide the same leading technology solutions for the Group's needs and to third parties.

Where to go for more information



- See the Segmental Review section (pages 17 to 31) for an update on developments in each main business area
- Read the Financial Review (pages 32 to 35) for details of business performance over the past year
- Like any industry, capital markets has its own language. For that reason, we have included a glossary on pages 112 to 113
- In addition, the framework for trading financial instruments has changed considerably with the introduction of the Markets in Financial Instruments Directive (MiFID) and other directives. An overview of how the markets work in Europe under MiFID is provided on pages 110 to 111
- An overview of current regulatory changes and how these potentially affect the Group can be found on pages 10 to 11

Further explanation

Equities

Our primary markets are home to a wide range of companies, from global and well known to small and medium size enterprises. 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, traders can also access pan-European and US equities.

Fixed income

The Group's MTS, MOT and ORB businesses provide platforms for the trading of Government and corporate bonds.

Derivatives

Our success in running primary markets has enabled us to develop derivative markets for the trading of emerging market equity derivatives, particularly Russian derivatives. IDEM is our derivatives market for Italian equities; Turquoise trades International Order Book derivatives and during the year also launched FTSE 100 Index Futures and Options.

Real time data

This data is of high value and is used and referenced by market participants and trading services. As well as providing feeds directly to clients, we also distribute through providers such as Bloomberg and Thomson Reuters. These providers incorporate our data with other information and sell it to trading firms, investors and institutions around the world.

FTSE Indices

FTSE provides benchmark and other indices to active and passive asset managers and other market users on a global basis.

Other information

- SEDOL – unique security identifier numbering system
- UnaVista – trade matching and reconciliation service
- RNS – Regulatory News Service
- Proquote – market data system

Technology

With continued demand for new functionality and highly automated trading, we are investing to increase the speed and capabilities of our trading services. With MillenniumIT, we have an agile, efficient, in-house IT development capability that will serve the Group's capital markets businesses. MillenniumIT also sells and licenses the same exchange related technology and services to capital markets businesses across the globe.

Market position and outlook

The Group provides the infrastructure, venues and range of services that are necessary for capital markets to function effectively:

- primary markets for capital raising
- secondary markets for price formation and trading
- market data and information for transparency, knowledge and accessibility, including the calculation of indices
- post trade services for risk management, clearing of trades, custody and settlement
- technology to enable markets to operate reliably, at high speed and at low cost

The markets we support are impacted by a wide range of factors, the most notable being structural shifts in the global economy and geopolitical environment and ongoing and widespread regulatory change. For an overview of Market structures, see pages 110 to 111.

Economic conditions

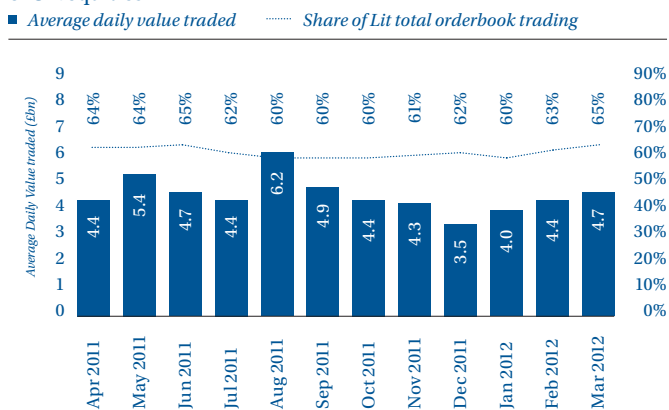
The past year was characterised by significant market turbulence, the principal catalysts of which included the breakdown of budget negotiations in the US, the sovereign debt crisis in the Eurozone and attempts to stabilise financial markets post intervention by the European Central Bank in December. Downward revisions to the global economic outlook, fiscal tensions in developed countries and high volatility across all asset classes resulted in a challenging operating environment for global financial institutions.

In particular, European economies, which have a notable impact on the Group's performance, have been subject to austerity programmes implemented by national governments to improve public sector finances and calm sovereign bond markets. In Italy, sovereign yields have been heavily affected by contagion fears following financial distress in Greece and across Southern European countries. The tough macroeconomic reforms introduced by the new Italian Prime Minister, together with capital injections of over €1 trillion by the European Central Bank into the European banking sector, have sought to stabilise capital markets and help ease the Euro crisis.

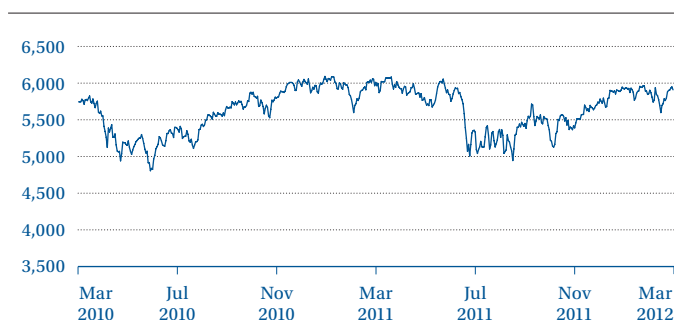
Diversification and a better balance of income streams have resulted in the Group's improved overall resilience to short term volatility. In particular, our Post Trade business performed strongly in volatile market conditions with elevated levels of net treasury income. However, difficult market conditions in the past year led to slightly weaker performance in our secondary market activities during this period. Although market conditions may remain challenging, we expect any increased stability and reduced volatility to help normalise trading volumes across our markets and improve primary market activity. London's position as a pre-eminent global listings destination means that the Group is ideally placed to compete and benefit from improving market sentiment and, in turn, any increase in capital raising by companies and other issuers. This will apply to both our equity and debt platforms throughout Europe, and we expect any improvement in outlook to help drive greater trading and post trade activity across our venues and markets.

“Our stated strategy has successfully delivered a broadly stable share of equity trading over the year.”

London Stock Exchange order book value traded and share of trading of UK equities



FTSE 100



FTSE MIB



Our stated strategy has successfully delivered a broadly stable share of equity trading over the year, despite market volatility, at an average of 62.0 per cent for UK cash equities and 84.5 per cent for Italian order book trading (excluding trading on Turquoise). On a European basis, the share of trading for the Group's equity order books (including Turquoise) was 24.4 per cent (FY 2011: 23.5 per cent). During the same time period, principal global indices were highly volatile; the FTSE 100 finished the year down two per cent and the FTSE MIB declined by 27 per cent.

Our approach

As discussed overleaf, we believe that many proposed regulatory changes could provide opportunities for development of the Group's services, although some may prove to be less positive. We continually monitor regulatory developments and have direct engagement with appropriate authorities at a national, EU and international level and continue to develop our relationships with key political stakeholders. As an operator of regulated markets and MTFs (Multilateral Trading Facilities), a regulated central counterparty and a central securities depository, the Group has built a reputation as a stable, trusted and neutral provider of the full range of market infrastructure. We will continue to respond to the evolving market environment in order to create value for both customers and shareholders, by providing commercial and compliant products and services.

Outlook

Looking ahead, regulatory change and customer demand are creating significant new opportunities for clearing and risk management services globally. In March this year, we announced our planned acquisition of a majority stake in LCH.Clearnet. This is a notable transaction for the Group, meeting our strategic objectives of providing efficiency, choice and open access for customers, continuing to build upon our existing assets and developing new opportunities, particularly in the post trade area. We believe this transaction will enable the Group to further develop its product and service offering, broadening its international clearing and risk management capabilities and providing exciting new opportunities for innovation in partnership with our clients.

Regulatory changes

Trend towards increasing regulation

The trend towards capital markets becoming more global in nature continues, although the impact of the financial crisis and the active shift towards greater regulation is likely to slow its progress in certain areas.

Policymakers are seeking to establish harmonised approaches to reduce the risks of regulatory arbitrage and to ensure that taxpayers are not called upon to provide similar indemnities as those needed in 2008/2009.

- In the US, the primary focus has been the implementation of the Dodd-Frank Act, with a broad rulemaking exercise that will affect OTC (over-the-counter or 'off-exchange') derivatives transactions and the operation of clearing entities in the US
- In the EU, focus on delivering against the G20 commitments has informed the work on EMIR (European Markets Infrastructure Regulation), CRD IV (Capital Requirements Directive), credit rating agencies and MiFID (in particular seeking to bring at least some OTC derivative trading on platform). The EU has also created three new European Supervisory Authorities, which will be responsible for some direct supervision activities, the implementation of the various measures above and the development of the EU's 'single rule book'
- In the UK, the revision of the regulatory regime continues; the Government's Financial Services Bill is progressing through Parliament, with its proposal to replace the FSA (Financial Services Authority) with two new regulators; the PRA (Prudential Regulatory Authority), responsible for micro prudential regulation and the FCA (Financial Conduct Authority), responsible for conduct, markets and consumer protection; and to create a Financial Policy Committee, to advise on macro-systemic risk. At this stage, in terms of market infrastructure for trading and clearing, it is likely that the FCA will be responsible for regulating London Stock Exchange in the UK and that UK CCPs (central counterparties) will be regulated by the Bank of England. The FSA has also recently consulted on the Financial Resources Requirements for Recognised Bodies (exchanges and clearing houses).

Impact on the Group

Regulation of financial services remains a key priority for national and EU Governments and is likely to have significant effects on the environment in which we, and our customers, operate. Some of the proposed changes most likely to have a direct effect on our businesses include:

MiFID/MiFIR

The Commission's proposals include:

- requirements for trading venues and CCPs to give access to competing providers in order to promote further competition and for non-exclusive licensing of benchmark indices, which could enable trading platforms and CCPs within the Group to compete more effectively with other operators
- creation of an SME (Small and Medium Sized Enterprises) Growth Market framework to support SME funding and markets, which would allow the Group's AIM and similar markets to become part of this framework, benefitting from the increased profile and confidence predicted by the Commission
- increased pre and post trade transparency for all non-equity asset classes, including bonds and derivatives, which could affect trading activity for some participants but could also provide benefits in terms of increased transparency for trading
- increased regulatory requirements for high frequency trading strategies and proprietary trading, which may reduce trading volumes, in turn widening the spreads available to investors and increasing the cost of capital to issuers

EMIR Level I:

The final terms of the regulation:

- mandate CCP clearing for a wide range of eligible derivatives contracts
- mandate the reporting of derivative trades to Trade Repositories
- establish harmonised requirements for CCPs and Trade Repositories so that they can demonstrate safety, soundness and efficiency

These measures could increase opportunities for the Group to further develop its CCP offering.

Central Securities Depositories Regulation (CSDs):

The Commission has proposed measures to harmonise:

- the authorisation and operation of central securities depositories
- certain aspects of securities settlement in the EU, including settlement periods and settlement discipline

This will open the CSDs to competition across the EU, presenting both opportunities and risks to the Group.

Capital Requirements (CRD IV)

- The Commission's proposal suggests further changes to the Capital Requirements Directive aimed at increasing the resilience of the banking sector, including the introduction of liquidity standards and a leverage ratio and the strengthening of capital requirements for counterparty credit risk

This might affect the level of market activity in the Group trading and clearing venues and may have a direct impact on the Group itself in terms of capital required.

Crisis Management for Infrastructure (particularly CCPs)

- We expect the Commission to consult on, and then propose, measures to provide for managing potential failure of market infrastructure, including exchanges and CCPs, with possible measures on capital requirements, orderly wind-down and business transfer, amongst others

Group infrastructure will likely be affected, probably through increased prudential requirements and systems to mitigate the effects of infrastructure failure.

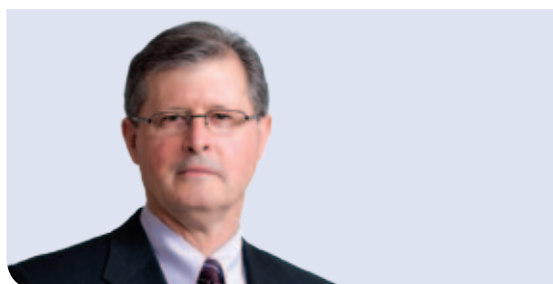
TARGET2-Securities (T2S)

- The implementation date for the European Central Bank's T2S project, aimed at facilitating cheaper cross border settlement across Europe, has now been set for June 2015
- In November 2011, the ECB agreed the Framework Agreement, which sets out the contractual rights and obligations of the Eurosystem and each contracting CSD. Monte Titoli has already signed the Framework Agreement, reconfirming its positioning in the 'first wave' of the project. Our involvement in, and support of, this key initiative evidences our commitment to quickly embrace market changes and to ensure that our customers receive maximum benefit from them

Other measures

The Commission will also deliver Level II measures under EMIR and the regulations on short selling, credit rating agencies, market abuse and issuer transparency. There are also planned measures on securities law and corporate governance, and continuing discussions on possible financial transaction/activity taxes, all of which may affect Group operations to some extent.

Chairman's statement



“The strategy that we outlined almost three years ago of ‘getting in shape, leveraging our assets, and developing opportunities’ has delivered tangible operational and financial performance.”

Market and operating environment

Market users, regulators and policy makers have grappled with the dynamics of an incredibly fluid and often difficult macro environment over the past twelve months. Growth, stability and transparency in different measures have been elusive characteristics. Against this backdrop the importance of neutral, trusted, well regulated and systemically important market infrastructure has perhaps never been more apparent. At London Stock Exchange Group, we are acutely aware of our responsibilities and the central role we play in market efficiency, through capital raising and distribution, market confidence and stability and in facilitating economic growth.

We are proponents of regulatory regimes that promote efficiency, competition and transparency, and we have actively contributed to the wealth of consultations and regulations that are currently in draft in the UK, Europe and internationally. Our commitment to promoting a better understanding of the markets in which we operate and the impact that these markets have on our society-wide economic prosperity has been unwavering.

In particular, the past year has reinforced our long-held belief that we must promote mechanisms that support entrepreneurship, job and wealth creation through diverse funding channels, moving away from the global over reliance on bank debt. In the UK, we have continued to actively lobby the Government on this, seeking tax and regulatory changes which will reinvigorate the UK's 4.8 million SMEs. With only three per cent of SMEs currently using equity as a funding mechanism due to the UK's punitive treatment of equity finance, we must urgently look at our whole ecosystem. If we are to create opportunities in the UK and throughout Europe, we must create an environment in which SMEs can thrive.

Strategic development

For the Group itself, this has been another busy and successful year. The strategy that we outlined almost three years ago of ‘getting in shape, leveraging our assets, and developing opportunities’ has delivered tangible operational and financial performance. We have been successful in driving growth and diversifying our organisation. Beginning with our successful merger with Borsa Italiana back in 2007, the last few years have seen a fundamental transformation of the Group. We have moved away from an over reliance on UK cash equities, and we are today an organisation that is not only a multi-asset, multi-platform international business, but also one that is very much ‘looking out and inviting the world in’. We are making good progress on our ambition to become one of the world's leading global market infrastructure businesses. In partnership with our customers, we now offer a broad portfolio of products, services and platforms that extends far beyond just our traditional cash equity offering.

A key part of our strategy is the diversification of our business. In early 2011, we announced a proposed merger with TMX Group. Whilst the merger was an exciting opportunity for the Group, the transaction did not receive TMX shareholder approval, despite the overwhelming support from our own shareholders, for which I would like to extend my sincere thanks. We have always taken a disciplined approach to M&A and therefore concluded that the transaction was not to be done at any cost.

Since then, we have been successful in completing and progressing a number of significant transactions and partnerships.

In December we acquired the 50 per cent in FTSE that we did not already own. This high growth, highly innovative global index business is one we know well. FTSE is a global brand with a strong culture of customer focused delivery and an impressive track record of double digit growth. The acquisition also highlighted the value of our original share of this high quality business. Going forward, we think there are significant opportunities for collaboration across the Group, and we are already seeing tangible demonstrations of this.

During the year, we also completed the acquisition of the FSA's Transaction Reporting Service, secured a number of technology contract wins and agreed a high profile data deal with Google.

In September 2011, we announced that we were in exclusive discussions with LCH.Clearnet Group, a leading international multi-asset, multi-venue clearing and risk management business. We have been clear about our ambitions to develop our post trade business and the chance to partner with LCH.Clearnet and their customers presents a significant opportunity for the Group. We have made good progress on this and in April 2012, both the Company's shareholders and LCH.Clearnet shareholders gave their overwhelming support for the transaction. We are now seeking the necessary regulatory and antitrust approvals and expect to complete the transaction by the fourth quarter of 2012.

We continue to see significant organic growth opportunities across our Capital Markets, Post Trade Services, Information Services and Technology Services businesses. This breadth and balance across our business gives us a strong and resilient position from which to continue to drive the business forward, capitalising on the opportunities presented by the macro environment, however it presents itself.

Our conviction

We operate in a dynamic, competitive environment where we seek to maximise our own and our customers' success. Yet, we are also mindful that we play a pivotal role in the broader communities we work in. That transcends our financial performance, critical as it is, and extends to our wider corporate responsibilities, the relationships we have with our customers and our partners, as well as the role and functions we perform.

We champion a number of social policy initiatives and remain committed to supporting the communities in the locations in which we operate. Since its launch in 2010, our charitable Foundation has donated £1.0 million to charities across Italy, Sri Lanka and the UK. As well as individual donations, the Group Foundation also supports individual partner charities in each of our primary locations, chosen by staff from across the business. We look to build long term collaboration between London Stock Exchange Group and our employees with these charities as we seek to create a lasting legacy for the work of our Foundation.

Looking to champion the health of the wider economy, beyond our philanthropic activities this year, we have played host to a number of influential politicians, intellectuals and statesmen. These have included the UK Deputy Prime Minister, the Italian Prime Minister, the Governor of the Banque de France and through our UK Paternoster Talk Series, Nobel prize winning economist Amartya Sen, and economists, Jim O'Neill and Nouriel Roubini. Our role in connecting our communities and working to promote efficient and successful capital markets will continue to underpin our enthusiasm for hosting and engaging with such key influencers.

Financial performance and dividend

Against the backdrop of what have been uncertain and changing markets, the Group has delivered another strong financial performance during the year, reflecting the success of our diversification strategy, our focus on working with our customers and the incredibly hard work of management and staff throughout the business.

Reflecting this, the Board is proposing a six per cent increase in the final dividend to 19.0 pence per share, resulting in a dividend for the full year of 28.3 pence per share, a six per cent rise. The final dividend will be paid to shareholders on the register on 27 July 2012.

Conclusion

The Group is in very good shape and we are well positioned to build on the success of the last financial year. Working in partnership with customers on product development, delivering innovations that drive their, and our, success and remaining absolutely focused on the strong execution of our strategy will be pivotal to our continued success. More broadly, championing a market framework that promotes our international competitiveness and capitalising on the anticipated ongoing regulatory changes, the Group will seek new opportunities to further develop and strengthen its increasingly diversified business. We are looking forward to what no doubt will be another exciting year for London Stock Exchange Group.



Chris Gibson-Smith
Chairman

Chief Executive's review



"We are continuing our transformation, in an industry that is undergoing widespread structural and regulatory change. As a team, we remain resolutely focused on our strategy, in navigating the complex global macro economic environment and in delivering shareholder value. We are excited about the opportunities available to us and we expect to make further good strategic progress."

Introduction and overview

This has been a notable year for the Group. We have delivered a strong financial performance, made significant progress on our diversification strategy and we begin the year ahead strongly placed to take advantage of the opportunities that our dynamic and evolving landscape continues to present.

Our business now represents a well diversified international portfolio of markets, products and services, spread across both asset class and geography. This breadth of offering gives the Group greater scope to continue to pursue the strategy that we outlined nearly three years ago of 'getting in shape', 'leveraging our assets' and 'developing opportunities'. This strategy is now delivering real results, providing the Group with growth, performance and resilience. We are pleased to report that this strategic focus has delivered a strong financial performance, with the Group reporting total income of £814.8 million, a 21 per cent increase on the prior year and adjusted operating profit up by 30 per cent to £441.9 million. We also remain firmly focused on cost discipline and continuing to deliver improved operational efficiencies.

Our business is made up of four growth-focused complementary business divisions: Capital Markets; Post Trade Services; Information Services; and Technology Services. All four areas performed well during the year and reported a number of highlights.

Capital Markets

Our fixed income markets grew 10 per cent while our UK and Italian cash equities markets and our derivatives operations were broadly flat in revenue terms. Our primary markets delivered good growth with an increase in total revenues for the year of eight per cent, though adverse market volatility in the second half of the year did impact on issuance levels and secondary market trading.

Small and Medium Sized enterprises (SMEs) are the key to driving economic growth in the UK and across Europe. Throughout the year we have been active proponents of initiatives that look to create a thriving ecosystem for these companies, helping them to become the corporate success stories of tomorrow. Our dedicated equity markets for SMEs continue to develop, providing access to equity investment for a wide range of companies. Our retail bond markets, MOT in Italy, and ORB in the UK, have also been the source of a significant number of successful placements. Since it was launched just two years ago, ORB has raised over £1.5 billion, demonstrating the need for such a platform in the UK. BTP Italia, a new Italian government bond dedicated to retail investors, raised €7.3 billion when it launched on MOT in March 2012, reinforced MOT's position as the preferred platform for Italian government bonds, for both private and professional investors. During the year, 500 new bonds were also listed on MOT with a nominal value of €719 billion.

The year also saw the launch of Turquoise Derivatives, which combined the Group's existing derivatives platform, EDX, with the MTF business that we own in conjunction with some of our key customers. Turquoise Derivatives has already firmly established itself as the leading EU marketplace for trading Russian equity and index derivatives and now also offers trading in FTSE 100 Index Futures and Options. This new offering has been greeted with much enthusiasm from customers and we hope in the future to develop a wider range of index products through FTSE that can be traded on Turquoise Derivatives.

The Group celebrated ten years of trading on its International Order Book (IOB) in 2011. It has demonstrated tremendous growth since its inception and is now the world's most liquid market for trading

in Global Depository Receipts (GDRs). It has raised over £40.6 billion in primary and secondary market issues for companies from 48 countries and continues to attract interest from global companies looking to list their GDRs in London.

Post Trade Services

In 2009, we stated our commitment to developing the Group's post trade capabilities, especially in clearing. Since then this business has made increasingly significant contributions to Group income, driven by growth in clearing volumes and increased treasury income from our central counterparty business, CC&G.

This year our Post Trade division delivered organic revenue up 10 per cent reflecting growth across all core areas of this strongly performing business. Including net treasury income, total income grew by well over 50 per cent. Demand for the cash we place on deposit in the Italian inter-bank market remained strong through the year and the spreads achieved remained high. Looking forward, we expect that as market conditions improve and increasing stability returns to the inter-bank market this will result in a more normalised return from our treasury management activities.

On 9 March the Group announced its intention to acquire a majority stake of up to 60 per cent in LCH.Clearnet Group. This transformative deal, which has recently received the overwhelming support of both sets of shareholders, will secure a leading role in global market infrastructure for the enlarged Group in partnership with our customers. The transaction pioneers an open-access, horizontal model, working with our customers for the benefit of the market as a whole.

Responding to market demand for trusted, efficient, scaled international infrastructure providers, the transaction further builds upon the Group's existing post trade offering. We are in the process of obtaining the necessary regulatory and antitrust approvals and expect to complete the transaction by the fourth quarter of 2012.

Information Services

In December we were delighted to announce that we had acquired the 50 per cent of FTSE that we did not already own for £450 million. FTSE is a world-leading global index business and for the last five years, it has grown at an impressive CAGR of over 20 per cent, reflecting its justly deserved reputation for innovation and customer focus, as well as its globally recognised international brand and its portfolio of 200,000 indices across 80 countries.

Entirely consistent with our strategy, this acquisition brings to the Group great opportunities for our customers to benefit from complementarity within our combined businesses. FTSE is a strong fit with our listed derivatives operations, it will help with the development of new tradable products, it will enhance our global reach and provide additional exposure and growth opportunities in indices, data and analytics. Importantly it also increases our direct exposure to global buy-side firms.

FTSE is a business with a proven track record, strong management and very good growth characteristics, and we look forward to developing the business further over the coming months.

Elsewhere within Information Services, we also completed the acquisition of TRS, the FSA's Transaction Reporting Service and clients have now been migrated onto our in-demand UnaVista platform.

UnaVista is a clear success story and has recently signed a number of leading brokerage firms to its Swaps Portal Service. Demand for its products remains strong and its community of global users continues to grow.

Technology Services

MillenniumIT has transformed the technology offering of the Group. Its low-latency, highly scalable trading platform has been in place on the UK cash equities market for a full year and Turquoise for 18 months. This new platform has revolutionised how customers view the Group's technology offering and we are already well advanced on our plans to migrate Borsa Italiana to the platform later this year.

As well as delivering technology for the Group, MillenniumIT has successfully grown its third-party capital markets customer base around the world. Over the year we announced a number of notable contract wins including the supply of trading systems to the Delhi Stock Exchange. We have also continued to make progress on previously announced wins including to the Mongolian Stock Exchange and Johannesburg Stock Exchange.

Low cost, flexible, resilient technology remains a cornerstone of our operations and we continue to actively invest in our skills, expertise and capabilities in this area, including the further expansion of our technology campus in Colombo, Sri Lanka.

Outlook

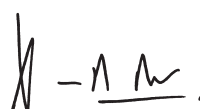
We have made significant progress over the last year in delivering on our strategic objectives. The Group is in very good shape and our business is increasingly well balanced and well diversified.

We continue to operate in an environment where new regulation and regulatory change dominate. Fundamental shifts in the way markets are structured and governed creates significant opportunities and challenges for us, and we remain alert and responsive to these changes. We have been encouraged by progress to date, in particular around proposals which will have significant implications for competition, especially in the exchange traded derivatives space. Although the outcome of all this regulatory change is not clear, the Group is committed to active engagement and discussion with policy makers around the world, promoting safe, efficient, competitive, innovative, successful capital markets – those in which all participants can thrive.

Over the coming year we will remain focused on successfully integrating new acquisitions, delivering on the stated cost and revenue synergies. We will continue to partner with our customers to drive innovation and new services and build on the success of our 'with customer' models already in place at MTS and Turquoise.

Finally, I am particularly proud of the way our staff around the world are embracing change, driving our business forward and working as a team. There is always more to do, but they have excelled this year.

We are continuing our transformation, in an industry that is undergoing widespread structural and regulatory change. The current macro economic environment, particularly in Europe, is evolving rapidly and remains uncertain, but the Group's breadth and diversity continues to provide resilience and a strong platform from which to seek opportunities. As a team, we remain resolutely focused on our strategy, in navigating the complex global macro economic environment and in delivering shareholder value. We are excited about the opportunities available to us and we expect to make further good strategic progress.



Xavier Rolet
Chief Executive

Strategy in action

We are working hard to achieve our vision to be one of the world's largest and most influential exchange groups. We are delivering this vision by executing the clear strategy that we set out in 2009 and that we regularly review.

Strategic imperatives	Our strategy in action – progress and plans announced to date
Getting in shape	
<p>Drive Efficiency</p> <ul style="list-style-type: none"> • Control of operating costs • Price and technology competition in our markets • Alignment with customers – providing choice, open access and efficient services 	<ul style="list-style-type: none"> • focus on cost control • removed £84 million from the Group's cost base as at 31 March 2009 • Turquoise and SETS running successfully on low cost, high performance Millennium Exchange; Borsa Italiana's cash markets to be migrated to Millennium Exchange in first half of 2012 • sale of Servizio Titoli and property rationalisation programme in Italy • proposed acquisition of a majority stake in LCH.Clearnet reinforces our commitment to partnering with customers to deliver choice, open access, innovation, efficiency and growth
Leveraging our assets and developing opportunities	
<p>Build Scale</p> <ul style="list-style-type: none"> • Scale drives efficiency • Commitment to service global customers • Better able to respond to regulatory change 	<ul style="list-style-type: none"> • acquisition of Transaction Reporting Service (TRS) from FSA adds scale to UnaVista's product and service offering • continued success of Order Book for Retail Bond (ORB) – £1.5 billion raised from 22 dedicated bond issues since launch • majority stake in LCH.Clearnet will increase Group scale and extend the range of clearing and risk management services available to customers
<p>Increase Scope</p> <ul style="list-style-type: none"> • Diversification away from core local markets • Ability to service customers in multiple asset classes • Need to work closely with clients to incentivise trading and develop new services 	<ul style="list-style-type: none"> • acquisition of outstanding 50 per cent stake in FTSE provides full control over a high growth, global indices brand with excellent development opportunities • launch of FTSE 100 Index Futures and Options trading on Turquoise Derivatives, with further contract launches planned • new settlement link between Monte Titoli and Euroclear UK & Ireland to assist in the harmonisation of cross border trading
<p>Extend Reach</p> <ul style="list-style-type: none"> • Globalisation of capital markets 	<ul style="list-style-type: none"> • FTSE increases access to key regions (such as North America and China) and buy side clients • LCH.Clearnet to enhance and diversify the range of Group products across geographies, including OTC clearing • MillenniumIT delivering globally, including trading systems (Oslo, Johannesburg and Delhi) and, with CC&G, clearing technology services (to a new central and eastern European CCP)

Building a diversified international business based on strong customer partnerships

Segmental review

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

Raffaele Jerusalmi
Director of Capital Markets and CEO of Borsa Italiana

For further information on our Board of Directors please see their biographies on pages 44 to 45.

Kevin Milne
Director of Post Trade Services
Joined the Group in 2010. Previously CEO of Xtrakter, he has over 25 years of experience in financial markets including with Thomson Financial and Omgeo.

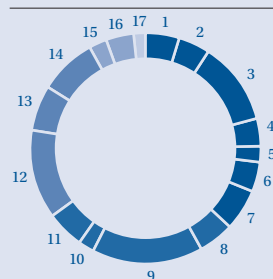
David Lester
Director of Strategic Development & Information Services
Joined the Group in 2001. Over 20 years' experience in financial markets including with Thomson Financial, Accenture and KPMG.

Antoine Shagoury
Chief Operating Officer and Chief Information Officer
Joined in 2010 from the American Stock Exchange (now part of NYSE Euronext) where he was CIO. Prior to his role at the Amex/NYSE, Antoine held several executive technology positions over the preceding 10 years at Instinet, most recently as CTO of Instinet Services. He has over 20 years of Technology and Financial Services experience.

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, develop Group strategy, review project development, set targets and agree actions.

Total income
£ million



Year ended 31 March 2012	
	£m
Capital Markets	
1 Annual fees	39.5
2 Admission fees	37.0
3 Cash equities trading UK	95.4
4 Cash equities trading Italy	31.4
5 Derivatives trading	16.7
6 Fixed income trading	35.7
7 Other capital markets	46.2
	301.9
Post Trade Services	
8 Clearing	41.1
9 Net treasury income through CCP business	126.9
10 Settlement	18.9
11 Custody and other	41.6
	228.5
Information Services	
12 Real time data	102.8
13 FTSE	50.5
14 Other information	65.6
	218.9
Technology Services	
15 MillenniumIT	22.2
16 Technology	30.4
	52.6
Other	
17 Other revenues	12.9
	814.8

Capital Markets



“Our markets remain attractive to international issuers seeking efficient capital raising from a wide spread of investors, with 40 international companies joining our markets during the past year.”

Raffaele Jerusalmi

Director of Capital Markets and Chief Executive Officer of Borsa Italiana

Strategy:

- Become a more client-centric business
- Promote and extend appeal of our markets to international issuers
- Innovate products beyond equities – in particular in equity derivatives and fixed income
- Add value with an integrated offering, from listing to cash trading and indices to derivatives trading
- Improve the competitiveness and scale of our cash equities business

Introduction

London Stock Exchange Group sits at the heart of the world’s financial community, offering international business unrivalled access to capital on a global basis.

We help companies to raise capital by offering them a choice of markets. Each of our primary markets has different features, structured to satisfy a diverse range of financing needs. Our secondary markets allow for active and efficient trading in a wide range of securities, creating a deep pool of liquidity and greater visibility.

Capital Markets increased revenue by four per cent to £301.9 million (2011: £291.5 million), despite difficult market conditions. There was good revenue growth from Primary Markets admissions and Fixed Income trading whilst UK and Italian cash equities and Derivatives trading performance was broadly flat.

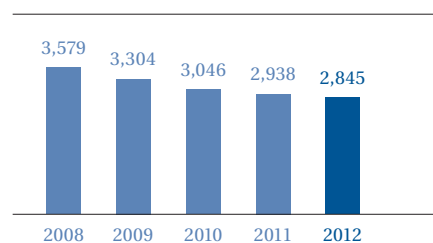
Primary Markets

Global Leadership

A total of 159 new companies were listed or admitted to trading on our markets during the year (2011: 185). Notable new issues included Glencore, a leading commodities producer and marketer, raising \$10 billion (the largest capital raising by an International company in London), Salvatore Ferragamo, a luxury goods company, and DP World, a leading marine terminal operator.

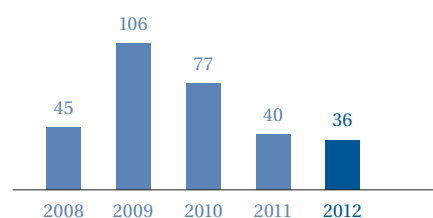
Our markets remain attractive to international issuers seeking efficient capital raising from a wide spread of investors, with 40 international companies joining our markets during the past year. Total money raised, both for new issues and from secondary issues from companies already on our markets, amounted to £36 billion (2011: £40 billion). Unsettled market conditions during the second half of the year undoubtedly affected the number of listings but the pipeline of new companies looking to join our markets remains strong.

Number of companies



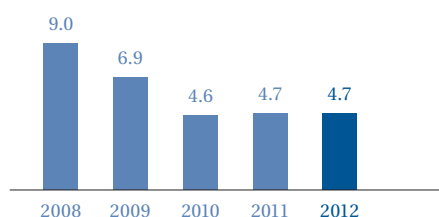
Money raised

£ billion

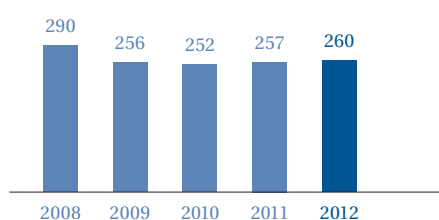




London Stock Exchange – average daily value traded
£ billion



Borsa Italiana – average daily number of trades
thousands



MOT, our Italian bond platform, devised an innovative distribution model that reduces costs and allows investors to purchase bonds online. MOT was selected as the electronic distribution network to launch 'BTP Italia', a new government bond designed by the Italian Treasury for private investors. During a four day offer period, this product raised €7.3 billion, several times the initial issue size. Over the course of the year, 500 bonds were listed on MOT of which more than 350 were issued in the final quarter of the year.

In the UK, ORB, our electronic bond market for private investors, marked its second anniversary. Since its inception, ORB has helped a diverse range of issuers from different market sectors to extend their funding, by tapping into growing retail demand. ORB has now raised £1.5 billion from 22 dedicated bond issues to private investors through a variety of innovative bond structures, ranging from 'vanilla' fixed income to inflation-linked and to other floating rate index-linked structures. In November 2011, trading on ORB was successfully migrated to Millennium Exchange platform, which has provided enhanced flexibility and functionality for trading participants, including new segments for different currencies.

During the past year, we have continued to actively promote our markets around the globe. In addition, we hosted 17 capital markets events on a regional and sectorial basis, which aim to introduce issuers to a wide set of institutional investors and private client brokers, thereby enhancing their capital raising potential. These events included a successful African Investment Summit, highlighting the opportunities and challenges of investing in Africa as well as the capital raising prospects for African companies. Other events involved companies from China, Mongolia and Russia and from sectors including oil and gas and cleantech.

On the policy side, we continued to work on a significant number of initiatives to support SMEs and to develop a European regulatory framework recognising the role and importance of growth markets such as AIM and AIM Italia. We also published a well received report focused on the future of London's IPO market in a changing global economy. A copy of the report can be accessed at www.londonstockexchange.com/about-the-exchange/media-relations/reports/ipo-report2011.pdf.

In Italy, we unified two markets, AIM Italia and MAC (Mercato Alternativo del Capitale) so as to enhance the SME offering. In addition, in conjunction with the market, we developed Elite, a programme providing training and advisory services to fast growing Italian private companies.

In support of the Mongolian Strategic Partnership agreement, we have completed the development and drafting of the Mongolian Stock Exchange listing and disclosure rules, which will facilitate dual listings in Ulan Bator and London.

Secondary Markets Equity Trading

In sometimes volatile conditions, we have confirmed the resilience of our markets, maintaining broadly stable trading levels. In London, the average daily value traded was £4.7 billion (2011: £4.7 billion); in Italy the average daily number of trades increased slightly to 260,000 (2011: 257,000).

Following last year's migration of London Stock Exchange and Turquoise cash equity markets onto our high performance trading platform, Millennium Exchange, we continued to enhance the competitiveness of our service. We provide low latency access to our cash markets to all levels of liquidity, from banks, high frequency traders, retail brokers and now also directly to investors via a new Sponsored Access service which provides direct connection to our London Stock Exchange and Turquoise order books. London Stock Exchange's share of trading in the total UK order book remains broadly stable at 62.0 per cent (2011: 63.5 per cent).

Our ETF market saw its tenth year of operation and is the largest in Europe in terms of number of trades, with average daily volume of 17,909 (2011: 18,390); and average daily value traded amounted to £516 million (2011: £484 million). Our market has been voted 'Best European Exchange for Listing ETFs' at the ETF Express Awards 2011. We have a pioneer position in emerging market ETFs by having more listings in Europe. A total of 1,661 ETPs (mostly ETFs) are listed on our markets, an increase of 23 per cent on last year. (2011: 1,345).

Our International Order Book, which also celebrated 10 years of operation, provides trading for international issuers' depositary receipts from a wide range of developing countries including Russia, Kazakhstan and India. Value traded increased 37 per cent to a record annual high of \$296 billion (2011: \$216 billion).

During the year, Turquoise widened the choice of clearing services to participants trading on its pan-European equities platform. Customers can now elect to clear trades via Turquoise's existing clearer EuroCCP, or through LCH.Clearnet or SIX x-clear. Since April, the choice has extended further with the addition of services from EMCF. This initiative is consistent with the Group's promotion of competition at the clearing level, and provision of customer choice and access to a number of services.

Case study

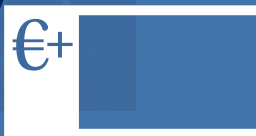
Retail Bonds Order books ORB and MOT



500 new bonds on MOT last year – nominal value of €719 billion



£1.5 billion raised on ORB since launch



“BTP Italia” raised €7.3 billion through MOT innovative distribution model

41%

increase in total number of trades on MOT, at 5.59 million

16%

increase in value traded on MOT, at €256 billion

Order book for retail bonds – ORB

The Order Book for Retail Bonds, an electronic bond market for private investors, was launched in the UK in February 2010. Its purpose is to establish a primary market for distribution of dedicated retail bonds, opening up new sources of capital for companies and other organisations seeking to diversify their funding, and to develop an efficient and transparent secondary market in bonds for private investors.

Current progress

ORB currently has more than 150 bonds on the platform, offering a range of gilts, corporate and supranational bonds:

- over 90 corporate and four supranational bonds
- over 50 gilts
- 22 ORB – dedicated new issues and six taps of existing ORB issues in tradeable units of £1, £100 or £1,000, raising in excess of £1.5 billion
- seven market makers providing continuous two-way tradable prices
- a diverse range of issuers, including energy companies, financials, retailers and other organisations such as Places for People, a UK housing association

Mercato telematico delle obbligazioni – MOT

MOT is the only Italian regulated market dedicated to fixed income on which investors can buy and sell Italian and non-Italian Government securities, domestic and international bank and corporate bonds, supranational securities and asset-backed securities.

Key features of MOT:

- the most liquid and most heavily traded retail fixed income platform in Europe, with specialists supporting the liquidity
- fully integrated and automated process from order to settlement with central counterparty guarantee system (through the Group’s clearing service CC&G)
- total number of trades reached 5.6 million, up 41 per cent
- value traded of €256 billion, up 16 per cent

New distribution model

MOT’s wide electronic distribution network allowed the Italian Treasury to offer the ‘BTP Italia’ bond directly online to investors without charging any subscription fees and increasing transparency. It raised €7.3 billion in March 2012.

Derivatives

During the year, we successfully launched Turquoise Derivatives, incorporating the Group’s existing EDX derivatives market, allowing for the development of a more cohesive offering for our customers with an enhanced product offering.

Turquoise Derivatives performed well in the past 12 months with the number of contracts traded up 15 per cent from last year, reaching 40.7 million (2011: 35.5 million). It has also continued to develop its product range, with the introduction of FTSE 100 Index Futures and Options. The new products represent the next stage of the platform’s development as it moves towards offering a diversified suite of competitive products across a range of assets and markets.

IDEM is the Group’s Italian derivatives market, composed of two segments: IDEM Equities and IDEX for electricity futures. IDEM made solid progress, with the total number of contracts traded up one per cent from last year, at 46.7 million.

Through the introduction of the FTSE MIB weekly option contracts, we enhanced our offering in the index options space, allowing institutional and retail investors to take positions with expiry ranging from eight days up to five years. This new product results from our active client management approach, and since its launch in December 2011, has traded more than 60,000 contracts.

Fixed Income

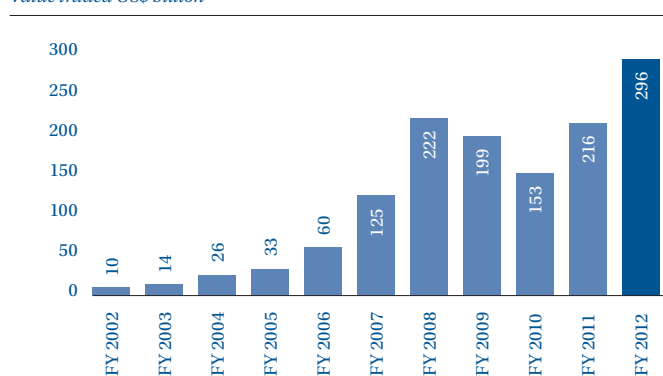
MTS provides regulated electronic trading platforms for intermediaries trading European wholesale Government bonds and other types of fixed income securities. Trading during the year was significantly influenced by the Eurozone sovereign debt crisis, resulting in a decrease in total volume of seven per cent. However, we continued to invest in market infrastructure to provide liquid markets, in particular launching new interdealer markets in the Czech Republic and Hungary.

MTS launched a Cash Management (ACM) platform in February, a new electronic auction facility for the tri-party repo market. The platform, has been developed in association with Newedge, a global leader in multi-asset brokerage, and over 60 buy and sell-side participants are confirmed and in the process of joining the platform. The new platform will offer the benefits of tri-party repo to the buy-side and deliver new pools of liquidity to the sell-side. MTS launched an electronic market for UK Government bonds (Gilts) and is the first technology provider to facilitate both the interdealer and dealer-to-client Gilt markets. MTS is also launching MTS Credit, trading Euro-denominated non-government debt.

There was good trading on our retail bond markets. MOT, the most liquid and most heavily traded retail fixed income platform in Europe, performed strongly with a total of 5.6 million trades, up 41 per cent (2011: 4.0 million).

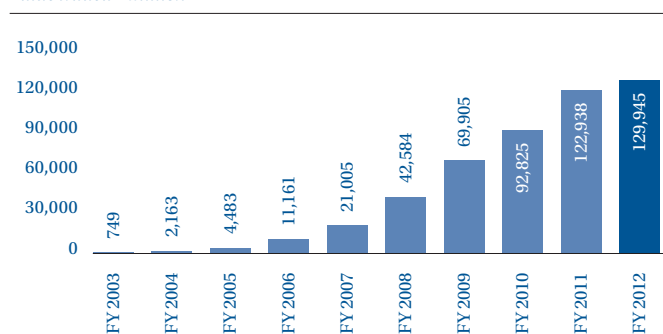
International Order Book

Value traded US\$ billion



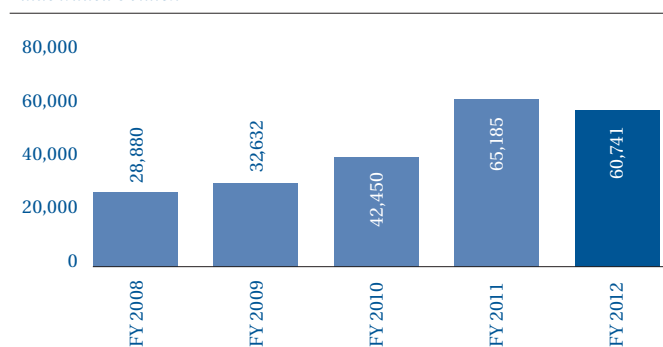
Exchange Traded Products

Value traded £ million



MTS Repo

Value traded € billion



Post Trade Services



“Our Post Trade Services division delivered an excellent performance, providing risk management, trade processing as well as custody services in an efficient, secure and open way.”

Kevin Milne

Director of Post Trade Services

Strategy:

- Provide international financial markets with the most efficient, open and secure 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 functions are vital to securities trading and are a key building block of efficient, well run capital markets. Through our post trade entities, CC&G and Monte Titoli, we provide markets and customers with risk management, clearing, central counterparty, depository and custody services that enable trades to be completed safely and assets to be effectively and securely managed.

The last 12 months have been characterised by continued turbulent market conditions. In turn, this has further heightened regulatory attention on the post trade sector and emphasised the importance of its part in the trading value-chain. Our stability during the unprecedented volatility experienced across different market segments has confirmed that the risk management and resilient processes deployed in our post trade operations are appropriate.

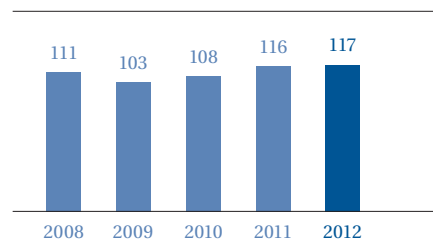
The Post Trade Services division delivered an excellent performance. Total income (including net treasury income, an integral income line of a central counterparty business) increased 52 per cent to £228.5 million (2011: £150.6 million) and grew organically by 58 per cent after excluding Servizio Titoli, sold with effect from the start of the year.

CC&G

CC&G provides risk management, open access clearing and central counterparty (CCP) services for 13 markets, including services to non-Group markets, and across a range of asset classes including cash equities, derivatives, energy products and fixed income. CC&G performs a key function in eliminating counterparty risk, acting as buyer for the seller and vice versa, thus becoming the guarantor of the final settlement of the contracts.

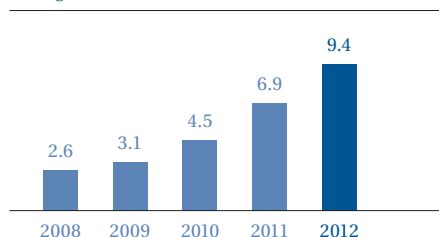
Contracts cleared

million



Initial margin held

Average € billion



By carefully managing clearing and treasury risks in a time of unprecedented market volatility, in Italy as well as other European markets, we achieved strong results over the past year, with clearing revenues up 14 per cent to £41.1 million (2011: £35.9 million).

An integral part of a CCP's income is from treasury management of cash margin held. CC&G's initial margin averaged €9.4 billion daily for the period, up 36 per cent from the previous year (2011: €6.9 billion). During the year, our treasury management process, together with the increased margins collected from higher traded volumes and heightened demand for our cash, enabled us to gain improved returns on short term deposits. Net treasury income increased 147 per cent to £126.9 million (2011: £51.3 million).

CC&G extended its CCP service to three additional trading venues during the year. Euro TLX and HI-MTF, both non-Group trading services, will use the CC&G CCP service for Italian Government and corporate bonds, while e-MID Repo will clear repo contracts and interbank collateralised deposits through CC&G.

In providing its best practice international clearing and risk management services, CC&G will also substantially contribute to CCP.CEE, the new standardised cross-regional clearing infrastructure for CEE markets (initially in Vienna, Prague, Ljubljana and Budapest), which will begin its roll-out in Vienna in late-2012, with the Prague cash markets to follow soon after.

During the year the Group acquired the 13.6 per cent minority shareholding in CC&G and now owns 100 per cent of the business.

Case study

Monte Titoli

Monte Titoli is a leading provider of efficient and secure financial market post-trade services. As a Central Securities Depository (CSD), it provides on-exchange and OTC trade matching and confirmation as well as pre-settlement services, a highly efficient European settlement system and a multi-asset custody service.

Overview

Monte Titoli services a broad range and number of clients, comprising:

- 2,200 issuers;
- 253 intermediaries (bank and brokers);
- Seven CCPs and eight trading venues.

Settlement

Monte Titoli settles over 68 million on and off-exchange transactions per year. It provides the highest settlement rate in Europe with a 99.4 per cent success rate; and offers direct or indirect access to 17 securities markets – 15 domestic (European and U.S.A.) and two International Central Securities Depositories.

Custody and asset services

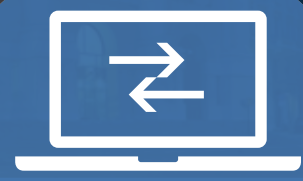
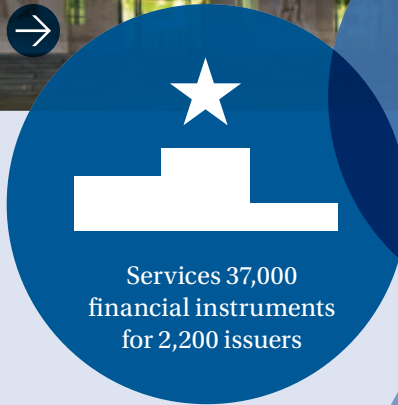
- Third largest CSD in Europe.
- Provides custody services for €3.1 trillion assets.
- Covers around 37,000 financial instruments for 2,200 issuers.
- Provides tax services to 10 markets.

Future developments

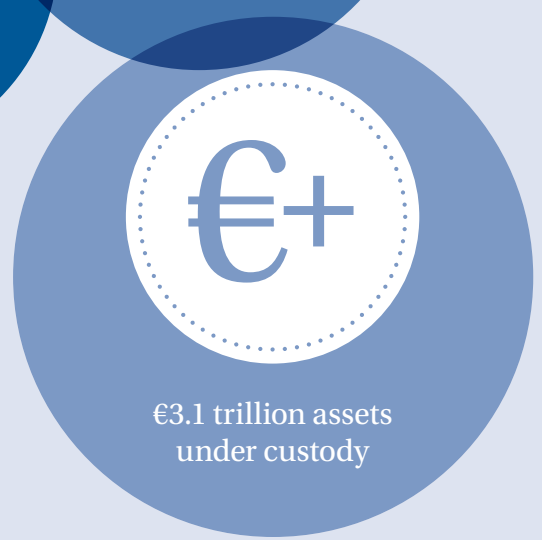
We are expanding Monte Titoli's international network by enhancing and increasing its existing settlement links.

TARGET2-Securities (T2S) will be the new centralised settlement platform for securities and will provide settlement services for any type of transaction in Central Bank money. T2S is being developed and will be operated by the European Central Bank. Monte Titoli is the only confirmed major CSD participant to join as part of the first wave, expected to go live in 2015.

Being selected as part of the first stage of implementation, Monte Titoli will be at the forefront of a completely different market – ready to take advantage of wider client networks, offering clients cross-border settlement in a large pool of securities and additional asset servicing, leading to back-office savings for clients.



First wave participant in
TARGET2-Securities



Monte Titoli

Monte Titoli, our Central Securities Depository (CSD), is a leading provider of efficient and secure pre-settlement, settlement, custody and asset services.

Monte Titoli operates a sophisticated platform, providing on-exchange and OTC trade matching and confirmation as well as a highly efficient European settlement system and custody service for safe-keeping of assets across multiple security classes.

In the past year, Monte Titoli processed 68.2 million settlement instructions, down two per cent reflecting increased netting prior to settlement (2011: 69.8 million). Its settlement rate was 99.4 per cent, the highest rate in Europe, ensuring low costs for clients.

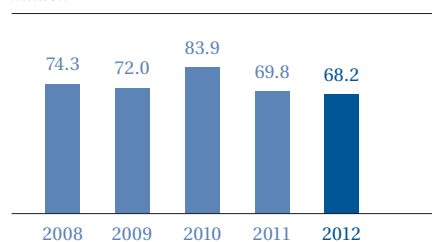
Monte Titoli has committed to participate in the first wave of implementation of T2S, serving as a pioneer amongst CSDs in the European financial community. T2S will be the new harmonised settlement platform for securities and will re-shape the Eurozone settlement services landscape. Developed and operated by the Eurosystem, which comprises the European Central Bank and the national central banks of the Eurozone, T2S has been conceived to provide settlement services for any type of transaction in Central Bank money. The system is currently scheduled to go-live in 2015.

In September 2011, we established a new settlement link with Euroclear (formerly CREST) in the UK and Ireland. The link allows participants to further harmonise settlement of their cross-border trading activity within Europe. The initiative followed the enhancement of similar links with Swiss SIX SIS service as well as the recent introduction of a link with the German CSD, Clearstream Banking Frankfurt. In total, Monte Titoli now has links to nine CSDs in Europe and the US. Monte Titoli already provides cross-border settlement and custody services for over 100 banks in these markets.

Monte Titoli's custody business provides asset servicing for a wide range of financial instruments with an extensive international customer base of over 250 banks and brokers, CCPs and trading venues, and offers its services to more than 2,000 issuers, making it the third largest CSD in Europe. Notwithstanding financial market turmoil, assets held under custody by Monte Titoli increased two per cent to €3.08 trillion.

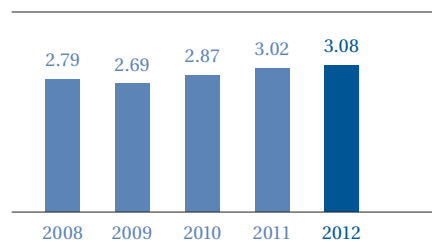
Settlement instructions

million



Assets under custody

€ trillion



In the past 12 months, Monte Titoli has completed a detailed revision of the procedures relating to clients' connectivity. The initiative has led to the complete automation of the admission process of financial instruments into the custody system.

In responding to growing customer demands, Monte Titoli developed a new tri-party collateral management service, called X-COM, with the first phase going live in mid-2012. Under the new service, Monte Titoli will play the role of neutral tri-party agent and will provide a flexible set of tools for more effective risk and liquidity management and for the optimisation in the use of collateral. Moreover, customers will benefit from automatic administration of collateral requests and real time allocation, substitution and restitution of securities.

Information Services



“The Information Services division has been a consistently strong performer. In the past year, we continued to pursue our growth strategy, both organically, through the development of our services offering, and inorganically, having acquired the 50 per cent stake in FTSE that we did not already own.”

David Lester

Director of Strategic Development and Information Services

Strategy:

- Deliver information services that improve the efficiency of our industry
- Leverage our flexible platforms to expand scale and scope of product offering across the Group
- Tailor our offering to meet customers' needs and enhance their performance
- Deliver synergies arising from full control of FTSE

Introduction

In today's modern trading and investment environment, the need for accurate, fast and reliable information has never been greater. The Information Services division has been a consistently strong performer within the Group and is itself a diversified business with a global suite of products and services. In addition to real time price information, we also provide a wide range of other information services, from FTSE indices to post trade analytics.

In the past year, we continued to pursue our growth strategy, both organically, through the development of our services offering, and inorganically, having acquired the 50 per cent stake in FTSE that we did not already own, and through the purchase of the FSA's Transaction Reporting Service.

In 2012, the Information Services division increased revenue by 27 per cent to £218.9 million (2011: £171.8 million). This result reflects growth in real time data (up three per cent to £102.8 million), increased demand for UnaVista and SEDOL, together with other information services products (up eight per cent to £65.6 million) and includes revenue contribution from FTSE acquired in December (pre-acquisition royalties of £13.1 million and post-acquisition revenues of £37.4 million).

Real Time Data

Our Real Time Data service provides the primary price reference data for UK and Italian equities. This service is used by traders, brokers and fund managers from around the world.

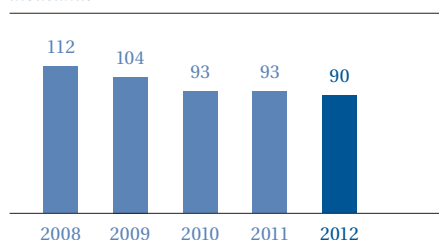
The number of professional users accessing real time data, across our direct network, 200 network service providers and market data vendor partners, decreased to 90,000 (2011: 93,000) for London Stock Exchange as a consequence of adverse market conditions and were flat at 139,000 for Borsa Italiana. We have offset this decline by introducing fees for non-display data licences, taken by customers using trading algorithms, smart order routers or for data used in databases.

In January 2012, we signed a data licence agreement with Google which allows it to distribute real time 'last trade price' data free of charge. Users of Google will, for the first time, be able to access a portion of London Stock Exchange and Borsa Italiana real time trading data that was previously only available with a 15-minute delay. The agreement is part of the Group's on-going commitment to making core real time data services as accessible as possible to retail investors around the world, to encourage greater and broader uptake of trading in stocks on our markets.

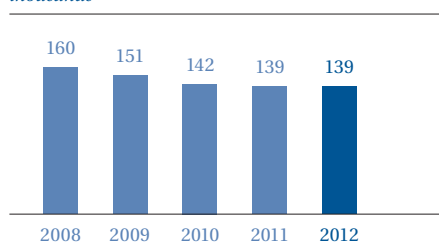
FTSE

On 16 December, we completed the acquisition of the remaining 50 per cent of FTSE International Limited. FTSE is a leading, high growth, global indices business, which is described in the case study overleaf. It gives the Group further global reach and an increasingly diversified customer base.

London Stock Exchange professional terminals thousands



Borsa Italiana professional terminals thousands



Other Information Services

In addition to real time price information, we also provide a range of reference data, processing, data management, connectivity and software products to meet client needs for enhanced and secure information services. In particular:

- cross-asset transaction reporting, trade confirmation and data reconciliation services through UnaVista
- international numbering services through SEDOL
- desk-top front end solutions, order management and fix connectivity services through Proquote, our leading Retail Service Provider (RSP) trading network
- real time market information communication through RNS

UnaVista is the Group's secure, hosted platform for matching, validation and reconciliation needs, offering a range of business services within three areas: Post Trade Services, Data Solutions and Reconciliations. During the year, demand for UnaVista has been strong and there has been excellent growth in the number and breadth of customers.

We further expanded our UnaVista service through the purchase of the FSA's Transaction Reporting Service (TRS), used by over 600 reporting firms. The flexibility of our technology has allowed us to complete the migration of TRS customers to our own service in just six months. These new customers can now take advantage of UnaVista's reconciliation services designed to reduce their operational risk. They will also see the benefit of automated post trade communications of exchange traded and OTC transactions through the UnaVista Swaps and Confirmation Portal – services which in their own right have gained additional new clients over the year.

SEDOL is our global, multi-asset class, numbering system which is operated on the UnaVista technology platform, providing reference data and unique identification codes for global equity, derivatives and fixed income securities. SEDOL codes are a unique country level identifier and include both listed and unlisted instruments. The SEDOL Masterfile Service database provides clients with access to reference data on over 20 million instruments, sourced from over 80 countries worldwide.

Proquote is the Group's global market data platform and offers a wide range of trading services through its trading platform and electronic execution gateway. Proquote has expanded its offering by adding new services, including mutual fund trading, best execution services and analytics tools, and a risk management product which assists customers monitoring their trade flow. The Proquote RSP network connects 140 brokers to 40 RSPs. Of note, Proquote Italy won a major new contract with Italy's fourth largest bank, Gruppo Banco Popolare. Under the agreement, Proquote Italy will provide the Bank with terminals and real time data feeds for 18,000 users and online brokers, across 2,200 branches. Proquote Italy is the leading information services provider in the retail tier with 39,000 direct screens.

RNS remains a leading high quality service for UK real time regulatory news announcements. RNS helps companies and their intermediaries fulfil their UK and other global regulatory disclosure obligations in the most efficient and trusted way. Over 200,000 announcements are processed by RNS each year, covering the majority of all price-sensitive UK company announcements.

Case study

FTSE: a leading international index provider

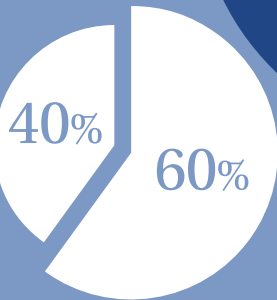


An international leader in the provision of global index and analytic solutions

16
December 2011

Acquired 100 per cent ownership

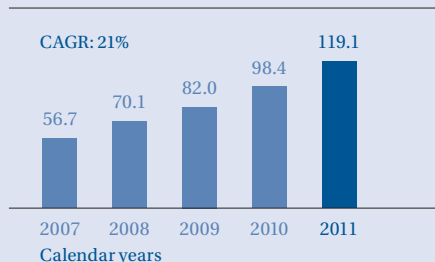
A global top 3 index provider by revenue, the market leader in the UK and Italy and a leader in China ETFs



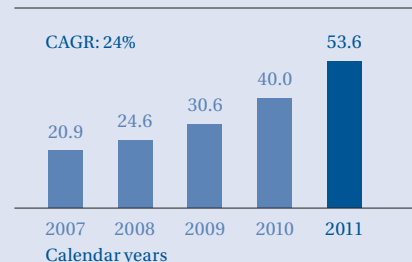
Two main revenue streams:
Data subscriptions (60%)
and licensing (40%)



Revenue Growth
£ million



EBITDA Growth
£ million (before royalty payments)



Introduction

FTSE is a worldwide leader in the provision of investment decision support tools. It calculates indices across a wide range of asset classes, allowing a global client base – encompassing institutional investors, asset managers and sell-side firms – to benefit from the provision of benchmarking and index licensing products and related analytical tools. Over \$3 trillion in assets are linked to FTSE indices.

On 16 December 2011, we completed the acquisition of the 50 per cent stake in FTSE International Limited that we did not already own. Hence, FTSE is now 100 per cent owned and consolidated by London Stock Exchange Group. We are confident that this new ownership structure will enable us to harness the significant growth opportunities deriving from our combined businesses, especially in derivatives and fixed income indexing, whilst respecting the independence of FTSE’s governance processes which have underpinned its success to date.

The acquisition is an additional step in pursuit of our diversification strategy and brings significant advantages: full upside from continued organic growth of FTSE; full upside from favourable industry growth trends; full upside from the revenue synergies expected from expansion of both FTSE and our related business growth; and full upside from the cost synergies we can deliver through the combination of the businesses.

FTSE background

Originally launched in 1995 as a joint venture between London Stock Exchange and The Financial Times Ltd., FTSE has successfully grown into a worldwide franchise. It is now a global top three index provider by revenue, and calculates over 200,000 individual indices covering 80 countries, including the FTSE All-World, FTSE China A50 and FTSE 100.

Data subscription services

Revenues originate from two main sources, subscription fees for data services and licensing the FTSE trademark for use in financial products. 60 per cent of FTSE revenue derives from subscription fees for data services. FTSE data and analytical tools are used extensively in the investment process as its indices are employed as performance benchmarks by the investment community. Notably, FTSE is world number two for global equity benchmarks, built around the FTSE All-World Series. By partnering with local exchanges or trading venues, it also provides domestic benchmarks. Subscription revenue is stable with high renewal rates (97 per cent) and is also characterised by high growth rates. Customers are typically both active and passive asset managers, consultants, asset owners, sell-side firms and various other users ranging from data vendors to service providers.

Licensing

The second revenue stream comes from licensing the FTSE trademark for use in financial products, which accounts for 40 per cent of revenues. Index licensing, the largest component of which is licensing of passive funds and ETFs, is an extension of the benchmarking business as many of the passive funds and ETFs are linked to its most popular benchmark indices. The licensing of funds and ETFs is currently the fastest growing business area, driven largely by increasing levels of passive investment among asset owners and managers. Fees are based on the value of assets managed and, despite adverse market conditions, growth in the first quarter of calendar year 2012 remains good. There is also a natural extension from the most heavily traded domestic indices into derivative licensing, where fees are based on trading volumes.

Looking ahead, current industry trends appear favourable to further FTSE growth. Demand for passive fund management is growing, as well as for exposure to emerging markets though benchmark indices and for transparent index-based products such as ETFs. FTSE has the benchmarking expertise, the global customer relationships and the product range necessary to exploit these trends and to fully meet customers’ needs.

Technology Services



“The Group’s Technology Services provide high speed trading platforms, real time market data and infrastructure products and services to our own markets as well as a wide range of customers...”

Antoine Shagoury
Chief Operating Officer and Chief Information Officer

Strategy:

- Deploy low cost, high performance and reliable platforms and software across the Group
- Place the needs of our customers at the heart of our technology innovation and development
- Provide specialist capital markets technology products to third parties worldwide

Group Technology Services

Introduction

Technology is a key driver of our business and underpins the future success of our full range of Group services. The Group’s Technology Services provide high speed trading platforms, real time market data and infrastructure products and services to our own markets as well as a wide range of customers including banks, specialist trading firms and other exchanges.

The Technology Services division performed well in the past year with revenues up eight per cent to £52.6 million (2011: £48.6 million).

Exchange Technology

After last year’s successful migration to Millennium Exchange, our UK cash equity and Turquoise cash equity markets have continued to benefit from the superior technical performance and exceptional reliability of our platform. Turquoise markets have an average latency of less than 98 microseconds, one of the fastest operating trading platforms in the world. The UK cash equities platform, with higher functionality and a broader range of customers has an average latency of 124 microseconds, making it consistently faster than any comparable exchange trading platform.

Our Italian cash market and the MOT fixed income market, are presently hosted and operated from London. Over the past year we have been configuring the Millennium Exchange trading platform ready for a mid 2012 migration. This will also involve relocation of the matching engine and co-location services to Milan. We expect this to lead to further expansion of co-location services in these markets, with our customers benefiting from ultra low-latency and enhanced functionality.

The migrations onto Millennium Exchange go beyond our markets. By the end of 2012, Oslo Børs is also scheduled to migrate to Millennium Exchange and continue to be hosted in London. This will enable us to fully retire the legacy TradElect system.

Our co-location services, which enable trading clients to place their servers in our data centre and thereby gain high performance trading access through reduced network latency, are continuing to expand with the benefits achieved using the Millennium platform. We continue to invest in our data centre and, upon the retirement of TradElect, additional co-location space will be available for expansion of this service. We are extending our services around this offering with flexible data control for the client and connectivity to other markets via our networks.

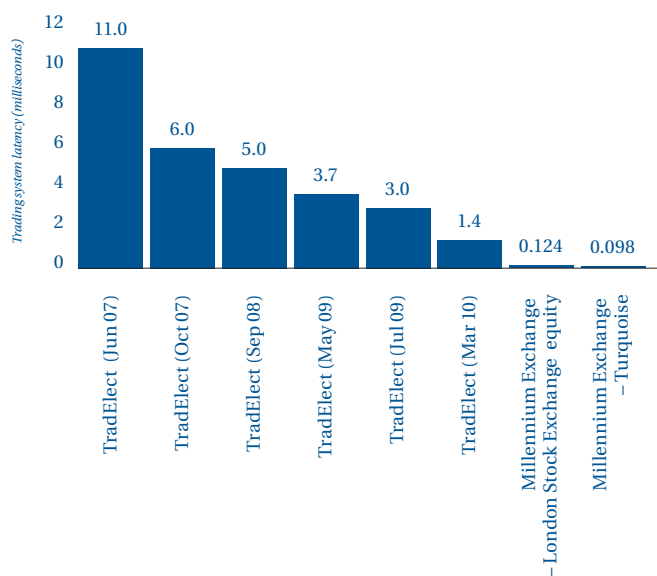
Other services include our Extranex Service, a partnership with Verizon, which provides a connectivity solution for customers to connect directly to London Stock Exchange. Our STX service is a fast and secure private telephone network used by member firms and other industry professionals across the UK. The service is open to member firms and non-members alike.

We continue to develop fully integrated, high performance operations to accelerate market access with common communication and common access to all our platforms. Our new Ticker Plant will be a step change in the Group’s provision of real time market data, supplying ultra low latency feeds and harmonising group real time data distribution using one consistent protocol, across asset classes and locations. The Ticker Plant will deliver enriched levels of data, that ultimately will enable the Group to further diversify our data product offering.



Tony Weeresinghe
 Director of Global Development and CEO of MillenniumIT

UK Equity trading platform
milliseconds



MillenniumIT

MillenniumIT is a leading technology solutions provider serving the global capital markets industry. Part of the Group since 2009, MillenniumIT designs, develops and implements a comprehensive suite of capital market products that include trading platforms, surveillance, clearing, smart order routers and CSD systems. MillenniumIT’s products currently power exchanges, depositories, brokerages and regulatory bodies in Europe, North America, Africa and the Asia-Pacific region. It also provides enterprise sales and IT infrastructure services to third parties in Sri Lanka.

In 2012, MillenniumIT increased its external revenue by 26 per cent at constant currency, to £22.2 million (2011: £18.2 million).

Technology Sales and Implementation

During the year, MillenniumIT has worked on several projects, including configuring a cash equity and fixed income trading system for Borsa Italiana. MillenniumIT delivered a trading system to Johannesburg Stock Exchange which is currently testing with users and expected to go live during the summer of 2012.

MillenniumIT has also delivered trading and surveillance systems to the Chittagong Stock Exchange and an electronic trading system for fixed income instruments to Tullett Prebon. Other contracts won by MillenniumIT in the last year include:

- the provision of its tailored IT solution, Millennium Exchange, to Botswana
- the provision of smart order router technology for State Bank of India
- Millennium Surveillance to Bursa Malaysia
- Millennium CSD for the Mozambique Stock Exchange (BVM) as their Central Securities Depository
- Millennium NewClear to be the platform for technology services for the new CCP.CEE, a central counterparty mechanism that will facilitate standardised cross regional clearing in central and eastern European capital markets, initially covering Vienna, Prague, Ljubljana and Budapest.

Exchange Partnerships

Following the agreement signed last year, we are in the final development stage of new trading, surveillance and settlement systems for the Mongolian Stock Exchange. The Group has also worked closely with the Mongolian financial community and the local regulators to develop new trading, membership, clearing and custodian rules for the Mongolian Stock Exchange and Central Securities Depository. The Group has assisted with advice on moving the market from pre-funded to T+3 settlement cycle and provided the Mongolian financial community, including regulators and the central bank, with a comprehensive financial training programme.

As part of its broader strategy to provide emerging markets with cutting edge technology, MillenniumIT has recently signed an agreement with the Delhi Stock Exchange to provide trading and risk management technology and management support to assist in the development of the market.

Financial review



“Strong financial performance, with adjusted basic earnings per share up 36 per cent, was underpinned by good growth in all our business segments and a pleasing initial contribution from acquisitions.”

Doug Webb
Chief Financial Officer

Highlights

- Total revenue up 10 per cent at £679.8 million (2011: £615.9 million) and total income up 21 per cent at £814.8 million (2011: £674.9 million); organic constant currency growth was five per cent and 16 per cent respectively
- Operating profit before amortisation of purchased intangibles and non-recurring items up 30 per cent at £441.9 million (2011: £341.1 million)
- Operating profit increased 27 per cent to £358.5 million (2011: £283.0 million)
- Adjusted basic earnings per share grew 36 per cent to 100.6 pence (2011: 73.7 pence), whilst basic earnings per share rose 243 per cent to 193.6 pence (2011: 56.4 pence)
- Cash generated from operations increased 21 per cent to £462.4 million (2011: £381.8 million)
- Pro forma¹ year end operating net debt to adjusted EBITDA at 1.4 times (2011: 1.0 times), down from 1.6 times immediately after the FTSE acquisition in December 2011

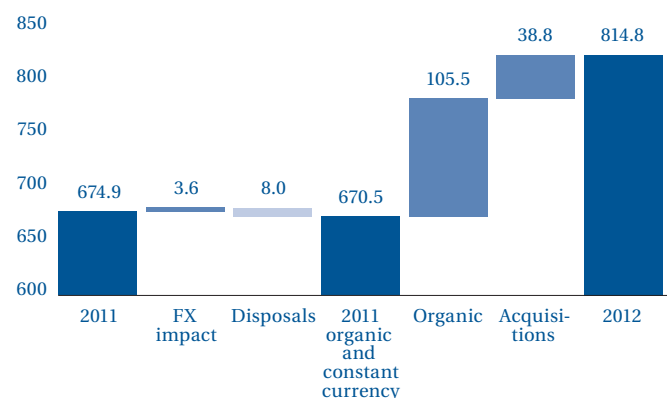
Year ended 31 March				Organic and constant currency variance
	2012	2011	Variance	
	£m	£m	%	%
Revenue				
Capital Markets	301.9	291.5	4	3
Post Trade Services	101.6	99.3	2	10
Information Services	218.9	171.8	27	5
Technology Services	52.6	48.6	8	9
Other	4.8	4.7	2	2
Total revenue	679.8	615.9	10	5
Net treasury income through CCP business	126.9	51.3	147	145
Other income	8.1	7.7	5	5
Total income	814.8	674.9	21	16
Operating profit before amortisation of purchased intangibles and non-recurring items	441.9	341.1	30	25
Operating profit	358.5	283.0	27	22
Adjusted basic earnings per share	100.6p	73.7p	36	
Basic earnings per share	193.6p	56.4p	243	

The segmental reporting for 2011 has been restated to show the transfer of the Turquoise business from Information Services into the Capital Markets segment.

Organic growth is calculated in respect of businesses owned for at least 12 months and so excludes Servizio Titoli and Transaction Reporting Service (TRS) and presents FTSE on a like for like basis with prior year.

Total income £ million

• Increase • Decrease



¹ As if the Group had owned 100 per cent of FTSE for the entire year ended 31 March 2012

Capital Markets

Year ended 31 March				Variance at constant currency	
Revenue	2012 £m	2011 £m	Variance %	%	
Primary Markets					
Annual fees	39.5	37.8	4	4	
Admission fees	37.0	33.0	12	12	
	76.5	70.8	8	8	
Secondary Markets					
Cash equities: UK	95.4	96.4	(1)	(1)	
Cash equities: Italy	31.4	30.7	2	1	
Derivatives	16.7	16.8	(1)	(2)	
Fixed income	35.7	32.4	10	9	
	179.2	176.2	2	1	
Other	46.2	44.4	4	3	
Total revenue	301.9	291.5	4	3	

The Capital Markets division delivered a good performance against a background of market instability. Growth was mainly driven by good results in Primary Markets and Fixed Income.

Growth in annual fees was underpinned by a 10 per cent increase in market capitalisations on the UK Main Market in the year to November 2010, which formed the basis for charging in the period to 31 March 2012. This was partially offset by a two per cent decrease in the number of companies on the UK Main Market and a five per cent decrease in the number of companies on AIM. In Italy, where fees are set at calendar half years based on the average market capitalisations from the previous six months, rises in market capitalisation in the six months to June 2011 offset the negative impact of subsequent falls. Italian company numbers were broadly flat throughout the period and ended the year at 292.

Total money raised on our markets in the year was £36.0 billion (2011: £40.3 billion). Admissions to our primary markets continued to be affected by economic uncertainty with the number of new issues on the Main Market down 17 per cent to 57 and on AIM down 12 per cent to 89. However, an improving mix of issue size and an increase in the number of further issues on the Main Market resulted in an overall increase in revenues of 12 per cent.

On our cash equities market in the UK, the average daily value traded was stable at £4.7 billion (2011: £4.7 billion). Pricing changes implemented during the year led to a three per cent decline in the average yield on the SETS order book to 0.69 basis points, but helped improve our share of value traded, which was 65.2 per cent in March 2012. In Italy, order book volume increased one per cent to 260,000 per day (2011: 257,000). Revenue from Turquoise equities, our pan-European equities platform, grew 43 per cent in the year as the platform saw market share gains in lit trading of two percentage points to an average of five per cent for the year.

IDEM derivative contract volumes were up one per cent from the prior year. Within Turquoise revenues from Russian derivatives were down as a result of pricing changes and the introduction of a further market maker to promote additional buy-in from key market participants.

In Fixed Income, MOT volumes grew 41 per cent and there was good growth in admissions following the long term refinancing deployed by the ECB since December 2011. In MTS, good performance of our EuroMTS, French and Bondvision markets more than offset a decline of volumes in the Italian cash market.

Other capital markets revenues of £46.2 million primarily comprise fees for membership of and connectivity to our markets.

Post Trade Services

Year ended 31 March				Organic and constant currency variance	
Revenue	2012 £m	2011 £m	Variance %	%	
Clearing	41.1	35.9	14	13	
Settlement	18.9	18.2	4	2	
Custody and Other	41.6	45.2	(8)	10	
Total revenue	101.6	99.3	2	10	
Net treasury income through CCP business	126.9	51.3	147	145	
Total income	228.5	150.6	52	58	

In Post Trade Services, a significant increase in net treasury income through the CCP business led to a 52 per cent increase in total income to £228.5 million. Total revenue was up 10 per cent on an organic, constant currency basis, which excludes Servizio Titoli as it was disposed of with effect from 1 April 2011.

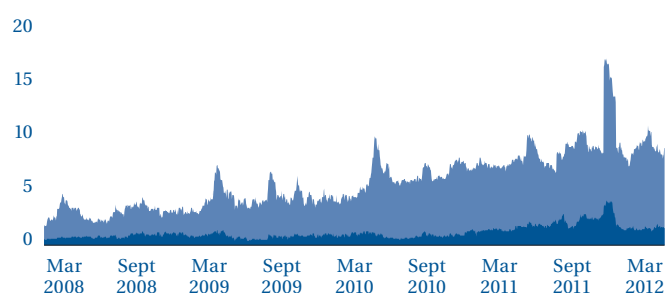
Clearing volumes in cash equities and derivatives were up marginally. Higher volumes on our MOT and MTS markets led to an increase in revenues from fixed income clearing, which combined with an increase in other clearing fees from guarantee deposit, fails and buy-in commissions resulted in an overall increase in clearing revenues of 14 per cent.

Settlement contract volumes were negatively impacted by increased netting prior to settlement, but this was more than offset by the launch of BTP Italia, the new primary auction structure for government bonds.

Custody and other revenue grew organically by 10 per cent. The average value of assets under management grew two per cent. Revenue also benefited from the full year impact of the new fees schedule introduced for bond issuer clients last year and an increase in the levels of corporate bonds held under custody following action taken by the ECB and Italian government to guarantee corporate bonds in reaction to the monetary crisis.

Initial margin held € billion

• Covered by Securities • Covered by Cash



Net treasury income benefited from continued growth in fixed income volume through the CCP which led to average initial margin held increasing 36 per cent to €9.4 billion (2011: €6.9 billion), in line with growth trends over recent years. The percentage of initial margin held in cash averaged 78 per cent. The volatility in Italian markets and low liquidity in the Italian interbank market combined with the Group's active treasury management elevated the returns made, which also benefited from a period of elevated Eonia/Euribor spread, although this has recently returned to more normal levels.

Information Services

Year ended 31 March				Organic and constant currency variance	
Revenue	2012 £m	2011 £m	Variance %		%
Real time data	102.8	99.8	3		3
FTSE royalties	13.1	11.3	16		20
FTSE revenues	37.4	-	-		-
Other information services	65.6	60.7	8		5
Total revenue	218.9	171.8	27		5

Real time data fees benefited from a full year contribution from the new billing arrangements introduced last year and increased revenues from non-display trading contracts. These offset a three per cent decrease in professional terminals receiving UK real time data to 90,000, with professional terminals receiving Italian real time data flat at 139,000.

In December 2011, the Group acquired the outstanding 50 per cent of FTSE which it did not already own, from The Financial Times Limited, for a total consideration of £450 million (before adjusting for acquired debt). FTSE significantly diversifies the Group's business into indices, data and analytics, as well as into new geographies and different customer bases, creating new growth opportunities for the Group. FTSE's own revenue growth has been strong, up 18 per cent in the year ended 31 March 2012.

Other information services continued to perform well with particular strength in SEDOL, which provides unique identification for a range of global tradable securities, and our post trade data matching service, UnaVista. In August, the Group announced the acquisition of TRS, the FSA's Approved Reporting Mechanism, for a consideration of £15 million. TRS clients have subsequently been migrated to the functionally enriched UnaVista platform and can now benefit from a significantly improved product and access to a wide range of value added solutions.

Technology Services

Year ended 31 March				Variance at constant currency	
Revenue	2012 £m	2011 £m	Variance %		%
MillenniumIT	22.2	18.2	22		26
Technology	30.4	30.4	0		0
Total revenue	52.6	48.6	8		9

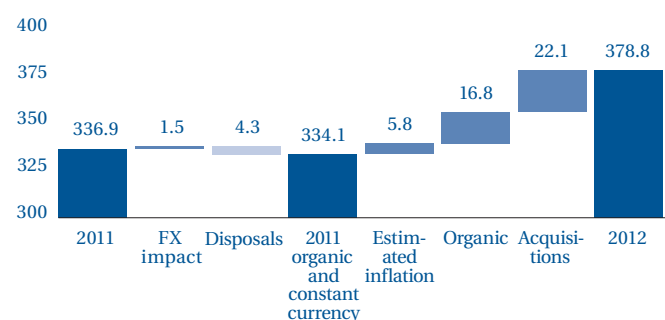
MillenniumIT continued to perform well in the year. As well as developing technology for the Group, MillenniumIT systems went live at the Chittagong Exchange in Bangladesh and Tullett Prebon. Technology was also delivered to the Mongolian Stock Exchange.

The Group's server co-location and hosting services showed good growth in Italy, with customers looking to leverage maximum benefit from the low latency Sola derivatives platform. Our ASP business continued to attract new customers, whilst expanding its offering to existing customers. In the UK, hosting revenues continued to grow in the second full year since launch. This growth was offset by a reduction in revenues from the full year impact of the transfer of our external communications network to a third party, which also removed all associated costs from the Group.

Operating expenses

Operating expenses £ million

• Increase • Decrease



Operating expenses before amortisation of purchased intangibles and non-recurring items grew five per cent on an organic and constant currency basis. This increase was mainly driven by a £12.1 million increase in variable staff compensation costs, including share awards, reflecting the improved performance of the Group and accretion in the Group's share price. Acquisitions contributed a seven per cent increase in operating expenses, driven by FTSE, whose costs were consolidated from mid-December 2011.

Non-recurring costs of £28.5 million were mainly professional fees incurred in relation to the FTSE and LCH.Clearnet transactions. The Group also recorded a non-recurring profit on acquisition/disposal of £324.3 million, principally the fair value mark up of our existing interest in FTSE as required on gaining control of the business.

Finance income and expense and taxation

Net finance costs decreased by £2.2 million as a result of charges in the prior year relating to the cancellation of €120 million of interest rate swaps and the refinancing of revolving credit facilities. This outweighed marginally higher interest charges in the current year due to increased levels of debt following the FTSE acquisition in December 2011 and arrangement fees in relation to a new £350 million committed revolving credit facility.

The Group's effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 29.2 per cent (2011: 30.3 per cent). This reflects the reduction in the UK tax rate and the mix of profits, with our Italian business subject to higher tax rates.

Cashflow and balance sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from operations up 21 per cent to £462.4 million. Total investment in the year was £488.6 million as the Group spent £496.1 million on the acquisitions in FTSE, CC&G and TRS and £33.4 million on capital expenditure, partially offset by €32.4 million received from the sale of Servizio Titoli.

At 31 March 2012, the Group had net assets of £1,449.7 million (2011: £1,137.0 million). Intangible assets increased by £723.0 million, mainly reflecting goodwill and purchased intangible assets recognised on the acquisition of FTSE (including the revaluation of our existing interest). The central counterparty clearing business assets and liabilities within CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. Lower derivative and repurchase agreement balances led to lower gross year end positions.

The Group's UK defined benefit pension plan showed a deficit of £9.8 million at 31 March 2012 (2011: surplus £37.6 million). The actuarial loss recognised in the year includes £33.1 million in relation to the buy-in of the existing pensioner liabilities in April 2011, being the excess of the premium paid over the related liabilities transferred. The contract for the buy-in includes an obligation to insure the liabilities of new retirees over the next five years on consistent pricing terms for a premium currently estimated to be £45 million. The plan closed to future accruals with effect from 31 March 2012.

Net debt, facilities and credit rating

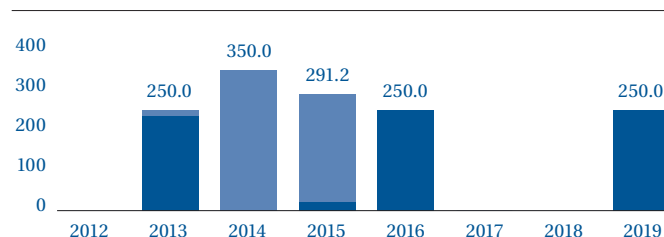
	2012 £m	2011 £m
Gross borrowings	757.1	499.1
Cash and cash equivalents	(216.0)	(267.0)
Net derivative financial assets	(3.1)	12.5
Net debt	538.0	244.6
Cash set aside	165.0	125.0
Operating net debt	703.0	369.6

At 31 March 2012, the Group had operating net debt of £703.0 million after setting aside £165.0 million to meet regulatory, clearing and commercial requirements. We are currently in discussions with Banca d'Italia about a possible increase in the regulatory capital requirements of CC&G, which would be expected to be met from the year end cash resources. In the year, the Group's gross borrowings increased by £258.0 million, mainly as a result of drawing on existing facilities to fund acquisitions.

In December 2011, the Group secured a new two year £350 million committed revolving credit facility in connection with the acquisition of LCH.Clearnet which expires if the acquisition does not complete. The facility may be extended for one year at the Group's discretion. The Group has committed credit lines totalling £1.4 billion, with £1.1 billion extending to December 2014 or beyond.

Debt maturity profile £ million

• Drawn • Undrawn



The Group's interest cover (the coverage of net finance expense by earnings before interest, taxation, depreciation and amortisation, both before non-recurring items) improved to 11.8 times (2011: 8.7 times). The Group's operating net debt to adjusted EBITDA was 1.4 times (2011: 1.0 times) on a pro forma basis as if the Group had owned 100 per cent of FTSE for the whole year, down from 1.6 times immediately after the FTSE acquisition. On the same pro forma basis, assuming completion of the acquisition of 60 per cent of LCH.Clearnet Group and using its financial results to 31 December 2011, the enlarged Group operating net debt to adjusted EBITDA would be 2.0 times, down from 2.1 times as announced on 9 March 2012.

The Group's long term credit ratings remain at A- with Standard & Poor's and Baa2 with Moody's. Standard & Poor's has moved the outlook for its rating to Credit Watch Negative and Moody's has retained its negative outlook as a result of the announcement of the proposed acquisition of LCH.Clearnet Group and the consequent likely increase to the Group's leverage. Both agencies are expected to clarify their ratings on completion of the acquisition.

Foreign exchange

	2012 £m	2011 £m
Spot £/€ rate at 31 March	1.20	1.13
Average £/€ rate for the year	1.16	1.18

The Group's principal foreign exchange exposure arises as a result of translating the Group's euro earnings, assets and liabilities from our Italian business into sterling. A €5c movement in the average £/€ rate for the year would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £12 million.

The Group monitors its exposure to the sovereign debt crisis in the Eurozone and the impact of austerity measures being adopted, specifically in respect of our operations in Italy and more generally because of the potential impacts on other areas of our business.

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation of purchased intangible assets and non-recurring items, of 100.6 pence, an increase of 36 per cent (2011: 73.7 pence). Reflecting the non-recurring revaluation of our existing interest in FTSE, basic earnings per share increased 243 per cent to 193.6 pence (2011: 56.4 pence).

Doug Webb
Chief Financial Officer

Our wider responsibility

The Group has important corporate responsibilities. We play a key role in supporting economic growth by enabling companies to access funds for growth. We manage our business responsibly, conscious of our impact upon our environment and focused on delivery of value to our shareholders and other stakeholders.

Our economic role

The Group provides a choice of markets to help companies raise money, fostering economic development, job creation, growth and innovation. From August 2007 to March 2012, London's equity markets provided £42 billion of new issue capital and £184 billion through successful further capital raisings (equivalent to around 70 per cent of the Bank of England's Quantitative Easing programme during the period) and £50 billion was raised in Italy over the same period.

Particularly relevant is our role in enabling small and medium enterprises (SMEs) to access financing. Since its launch in 1995, our growth market AIM has helped over 3,300 SMEs raise more than £78 billion to help fuel their growth, drive innovation and create jobs. A study by Grant Thornton revealed that AIM companies contributed £21 billion to GDP and supported the equivalent of 570,000 full-time jobs.

Our position at the centre of global financial markets also gives us an important role in promoting responsible corporate behaviour, financial education and more transparent and accessible markets. For example, we have a history of driving standards of corporate governance in the UK and Italy, we actively participate in the regulatory debate and we are proponents of active retail participation in the financial markets.

Managing a responsible business

Our responsibilities lie at the heart of our culture. We have defined the key Corporate Responsibility (CR) objectives for our business – those which are likely to shape our development and where we can positively contribute. As a result, last year we formalised our CR efforts under four key pillars: community, people, ethics and governance and environment.

Our commitment to our CR objectives is enshrined in our approach and is held accountable by:

- the Group CEO, who represents CR at Board level, with the exception of environmental issues that are represented by the Group CFO
- the Executive Committee, which is accountable for CR across the Group
- a CR Committee, which coordinates activities on the Executive Committee's behalf

The CR Committee meets at least four times a year and includes representatives for each focus area from all of our principal geographies. Each financial year, the CR Committee submits an action plan to the Executive Committee. This focuses not only on our current objectives, but also on other CR opportunities for the Group and a critical evaluation of our successes.

As part of our efforts, we have developed our first Corporate Responsibility Report. The London Stock Exchange Group CR Report contains a detailed description of our CR strategy and activities and can be accessed at www.londonstockexchange.com/corporate-responsibility/corporate-responsibility.htm.

Group CR priorities

The Group's approach to CR continues to evolve. Our priorities for FY 2013 are to:

- evaluate existing and emerging CR reporting frameworks and best practices
- determine measurements relevant to CR, including non-financial metrics

- evaluate appropriate ways to promote voluntary disclosure of environmental, social and governance issues by companies listed on our markets
- assess FTSE's CR policies and practices, and consider appropriate integration within the Group framework
- promote greater staff and stakeholder engagement with our CR programme

Community

The Group is committed to contributing to the communities in which it operates. To meet this aim, we have established the London Stock Exchange Group Foundation, which channels our charitable giving and promotes staff involvement.

The Foundation primarily receives funding from the Group and fines collected from disciplinary action against member firms. During the year, the Group donated £500,000, with an additional £300,000 from London Stock Exchange fine income. The Group donated a further £163,000 directly for charitable causes through FTSE and other Group companies.

Last year money donated by the Foundation amounted to £815,000, of which 45 per cent was donated to UK charities, 29 per cent to Italian charities and 26 per cent to Sri Lankan charities. These charities cover youth and children, healthcare, and art and culture.

The Foundation's giving is administered by Charities Aid Foundation (CAF), and the grants awarded selected by a foundation committee drawn from across the business.

Priorities for FY 2013

Our community priorities are to:

- focus the Foundation's efforts on helping young and disadvantaged people to reach their potential by developing life skills and business enterprise, and involve our staff in selecting and volunteering for partner charities whose mission is in line with the Foundation's new focus
- involve our customers in our community approach, through fundraising and shared programme development



Images above

Top: On Friday 23 March 2012 Dr Peter Kinsley (left) and Dr Julian Thompson (right) and his four year old patient Liam, opened the market on behalf of London's Air Ambulance, one of our partner charities.

Bottom: We put strong emphasis on building ongoing relationships with local schools. Recent projects have included a reading scheme in a school in Limehouse, East London.

People

The Group is committed to investing in our people, so that we can execute on our strategy.

During the year, we continued to prioritise a high performance culture, through actions designed to:

- attract, develop and retain key talent on a global basis
- enhance our performance management approach
- increase staff awareness of strategy and the desired behaviours and results
- increase focus on leadership and management development in order to execute our strategy

All staff are involved in the year end performance review process to provide our staff with specific performance objectives for the year ahead. To improve the effectiveness of this process, all managers with people management responsibilities in Europe were involved in an extensive training programme to enhance their performance development skills.

The bi-annual leadership events this year focused senior Group managers from across the globe on the themes of high performance and customer focused innovation. This involved external experts, workshops, best-practice 'teach-in's' and feedback facilitation.

Our budget for training and development increased by 28 per cent and we intend to maintain this level of investment.

The Group's global Graduate Programme marked its second anniversary with a new intake of 17 graduates from universities around the world. Our Internship programme was launched in the UK, and in Sri Lanka MillenniumIT provided 39 internships to undergraduates, as well as scholarships to the University of Colombo.

Staff turnover was down year on year to 15 per cent in the UK, three per cent in Italy and 14 per cent in Sri Lanka (FTSE not included).

We remain committed to providing a safe and healthy environment. Although, in the prior year, there were no reportable accidents across the Group, in the last year there were five reportable accidents which required more than three days off work.

To directly involve staff in the growth and success of the Group, a share save plan was launched involving all employees globally, with 35 per cent of staff taking part in the scheme.

In addition, we invested and enhanced our internal communications programmes launching a new regular CEO all-staff briefing, better and more regular staff communications and knowledge seminars to increase awareness of our business priorities.

Priorities for FY 2013

Our people priorities are to:

- develop a new Group-wide competency framework, providing the context for fulfilling our staff's potential while executing our strategy and developing a high performance culture
- focus on innovation, through collaboration that leverages the Group's geographic and business diversity

Ethics and governance

Maintaining our reputation for integrity is vital to our success. Our Business Principles set out the behaviours we expect from employees in their dealings with customers, shareholders,

colleagues, partners and suppliers, regulatory bodies, communities and the environment. These behaviours cover integrity and honesty, commitment to fair competition, equal opportunities and diversity, confidentiality, financial disclosure, dealings with regulatory authorities, and political activity. Our Business Principles can be accessed at www.londonstockexchange.com/corporate-responsibility/corporate-governance/business-principles.pdf.

The Group is committed to high corporate governance standards and fully complies with the UK Corporate Governance Code. More information can be found on pages 46 to 53.

Priorities for FY 2013

Our ethics and governance priorities are to:

- engage more widely with stakeholders about our role in promoting good ethical and governance practices
- develop our own approach to best practices within the Group

Environment

We are committed to managing our environmental impact through a process of review and improvement.

During the year, we held our first Group-wide 'Green Week', engaging employees on topics such as energy and waste management, charitable giving and living healthily. The response from staff was extremely positive.

Our waste reduction and recycling initiatives reduced waste by 92 tonnes to 570 tonnes and increased recycling rates from 44 per cent to 61 per cent. In the UK, our improved waste management system received a Platinum Award from the City of London's Clean City Scheme.

Against a backdrop of business growth, our energy use increased by 2.5 per cent during the year. We continue to invest in energy efficient technology across our sites. Despite continued growth, we travelled less, resulting in reduced CO₂ emissions from business travel.

To standardise our measurement processes, we will be rolling out an environmental performance management tool to all sites during next year. This will allow us to see real time utility performance, respond quickly to inefficient use and improve visibility of performance against our targets.

Priorities for FY 2013

Our environment priorities are to:

- review our carbon emissions reporting process, to ensure our expanded portfolio aligns with the Greenhouse Gas Protocol
- review our utility meter reading capabilities, to identify improvement opportunities and establish revised improvement targets for water, waste and energy management, reflecting our expanded property portfolio



Further information on our CR activities, please see our Corporate Responsibility Report online: www.londonstockexchange.com

Principal risks and uncertainties

The Group is subject to a variety of risks and uncertainties which may have an impact on the Group's ability to execute its strategy and deliver its expected performance.

The identification, assessment and management of risks remain central to the Group's operating framework. The risk management framework is described in the Corporate Governance section on pages 50 to 51. The Report of the Audit and Risk Committee, on pages 52 to 53 provides details on the work carried out to assist the Board in fulfilling its oversight responsibilities for risk management and systems of internal control.

In addition, the Group's approach to financial risks are detailed on pages 77 to 81.


Overview of Principal Risks:


Market Risks	Operational Risks
Clients and competition	Change management
Changing regulatory environment	Employees
Fiscal regime and political environment	Security threats
	Ongoing operations
	Value of shares to be acquired in LCH.Clearnet
	Investment risk

Principal Market Risks


The risks arising from the economic, political, competitive and regulatory environment within which the Group operates.

 Risk decreased
  Risk increased
  No change

Risk	Mitigating factors and additional commentary	Change (from last year)
<p>Clients and Competition</p> <p>We operate in markets that are characterised by increasing competition and choice for clients, as well as continued concentration of business from a relatively small customer base. Client alignment is paramount to the successful operation and growth of our business.</p> <p>Whilst regulatory changes removed some barriers to competition and afforded the Group the opportunity to compete for pan-European trading, it also resulted in increased competition, a consequential loss of market share and pressure on fee levels in the Group's existing markets.</p> <p>In our international primary markets business there is increasing competition from Asia, particularly Hong Kong, which is seeking to attract high profile international listings. The competition with New York remains significant.</p>	<p>Competitive markets are by their very nature dynamic and the effects of competitor activity can never be fully mitigated. The new, structured client engagement programme implemented last year in response to increasing competition has helped enhance our competitiveness. These efforts are complemented with an ongoing focus on new technology deployment and on cost reduction.</p> <p>Senior management are actively engaged with clients, the Group includes major customers as minority shareholders of certain businesses and aligns commercial initiatives with clients.</p> <p>We maintain a dedicated international marketing team focused on key target markets, promoting the benefits of listing on Group markets to international issuers, the global advisory community and other stakeholders.</p> <p>The Group considers that these efforts and the more certain nature of some of the proposed regulatory changes have, to an extent, counteracted the impact of increased competition.</p> <p>The proposed acquisition of a controlling interest in LCH.Clearnet is intended to substantially increase our footprint in the international clearing house market.</p>	<p></p> <p>For more information, see the Business Review, pages 17 to 31</p>

Risk	Mitigating factors and additional commentary	Change (from last year)
<p>Changing regulatory environment</p> <p>The global policy makers and regulators, including the EU, continue with their programmes for introducing a range of measures intended to reduce risk in financial services. There are considerable similarities between many of regulatory initiatives, especially those of the EU and USA.</p> <p>The commitments to the G20 objectives by the EU and Member States, continue to be the driving imperative of most of these measures, which are likely to lead to closer and more intrusive regulation of all financial services firms and infrastructure providers.</p> <p>Politicians continue to press for increased central EU supervision and regulation in reaction to the financial crisis and as demanded by their constituents.</p> <p>The key measures directly affecting the Group are the MiFID review, implementation of European Market Infrastructure Regulation (EMIR), Central Securities Depository Regulation (CSDR) and the future TARGET2-Securities Europe settlement platform (T2S), and Crisis Management arrangements for infrastructure (particularly CCPs).</p> <p>There are also planned measures on capital requirements, securities law, corporate governance, market abuse and issuer transparency and the possible introduction of financial transactions/activity taxes.</p> <p>In the UK, the Government's Financial Services Bill is progressing through Parliament with its proposal to replace the FSA with two new regulators, the PRA, responsible for micro prudential regulation and FCA, responsible for conduct, markets and consumer protection, and a Financial Policy Committee to advise on macro systemic risk.</p> <p>The FSA has also recently consulted on the Financial Risk Requirements for Recognised Bodies (exchanges and clearing houses) and we are awaiting its proposals in this respect. The Group has regular, normal course discussions with its regulators in the UK and Italy regarding its capital and liquidity resources.</p> <p>Regulatory change creates a more uncertain environment for the Group to plan and execute its business strategy. Changes may occur that have an adverse effect on the Group's business but may also provide new growth opportunities.</p> <p>Associated direct risks include potentially increased capital requirements and higher operating and compliance costs.</p> <p>Indirect risks include a reduction in participation and trading/clearing activity and reduction in capital markets activity.</p>	<p>Changes in the regulatory environment form a key input into our strategic planning, including the impact on our growth strategies, both organic and inorganic.</p> <p>We continually monitor regulatory developments and have direct engagement with regulatory and governmental authorities at a national, EU and international level. We continue to develop our relationships with the key political stakeholders, particularly at EU and UK level.</p> <p>Potential impacts from regulatory change are assessed and, depending on the impact, opportunities are developed and mitigating actions are planned.</p> <p>As the various proposals take shape, there is often greater certainty about the proposed measures. The Group continues to consider that, balancing the negative and positive outcomes, the likelihood of major adverse regulatory developments remains reduced in the light of the Commission's proposals in MiFID and the final text of EMIR. Further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment.</p> <p>The Group believes that it should be able to meet required capital resources from its strong operating cashflow, although it will need to monitor the development of the Level II measures under EMIR, consider the potential impact of the equivalent measures under the US Dodd-Frank provisions having regard to the proposed acquisition of a controlling interest in LCH.Clearnet, and respond to the regulators' requirements, including the FSA's updated requirements for Recognised Bodies, once finalised.</p>	<p style="text-align: center;"></p> <p>For more information see Market position and outlook, pages 8 to 11, Chairman's statement, pages 12 to 13, and Chief Executive's review, pages 14 to 15</p>

Principal risks and uncertainties

Risk	Mitigating factors and additional commentary	Change (from last year)
<p><i>Fiscal regime and political environment</i> Public finances in Europe are under increasing pressure as Governments tighten the fiscal regime. The continued challenging economy and the impact of the fiscal rescue packages across some Eurozone members could expose the Group to an increased risk of disruption resulting from market instability and financial failure in our clients and suppliers. The Group has significant operations in Italy, which is one of the Eurozone countries impacted by the financial crisis. As a result, the Group has a substantial proportion of its assets and liabilities denominated in euros and income arising from customers and products which are exposed to the Eurozone and euro-denominated securities, and accordingly it is exposed to risks that could have a material adverse impact on the financial condition of the Group.</p> <p>The reduction in UK corporation tax over the next three years provides some certainty and benefit for the Group.</p> <p>While Sri Lanka is enjoying a period of stability, should this situation deteriorate, it could impact our technology strategy.</p>	<p>The Group liaises closely with Government bodies and maintains cross-party political relationships, playing an active role by sharing expertise and experience with policy makers on the impact of Government and regulatory decisions on financial markets.</p> <p>The Group has undertaken stress testing of market systems to ensure sufficient volume capacity to maintain orderly markets in the event of increased volatility as a result of the Eurozone debt crisis. However, the extent and related consequences of the crisis are difficult to predict and, given the uncertainty, the impact of a critical country leaving the Eurozone is difficult to mitigate in terms of financial consequences.</p> <p>Existing Business Continuity Management (BCM) and crisis management procedures would be invoked to manage the response to any sudden escalation of the Eurozone situation.</p> <p>The move away from corporate debt (and in particular bank) financing is positive for the Group's equity business. In addition, Government debt requirements can assist the Group's fixed income business.</p> <p>The Group maintains regular contact with key Governmental parties in Sri Lanka and has appropriate contingency plans in place to ensure key technology operations are not dependent on a single geography.</p>	 <p>For more information, see Market position and outlook, pages 8 to 11, and Financial risk management, pages 77 to 81</p>

Principal Operational Risks

The risks arising from the people, systems and processes through which the Group operates.

Change management

The Group has a number of major, complex projects and strategic actions underway concurrently, including implementation of new technology systems, cost management initiatives, and strategic development of the Group's post trade and derivatives businesses. If not delivered to sufficiently high standards and within agreed timescales, these could have an adverse impact on the operation of core services, and revenue growth, as well as damaging the Group's reputation.

The volume of simultaneous change could also lead to a loss of client goodwill. Synergies and cost benefits may not be delivered to anticipated levels. With regard to the capability of the Group's MillenniumIT offering, losing the balance between key growth projects and on-going product development may impact the future competitiveness of the Group's technology platforms.

With regards to M&A and integration activities, the additional projects and workstreams could have an adverse impact on the day-to-day performance, key strategic initiatives and could damage the Group's reputation.

The senior management team, which has been further strengthened during the year, is focused on the implementation of the Group's strategy and the project pipeline in view of their importance to the Group's future success.

Each project, including those in respect of M&A and integration, is 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 the Group can continue to deliver advanced trading and information technology to meet clients' needs.

The risk has reduced as the Group has successfully implemented significant projects in the past year, including the further roll-out of Millennium Exchange for the Group's markets.



For more information see Chairman's statement, pages 12 to 13, and Chief Executive's review, pages 14 to 15

Risk	Mitigating factors and additional commentary	Change (from last year)
<p>Employees The calibre, quality and retention of employees are critical to the success of the Group.</p> <p>The loss of key members of staff could have an adverse impact on the Group's operations and ability to execute its change programme. The Group recognises the importance of retaining and developing employee skills and balancing resource allocation in the face of the changing nature of the Group's business environment.</p> <p>The Group's ability to attract and retain high quality individuals depends on the condition of recruitment markets and corresponding compensation packages of financial services, technology firms and regulators with which the Group competes for the same key staff.</p>	<p>The Group operates 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.</p> <p>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.</p> <p>The Group also offers Long Term Incentive Plans for high performers and critical staff, although these have not realised significant value in recent years.</p> <p>Staff turnover is monitored and reported to the senior executives quarterly.</p> <p>A centralised training budget allows a co-ordinated approach to development across the Group.</p>	<p style="text-align: center;"></p> <p>For more information see Our wider responsibility, pages 36 to 37 and Remuneration Report, pages 54 to 63</p>
<p>Security threats The Group is dependent on having secure premises and uninterrupted operation of its IT systems and infrastructure. Potential security threats therefore require continuous monitoring and assessment.</p> <p>Terrorist and cyber attacks and similar activities directed against our offices, operations, computer systems or networks could disrupt our markets, harm staff, tenants and visitors, and severely disrupt our business and operations. Similarly civil or political unrest could impact on companies within the Group.</p> <p>Long term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage. Security risks have escalated due to the increasing sophistication of cyber crime.</p>	<p>The Group has well established business continuity and crisis management procedures.</p> <p>The Group takes security threats very seriously and has robust physical security arrangements in place, which have been further enhanced this year.</p> <p>Extensive information and IT security measures are in place. These include the monitoring of intelligence and close liaison with the police and Government agencies.</p> <p>The risk mitigation against both physical and IT threats is long and well established and as a result our residual risk remains unchanged.</p>	<p style="text-align: center;"></p>

Risk	Mitigating factors and additional commentary	Change (from last year)
<p>Ongoing operations</p> <p>The Group's businesses and major revenue streams are highly dependent on secure and stable technology performing to high levels of availability and throughput. Any technology failures will impact on our clients and can potentially lead to a loss of trading volumes and adversely impact the Group's reputation and brand.</p> <p>The Group now increasingly provides its IT development and operations in-house, with particular reliance on MillenniumIT, following the successful migration of the Group's UK markets onto Millennium technology. Whilst this gives the Group a greater degree of control in this area, there remains a risk of resource over-stretch to meet both the requirements of the Group and those of third parties.</p> <p>The Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, data and other systems.</p>	<p>The performance and availability of the Group systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues.</p> <p>The Group's Technology Services management team mitigates this risk by ensuring prioritisation of all development and operations activities, and resource utilisation and allocation is kept under constant review.</p> <p>The MillenniumIT systems are designed to be fault tolerant and in addition alternative standby computer facilities are maintained to minimise the risk of system disruptions.</p> <p>The Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect the Group's businesses. Where possible the Group has identified alternative suppliers that could be engaged in the event of a third party failing to deliver on its contractual commitments.</p>	 <p>For more information see the Technology Services section of the Business Review, pages 30 to 31</p>
<p>The value of the LCH.Clearnet shares purchased by the Group may be less than the consideration paid</p> <p>The Group provides CCP services in a complex, multi-jurisdictional legal environment. CCPs face the risk that to successfully manage a default they may have to take action against insolvent members and, if a CCP's rights are restricted in any way or insufficient collateral has been posted by a member, such a default could adversely affect the CCP and its Group.</p> <p>Prior to completion of the proposed transaction with LCH.Clearnet Group Limited, it is possible that there could be a similar or equivalent adverse event affecting LCH.Clearnet Group Limited which would not give rise to a right to the Group to terminate the transaction. Such a risk is considered common for a transaction of this nature, however in such an event the value of the LCH.Clearnet shares purchased by the Group may be less than the consideration paid by the Group at completion of the transaction and, accordingly, the net assets of the Group could be reduced. This could have an adverse effect on the business, financial condition and operating results of the Group following completion.</p>	<p>Comprehensive due diligence was performed as part of the LCH.Clearnet Group Limited transaction. This covered operational risks, detailed review of margin methodology, default fund calculations and deposit counterparty risk.</p> <p>Under the terms of the implementation agreement between the Company, London Stock Exchange (C) Limited and LCH.Clearnet Group Limited in respect of the transaction, the Company is able to terminate the implementation agreement and cause the Company's offer for LCH.Clearnet to lapse, including in certain circumstances where a regulatory development occurs or a material regulatory licence is withdrawn, which would have (or would be reasonably likely to have) a material adverse effect in the context of the transaction on LCH.Clearnet Group Limited and/or where LCH.Group Clearnet Limited materially breaches the terms of certain customary pre-completion undertakings it has provided to LSEG.</p>	<p>New</p> <p>For more information see Chairman's statement, page 13, and Chief Executive's review, page 15</p>

Risk	Mitigating factors and additional commentary	Change (from last year)
<p>Investment risk</p> <p>The Group’s clearing provider, CC&G, maintains a significant quantum of cash and securities deposited as margin or as default funds by clearing members. To ensure optimum on-going liquidity and immediate access to funds, it deposits the cash received into the local bank market on an unsecured basis. There is a risk of a partial loss of the funds should a deposit-taking bank in which funds are deposited default.</p> <p>CC&G guarantees final settlement of trades and manages counterparty risk in a range of assets and instruments including cash equities, derivatives, energy products and Government bonds. As such the Group is exposed to country risk, credit risk, issuer risk, market risk, liquidity risk, interest rate risk and foreign exchange risk.</p>	<p>To date, CC&G has not experienced a failure of one of its deposit counterparties nor any loss as a result of the default of a member.</p> <p>The financial risks associated with clearing trades are mitigated by:</p> <ul style="list-style-type: none"> • strict membership rules; • the maintenance of prudent levels of margin and default funds to cover exposures to participants; and • back-up credit facilities supporting daily liquidity. <p>Committees overseeing membership, risk and financial risk meet on a regular basis.</p> <p>Investments are made in compliance with the Financial Management Policy issued by the Financial Risk Committee of CC&G. This limits deposits of margin and default funds to investment grade banks or (if unrated) Italian listed banks that are appropriately capitalised.</p> <p>During the year we have further expanded the number of counterparties that take CC&G’s deposits to diversify this risk including the introduction of Italian-based branches of major international banks. We maintain a close dialogue with Bank of Italy, the regulator of CC&G and its deposit-taking bank counterparties.</p> <p>All deposits are callable at CC&G’s option at sight or, for term deposits, with a maximum of two business days’ notice. Positions are monitored daily and are subject to regular reporting to the Executive Committee.</p>	<p style="text-align: center;"></p> <p>For more information see the Post Trade Services section of the Business Review, pages 22 to 25, and Financial Risk management, pages 78 to 79</p>

Board of Directors

Corporate governance at a glance

UK Corporate Governance 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 UK Corporate Governance Code throughout the year ended 31 March 2012.

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
- Three Executive Directors

Board and Committee

Meetings in	2012	2011
Board	21	13
Supporting committees		
- Audit and Risk	5	5
- Remuneration	3	2
- Nomination	1	2



Chris Gibson-Smith

Chairman of the Company and the Nomination Committee (age 66)

Appointed to the Board in May 2003.

Committee membership: Nomination (chair), Remuneration

Skills and experience: Chris is currently Chairman of The British Land Company plc. He was previously Non-Executive Director of Qatar Financial Centre Authority from 2006 to 2012, 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.

Other current appointments: Chris is a Trustee of the London Business School.



Raffaele Jerusalmi

Executive Director (age 51)

Appointed to the Board in June 2010.

Committee membership: Group Executive

Skills and experience: Raffaele is Chief Executive Officer of Borsa Italiana S.p.A. and Director of Capital Markets of London Stock Exchange Group plc. He is also a Board Member of Borsa Italiana, Monte Titoli and CC&G, and he is Vice-Chairman of MTS as well as Institore of the LSEGH (Italy) group of companies. Prior to joining Borsa Italiana in 1998, he was head of trading for Italian fixed income at Credit Suisse First Boston from 1993 to 1998. From 1996, he was a member of their proprietary trading group in London. From 1997 to 1998 he was a Board Member of MTS S.p.A., representing Credit Suisse First Boston and from 1989 to 1993 was head of trading for the fixed income and derivatives divisions at Cimo S.p.A. in Milan.

Other current appointments: Raffaele is a venture partner of the advisory Committee of Atlantic Capital Partners GmbH.



Xavier Rolet

Chief Executive (age 52)

Appointed to the Board in March 2009 and appointed Chief Executive on 20 May 2009.

Committee membership: Group Executive

Skills and experience: Xavier was a senior executive at Lehman Brothers from 2000 to 2008 and, latterly, Chief Executive Officer 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 was a Non-Executive Director of LCH.Clearnet until July 2010.

Other current appointments: Xavier is Deputy Chairman of the World Federation of Exchanges, a member of the Columbia Business School Board of Overseers and an Honorary Fellow of the Chartered Institute for Securities and Investments, FSCI (Hon).



Doug Webb

Chief Financial Officer (age 51)

Appointed to the Board in June 2008.

Committee membership: Group Executive

Skills and experience: Doug joined London Stock Exchange Group plc in 2008. He previously worked for QinetiQ Group plc from 2003 to 2008, becoming its Chief Financial Officer in 2005. He was 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 is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other current appointments: Doug is a Non-Executive Director and Audit Committee Chairman of SEGRO plc. He is also a member of the Investor Relations & Markets Committee of the Hundred Group of Finance Directors, the International Integrated Reporting Council Steering Committee and the FSA Practitioner Panel.



Paolo Scaroni

Non-Executive Deputy Chairman and Senior Independent Director (age 65)

Appointed to the Board in October 2007.

Committee membership: Remuneration, Nomination

Skills and experience: Paolo has been CEO of eni since May 2005 and was 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.

Other current appointments: Paolo is currently Non-Executive Director of Assicurazioni Generali, Veolia Environnement, Fondazione Teatro alla Scala and Member of the Board of Overseers of Columbia Business School.



Paul Heiden

Non-Executive Director and Chairman of the Audit and Risk Committee (age 55)

Appointed to the Board in June 2010.

Committee membership: Audit and Risk (chair)

Skills and experience: Paul is currently Chairman of Talaris Topco Limited. He was Chief Executive Officer of FKI plc from 2003 to 2008 and Group Finance Director of Rolls Royce plc from 1999 to 2003. He has also previously held senior finance roles at Hanson plc and Mercury Communications and was a Non-Executive Director of Bunzl plc from 1998 to 2005 and a Non-Executive Director of Filtrona plc from 2005 to 2006.

Other current appointments: Paul is Non-Executive Director of United Utilities Group plc and Meggitt plc.



Massimo Tononi

Non-Executive Director (age 47)

Appointed to the Board in September 2010.

Committee membership: Audit and Risk

Skills and experience: Massimo is Chairman of Borsa Italiana S.p.A. and was previously Partner and Managing Director in the investment banking division of Goldman Sachs from 2008 to July 2010. While at Goldman Sachs, he played a senior role in the business development and execution of investment banking transactions throughout Europe. From 2006 to 2008, he was Treasury Undersecretary at the Italian Ministry of Economy & Finance in Rome.

Other current appointments: Massimo is currently a Non-Executive Director of Mittel S.p.A., Sorin S.p.A. and Chairman of Prysmian S.p.A..



Baroness (Janet) Cohen

Non-Executive Director (age 71)

Appointed to the Board in February 2001.

Committee membership: Audit and Risk, Nomination

Skills and experience: Baroness Cohen, a Life Peer, is currently Vice-Chairman of Borsa Italiana S.p.A.. She was previously Non-Executive Director of BPP Holdings plc from 1994 to 2002 and Chairman from 2002 to 2006. She worked for Freshwater UK plc from 2007 to February 2009, Trillium Partners Ltd from September 2009 to April 2010, Management Consulting Group plc from 2003 to 2011 and Proudfoot Trustees Limited from 2003 to 2011. She was also Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993. She was also a Non-Executive Director of the Yorkshire Building Society from 1991 to 1995 and Vice-Chairman from 1995 to 1999. She served as Governor of the BBC from 1994 to 1999, and a Non-Executive Director of the Defence Logistics Organisation (MOD) from 1999 to 2005.

Other current appointments: Baroness Cohen is currently President of BPP University College and Senior Advisor to BPP Holdings. She is Chairman of the Cambridge Arts Theatre Trust.



Gay Huey Evans

Non-Executive Director (age 57)

Appointed to the Board in June 2010.

Committee membership: Audit and Risk, Remuneration

Skills and experience: Gay is currently a Non-Executive Director of Aviva plc and The Financial Reporting Council. Previously, she was Vice-Chairman of the Board and Non-Executive Chairman of Europe for the International Swaps and Derivatives Association from 2011 to 2012. She was also Vice-Chairman of Investment Banking and Investment Management at Barclays plc from 2008 to 2010, Head of Governance at Citi Alternative Investments (EMEA) from 2007 to 2008 and President of Tribeca Global Management from 2005 to 2007 (both part of Citigroup), and Director of Markets Division and Head of Capital Markets Sector at the UK Financial Services Authority from 1998 to 2005.

Other current appointments: Gay is a Trustee of Wigmore Hall and Wellbeing of Women.



Sergio Ermotti

Non-Executive Director (age 52)

Appointed to the Board in October 2007.

Committee membership: Remuneration

Skills and experience: Sergio is currently Chief Executive Officer of UBS Group and was previously appointed Chairman and Chief Executive Officer of UBS Group Europe, Middle East and Africa. He has been a member of the UBS Group Executive Board from April 2011. Between 2007 and 2010, he was Group Deputy Chief Executive Officer and Head of Corporate & Investment Banking and Private Banking Strategic Business Area of UniCredit Group. From January 2006 to July 2007 he was Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group. From 1987 until 2004, Sergio worked with Merrill Lynch & Co 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.

Other current appointments: none



Andrea Munari

Non-Executive Director (age 49)

Appointed to the Board in October 2007.

Committee membership: Audit and Risk

Skills and experience: Andrea is currently Chief Executive Officer and Managing Director of Banca IMI, part of Intesa Sanpaolo Group. He was 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.

Other current appointments: none



Robert Webb QC

Non-Executive Director and Chairman of the Remuneration Committee (age 63)

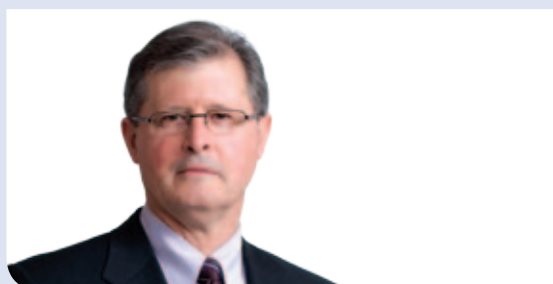
Appointed to the Board in February 2001.

Committee membership: Remuneration (chair), Nomination

Skills and experience: Robert is General Counsel and Head of Risk for Rolls Royce plc. Robert was previously Chairman of Autonomy Corporation plc from 2009 to 2011 and of BBC Worldwide from 2009 to 2012. He served as General Counsel of British Airways from September 1998 to April 2009 where he was responsible for law, Government affairs, safety, security and risk management. Robert was a Director of Argent Group plc from 2009 to 2012 and the Emerging Health Threats Forum from 2006 to 2012. He was also Chairman of Sciemus Ltd from 2010 to 2011 and Head of Chambers and a practising QC at 5 Bell Yard, London from 1988 to 1998.

Other current appointments: Robert is Non-Executive Director of the Holdingham Group Ltd. He is also a Bencher of the Inner Temple and a Trustee of Comic Relief and the Migratory Salmon Fund.

Corporate Governance



The Corporate Governance Report which follows is intended to give shareholders an understanding of the Group's corporate governance arrangements and how they operated during the year, including how the Group complied with the principles of the UK Corporate Governance Code.

Board focus

The Board's agenda and focus in the year ended 31 March 2012 has been driven by the important steps the Group has taken in progressing the Group's strategy through its acquisition of the remaining 50 per cent share of FTSE International Limited and in seeking to acquire a majority stake in LCH.Clearnet Group Limited. The Board's deep consideration of and engagement in these transactions is reflected in the scheduling of 14 Board meetings, often on short notice, over and above the six scheduled meetings a year, together with additional meetings of the Audit and Risk and Remuneration Committees. Given the relative size and complexity of the LCH.Clearnet business, these additional meetings were principally related to the LCH.Clearnet transaction.

The Board is very mindful of its responsibility to consider the nature and extent of the risks it is willing to take when pursuing the Group's strategic objectives. The Board's discussions, therefore, focused not only on the ability of such transactions to meet our strategic objectives and deliver value for shareholders but also on identifying and managing risk. The review of risk was also supported by the Audit and Risk Committee.

The Board has also continued its programme of visiting its overseas businesses and meeting local management. The Board held one of its meetings in Milan and also carried out a more extensive trip to Sri Lanka (home to the Group's technology business, MillenniumIT).

Board effectiveness

This year the Board appointed Spencer Stuart to carry out a review of its effectiveness. The process and findings are described on page 49. Following this review, I am satisfied that the Board continues to perform well.

Succession planning

One of my duties as Chairman of the Board and of the Nomination Committee is leading the work to ensure that the balance of skills and experience on the Board remains appropriate. In the year ended 31 March 2011, four new Directors joined the Board. Following these changes, and against the backdrop of a period of intense corporate activity, the Board considered that the Group and its shareholders were best served by a period of stability in the membership of the Board. The Board will review its composition in the coming year.

Succession planning was also one of the key issues considered by the review of Board effectiveness described above. In particular, the Board considered its composition as the Group diversifies and extends the geographies within which it operates. Based on the feedback from the review, the Board recognises the benefits of having a mixture of skills and experience and that a "one size fits all" approach is not appropriate in considering board composition. For the Company, this means that we intend to continue to draw Directors from a range of business backgrounds with experience gained directly in the financial markets in which the Group operates and also in the wider business environment. The Board also believes it is important to have a balance between Directors with a longstanding knowledge of the Group and Directors who bring a newer perspective.

Investor engagement

Shareholder engagement and support remains central to our planning and thinking. This was again particularly important in another year of corporate activity. We have a comprehensive investor relations programme which is described in more detail in this Corporate Governance Report. The Board receives regular updates on shareholder feedback at each of its meetings so that it is aware of shareholders' views and concerns. Shareholders are also offered the opportunity to meet with the Senior Independent Director, Chairman of the Remuneration Committee and me as appropriate.

A handwritten signature in black ink that reads "C. S. Gibson-Smith".

Chris Gibson-Smith
Chairman

Corporate governance report

Complying with the provisions of the UK Corporate Governance Code

The Group is committed to high standards of corporate governance and business integrity in all of its activities. Throughout the year ended 31 March 2012 the Company has complied with all provisions of the UK Corporate Governance Code.

The UK Corporate Governance Code sets out guidance in the form of main principles and more specific provisions for good governance in relation to board leadership, effectiveness, accountability, remuneration and relations with shareholders. The Financial Services Authority requires companies with a premium listing of equity shares in the UK to disclose, in relation to the UK Corporate Governance Code, how they have applied its main principles and whether they have complied with all relevant provisions throughout the year. Where the relevant provisions have not been complied with, companies must provide an explanation for their non-compliance. Further information on the UK Corporate Governance 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 page 65 of the Directors’ Report.

Board of Directors

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 growth in shareholder value. Directors act in a way they consider will promote the long-term success of the Company for the benefit of shareholders as a whole, with regard to the interests of the Group’s employees, the impact of the business on the community and environment and the interests of stakeholders. 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 of its subsidiaries as important assets of the Group and accordingly protection of the brand and reputation of the Group and its subsidiaries, including ensuring that subsidiaries continue to meet local regulatory requirements, is also a key part of the Board’s role.

Board Activities in FY2012

Key Areas of Focus

Pursuing the Company’s strategy of ‘Getting in shape, leveraging our assets and developing opportunities’

In particular, the Board spent much of its time considering the acquisitions of the remaining 50 per cent of FTSE and a majority stake in LCH.Clearnet

Continuing to upgrade the Group’s risk framework

Undertaking an external review of its effectiveness

Continuing to evaluate Group strategy

Matters considered in FY2012

Each meeting	Annually	Throughout the year
Reports from the Chief Executive on performance in each of the business areas, regulatory strategy, public affairs and regulatory matters	Health and safety	Detailed consideration and approval of significant merger and acquisition opportunities including: - TMX Group Inc., including approval of Prospectus and Class 1 circular - LCH.Clearnet, including approval of Class 1 circular and Offer Document - FTSE - TRS
Reports from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury and HR matters	Off-site strategy day, including three year business plan	Discussion and approval of Group risk register
Updates from the Board committees	FSA’s risk mitigation programme together with FSA presentation	Discussion and approval of Group strategy
	Review of independence of Directors pursuant to UK Corporate Governance Code	Approval of new Save As You Earn Plan
	Budget	Review of quarterly financial forecasts and funding of acquisitions
		Presentations from CC&G on the approach to risk management in current financial markets

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 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 Company’s business. The current key responsibilities of both the Chairman and Chief Executive are set out in the table on the next page.

Key responsibilities

Group Chairman	Chief Executive
Acts as an independent Non-Executive Director and chairs the Board of the Company	Formulates the strategic direction of the Company and agrees this with the Board periodically
Forges an effective Board as to composition, skills and competencies	Ensures proper financial and business control is exercised within the Company
Ensures, in collaboration with the Chief Executive, that the Board considers the strategic issues facing the Company in a timely manner and is presented with sound information and analysis appropriate to the decisions that it is asked to make	Chairs the Executive Committee
Acts as a sounding board for the Chief Executive and provides general advice relating to the management and development of the Company's business	Ensures there is a clear management structure with appropriately delegated responsibilities staffed by suitably experienced and qualified staff
Supports the commercial activities of the Company by, inter alia, maintaining contact with the Company's key stakeholders and maintaining dialogue with competitors and other industry participants	Ensures appropriate reporting and communication systems are established across the Company
	Ensures key performance objectives are set for all operational departments, action plans and budgetary controls are established and, where necessary, corrective action is taken to maximise the performance of the Company
	Ensures the Company's strategy and values are effectively understood and applied by management and staff

Board and Committee meetings FY2012

The Board held six scheduled meetings, 14 ad hoc meetings and one strategy day in the year ended 31 March 2012. On a number of occasions throughout the year, the Chairman met Non-Executive Directors without the presence of Executive Directors. The Chairman and Non-Executive Directors also meet without the Executive Directors at the start of each Board meeting to discuss the business of that meeting and other issues. Throughout the year, the Chairman also met with Non-Executive Directors individually to discuss business-related matters.

Board meeting attendance in the year ended 31 March 2012

	Scheduled	Ad hoc	Strategy	Total
Number of meetings	6	14	1	21
Chris Gibson-Smith	6/6	14/14	1/1	21
Xavier Rolet	6/6	14/14	1/1	21
Raffaele Jerusalem	6/6	14/14	1/1	21
Doug Webb	6/6	14/14	1/1	21
Paolo Scaroni	5/6	11/14	0/1	16
Baroness (Janet) Cohen	6/6	13/14	1/1	20
Sergio Ermotti	3/6	10/14	1/1	14
Paul Heiden	5/6	10/14	1/1	16
Gay Huey Evans	6/6	11/14	1/1	18
Andrea Munari	5/6	13/14	1/1	19
Massimo Tononi	6/6	12/14	1/1	19
Robert Webb	6/6	10/14	1/1	17

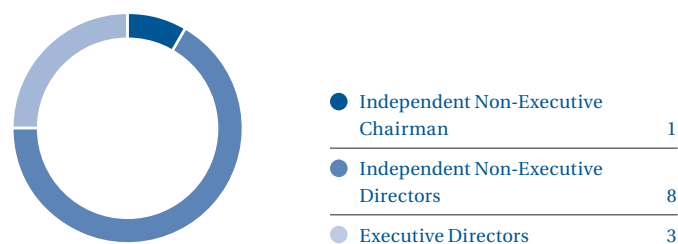
As well as six scheduled Board meetings and a dedicated strategy day, the Board called 14 additional Board meetings on short notice to consider matters relating to various corporate transactions. This in part accounted for a number of Non-Executive Directors being unable to attend all meetings.

When Directors have not been able to attend meetings due to conflicts in their schedule, they receive and review papers to be considered at the relevant meeting. Where they have comments or concerns on the matters to be discussed they provide these to the Chairman in advance of the meeting.

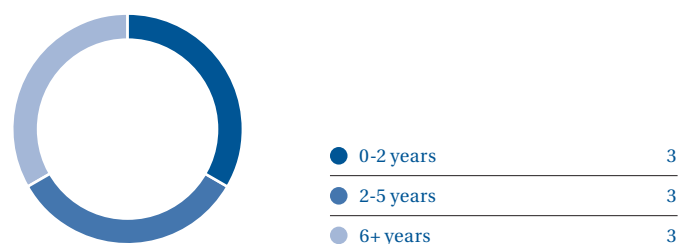
Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. The Company maintained a Directors' and officers' liability insurance policy throughout the year ended 31 March 2012. 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. Neither the Company's indemnity nor insurance provide cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

Board balance and independence

Board balance and independence



Length of service: Non-Executive Directors as at 31 March 2012



There is a strong non-executive element on the Board and the Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy.

The Board considers that the Directors possess 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 considers that the balance of skills and experience is best achieved by balancing continuity of experience and new joiners and also by drawing Directors from a wide range of backgrounds, including both the financial markets in which the Group operates, as well as broader business backgrounds.

It is likely that the Board will continue to include Directors with current or recent experience in financial markets amongst its membership as the Board believes it benefits from this expertise. The Board also believes that the Group benefits from having directors with a mixture of tenures. Given the extensive corporate activity undertaken by the Group in the year ended 31 March 2012 with the acquisition of the remaining 50 per cent of FTSE and the transaction to acquire a majority stake in LCH.Clearnet Group, the Board decided that the Group would benefit from a period of Board stability. Following the results of the Board Effectiveness Review, the Board will continue the process of reviewing its composition in the year ended 31 March 2013.

The Board has concluded that all Non-Executive Directors are independent in character and judgement. In assessing each Director, the Board considered whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

The UK Corporate Governance Code requires that a company should state its reasons if it determines that a director is independent in certain circumstances, including where a director is employed by a shareholder or customer of the Company and where a director has served for more than nine years.

Andrea Munari is employed by Intesa, which is a customer of the Group and which also owns shares in the Company. Mr Munari is ring fenced from any decisions impacting Intesa's shareholding in the Company and any discussions between the Company and Intesa are conducted with a separate team at Intesa responsible for its investment decisions. Whilst the Company values its relationship with Intesa as a customer, given the size of Intesa, it is believed that Intesa's relationship with the Company and its subsidiaries is not material to Intesa. The Board benefits greatly from Mr Munari's current experience in financial markets and the Audit and Risk Committee also benefits from Mr Munari's experience of risk in a financial services company.

Sergio Ermotti is CEO of UBS, which is a customer of the Group. Mr Ermotti brings vast expertise and experience of financial markets which greatly assists the Board. Given the size of UBS and the large number of markets in which it operates, its relationship with the Company is not material to UBS. Additionally, Mr Ermotti's portfolio as CEO is extensive and, as such, he is not engaged directly in UBS's customer relationship with the Company. The Board benefits from Mr Ermotti's current experience in capital markets and from his wider business experience.

Janet Cohen and Robert Webb have both served on the Board since 2001. The Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service. The Board also benefits from their experience and knowledge resulting from the length of their service as well as their wider business experience.

In line with the UK Corporate Governance Code, all Directors are subject to annual re-election.

Board effectiveness and leadership

This year the Board engaged Spencer Stuart to carry out the Board's annual effectiveness review. Spencer Stuart was appointed following a review of providers in the market and is not currently engaged in any other work on behalf of the Company.

The evaluation process was carried out through formal interviews with each director. The evaluation covered the following areas:

Overall Impression of the Board; Organisation of the Board; Committee Organisation; Roles and Duties as Directors, including performance of individual directors; Board Composition; Board Involvement and Engagement; Communication with Shareholders and other Stakeholders and Overall Board Effectiveness. The key themes arising from the 2012 evaluation, which will form the basis of the 2013 action plan, were:

- consideration of succession planning and Board composition particularly as the Group diversifies;
- a desire from Non-Executive Directors for greater interaction with the executive at all levels in order to further enhance the Board's understanding of the business beyond presentations at Board meetings; and
- as the Group expands geographically, consideration of greater use of technology to facilitate fuller participation of all Directors.

Board development

Each new Director joining the Board is provided with an induction programme covering the key areas of business of the Group. Directors are provided with key documents including strategy documents, past Board papers, an overview of the business including the regulatory framework within which the Group operates and information on their responsibilities under the Listing Rules. Additionally, Directors meet with executives from throughout the Group to better understand each of the business areas together with the Group's governance and financial and legal framework. Directors have access to independent professional advice if they judge it necessary to fulfil their responsibilities as directors.

Directors are encouraged to continually update their skills and knowledge of the business and briefings are given at Board meetings on particular parts of the business.

As the Board increases in size and the Group expands into an increasing number of jurisdictions, the Board has also developed the practice of undertaking formal visits to its overseas businesses so that the Directors can experience first-hand key aspects of the Group's operations.

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 procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director and new conflicts are dealt with then. 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 the year ended 31 March 2012 this procedure operated effectively.

Board's overseas visit to Sri Lanka

In January 2012, the Board visited the Group's offices in Sri Lanka, home to its subsidiary MillenniumIT. In addition to holding a Board meeting, the Directors received presentations from local management that provided the Board with an overview of MillenniumIT's business and some of the new products being developed. The Board also participated in the laying of the Foundation Stone for the new building to house the software development team on the MillenniumIT campus. MillenniumIT also hosted an all staff event which provided an opportunity for Directors to meet local staff.

The Board's visit to Sri Lanka included a presentation on the extensive CSR initiatives supported by MillenniumIT's staff. One such initiative was the Habitat Housing Project, where employees have spent a considerable amount of their own time supporting the LSEG Foundation-backed housing project, building 54 houses for homeless families. During the visit, some of the Board, including the Chairman and CEO visited the project site in the village of Sinnathamunai.

Board Committees

The Company ensures that all Committees are provided with sufficient resources to undertake their duties. All Committees have written terms of reference which are available from the corporate responsibility section on the Company's website at www.londonstockexchange.com or on request from the Group Company Secretary.

Nomination Committee

The Nomination Committee members as at 31 March 2012 were: Chris Gibson-Smith (Chairman), Janet Cohen, Robert Webb 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.londonstockexchange.com.

The Committee met once in the year. It considered Board and senior management succession planning.

Nomination Committee meeting attendance in the year ended 31 March 2012

	Scheduled	Total
Number of Meetings	1	1
Chris Gibson-Smith	1/1	1
Baroness (Janet) Cohen	1/1	1
Paolo Scaroni	1/1	1
Robert Webb	1/1	1

Remuneration Committee

Details of the Committee's remit and activities are set out in a separate Remuneration Report on pages 54 to 63.

Audit and Risk Committee

Details of the Committee's remit and activities are set out in a separate Audit and Risk Committee Report on pages 52 to 53.

Internal Controls

The Board has overall responsibility for the risk management framework and maintaining an adequate system of internal control appropriate for the Group's business and the risks to which it is exposed. The Audit and Risk Committee assists the Board in discharging this responsibility by reviewing and assessing the Group's system of internal controls and risk management process. Executive management are responsible for designing, operating and monitoring the system of internal controls. The system of internal controls is designed to manage within the Board's risk appetite rather than eliminate the risk of failure to achieve the Group's objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations. The system of internal controls is amended as appropriate in response to changes in the Group's business and associated risks.

The key elements of the Group's system of internal controls are described below:

Organisational structure

The day-to-day running of the Group is managed by an Executive Committee which is chaired by the Group Chief Executive Officer. Each Executive Committee member is responsible for one of the Group's operating divisions. The Executive Committee meets regularly to review business and financial performance and approve key decisions. The Executive Committee is supported by a Leadership Team, comprising approximately 60 Senior Managers from across the business units within each division. Lines of responsibility have been clearly defined and an appropriate framework of delegated authorities is in place.

Policies and procedures

A framework of Group policies and procedures has been established for all aspects of the Group's activities, supplemented with a number of local policies where appropriate. The policies are reviewed and updated on an on-going basis to reflect changes in the Group's structure and changing business needs. Key policies are emphasised in the employee induction process and regularly reinforced.

Risk management system

The risk management process is governed by a Board-endorsed risk management policy and risk appetite statement. Executive management are accountable for risk identification, analysis, evaluation, mitigation, monitoring and reporting in their area within the framework established by the Board. A combined bottom up and top down risk management approach is adopted, with risks identified at a business unit, divisional and group level. Divisional risk registers are reviewed by the Executive Committee every quarter. The Group risk register is reviewed by the Board at least every six months following an updated assessment of the risk management process by the Audit and Risk Committee.

Each Group risk is owned by a member of the Executive Committee who is responsible for managing or mitigating the risk to a level within the Group's risk appetite. Two Executive Committee members present their division's risk management processes and latest risk registers to the Audit and Risk Committee every 6 months in rotation. On a semi-annual basis a divisional internal control and risk management self-certification process is also performed. Each business unit is required to confirm that they are in compliance with the Group's governance procedures. Any exceptions are reported to the Audit and Risk Committee.

An overview of the principal risks and uncertainties for the Group is provided on pages 38 to 43.

Financial controls

Comprehensive financial reporting and review procedures are in place, with financial and key performance indicators reviewed against operational budgets on a monthly basis at a group, divisional and business unit level. The monthly management report used by the Executive Committee is shared with the Group Board and any key issues are reviewed at each Board meeting. Investment opportunities are evaluated following a clearly defined investment appraisal process.

Treasury risk management

Group treasury risk management is overseen by the Treasury Committee which is chaired by the Chief Financial Officer. The Committee operates within Board approved policies and meets regularly to review the management of the Group's own capital, credit, market and liquidity risks. Counterparty, investment and liquidity risks related to the CCP operations of the clearing house (CC&G) are separately overseen by the CC&G Board Risk Committee and by the Executive Committee. Further details on financial risk management are provided in note 2 to the accounts.

Programme and project governance

The Group has an established project management methodology governing the projects that it undertakes. Individual project boards, including Executive Committee representation where appropriate, are accountable for project delivery. The Executive Committee regularly reviews the Group's project portfolio.

Regulatory monitoring

Regulatory and compliance risks in the UK and Italian markets in which the Group operates are monitored by experienced compliance functions. These regulatory teams work closely with the FSA in the UK and CONSOB and Banca d'Italia in Italy. The compliance functions are managed independently from the customer facing business units.

Internal audit

The internal audit function provides independent assessment over the adequacy and effectiveness of the system of internal controls and the risk system. The audit plan is aligned to the Group's key risks and is approved by the Audit and Risk Committee. A risk-based approach is adopted for all audits. Progress on implementing audit actions arising is reported on a timely basis to the Executive and Audit and Risk Committees. A new Head of Internal Audit and Risk was appointed during the year.

Conclusion

The Board confirms that, through the Audit and Risk Committee, it has reviewed the operation and effectiveness of the Group's system of internal controls throughout the year and up to the date of approval of this Annual Report. No significant failings or weaknesses were identified during this review. The Board is satisfied that the risk management process and system of internal controls accords with the revised Turnbull guidance (2005).

Relations with shareholders

The Company runs a full Investor Relations (IR) programme, with the objective of ensuring that existing and potential shareholders, plus sell-side analysts that produce investment research relating to the Group, have access to a range of information to appropriately understand the strategy, activities, performance and prospects of the Company. The IR programme typically consists of meetings, calls, presentations and news/data releases on a regular basis throughout the year, based around the Group's financial reporting calendar and following major corporate events.

The IR team, reporting to the CFO, is responsible for organising the IR programme and for day-to-day contact with the market. The CEO and CFO engage in regular contact with shareholders, through meetings and presentations, to discuss strategy, performance and other matters. 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. Over the past year, senior management and the IR team held 287 meetings and calls with shareholders and potential investors in the UK, Europe, the Middle East, Asia and North America.

The Investor Relations section of the Company's website at www.londonstockexchange.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 documents are all available on the website together with a list of analysts producing research on the company and a summary of analysts' forecasts of 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.

Analyst research notes are circulated to the Board following publication. The Board also 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 Group's corporate brokers and a specialist IR advisory firm also provide the Board with advice on shareholder relations and share register analysis. The AGM provides the opportunity for shareholders to meet Directors and to put questions to the Board, including the Chairmen of the Audit and Risk, Remuneration and Nomination Committees. The procedures for the AGM are compliant with the UK Corporate Governance Code. Voting at the AGM is by way of a poll to ensure all shareholders' views are taken into account.

Report of the Audit and Risk Committee



This report is intended to give an understanding of the role of the Audit and Risk Committee in assisting the Board to fulfil its oversight responsibilities for risk management and the systems of internal control, and the integrity of the Group's financial statements.

In addition to the Committee's regular responsibilities, during the year the Committee has reviewed the due diligence processes undertaken as part of the proposed merger with TMX Group, the acquisition of the remaining 50 per cent share of FTSE and the proposed acquisition of a majority shareholding in LCH.Clearnet Group Limited. Priorities in the forthcoming year will include the Group's on-going efforts to further enhance its risk management framework and the application of our risk and internal control policies to newly acquired businesses. I am confident that the Committee is well placed to meet the challenges of the changing organisation.

Paul Heiden
Chairman of the Audit and Risk Committee

Audit and Risk Committee meeting attendance in the year ended 31 March 2012

	Scheduled	Ad hoc	Total
Number of Meetings	4	1	5
Paul Heiden	4/4	1/1	5
Baroness (Janet) Cohen	4/4	1/1	5
Gay Huey Evans	4/4	1/1	5
Andrea Munari	3/4	1/1	4
Massimo Tononi ¹	3/3	1/1	4

¹ Massimo Tononi joined the Committee in September 2011 and was therefore only required to attend 4 meetings

Composition and responsibilities

The Committee is chaired by Paul Heiden who provides recent and relevant financial experience through his chartered accountant qualification and career in a variety of senior finance roles. In addition the Board is satisfied that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively. The names and qualifications of the members of the Audit and Risk Committee are provided on pages 44 to 45.

Further details of who normally attends meetings and the Committee's terms of reference, which are approved by the Board and reviewed on an on-going basis, are available from the Group Company Secretary or at the corporate governance section of the Company's website at www.londonstockexchange.com.

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. The Chairman reports to the subsequent meeting of the Board on the Committee's work.

Activities

The Committee maintains a formal agenda which ensures that all matters for which the Committee are responsible are considered at the appropriate meeting. 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 the accounting treatment of the acquisition of shares in CC&G and FTSE. The Committee paid particular attention to the revaluation of the Group's existing interest in FTSE to market value and valuation of the intangible assets inherent in the business. As in prior years it has also reviewed the process and key assumptions in the evaluation of goodwill for impairment. For further details on the impairment testing see note 13 to the accounts. In addition, the Committee reviewed the process that the Board has conducted to conclude that the financial statements should be prepared on a going concern basis;
- compliance with the Group risk management procedures as described in the section on internal controls on pages 50 to 51. As part of its rolling programme of review of divisional risk registers the Committee also reviewed the management of risk within the Capital Markets, Post Trade, Information Services, MillenniumIT and Technology divisions;
- the due diligence processes and financial information contained in the shareholder documentation together with the processes for producing the relevant working capital statements in respect of the proposed transactions with TMX Group and LCH.Clearnet Group Limited, and the due diligence process undertaken in respect of the FTSE acquisition;
- the financing considerations of the FTSE and LCH.Clearnet Group Limited acquisitions including the new committed £350 million revolving credit facility secured in December 2011;
- the approach to risk in the Group's tax strategy;
- the Group's on-going strengthening of its business continuity arrangements;
- the internal audit annual plan and key findings from reviews and actions taken in response by management. In addition the Committee reviewed the effectiveness of the department's activities;

- the appointment of the new Head of Internal Audit & Risk;
- the external auditors' report and findings from the half-year review and year end audit; and
- the Group's arrangements for dealing in confidence with employee whistle-blowing complaints.

External audit

The Committee undertakes an annual evaluation of the independence and objectivity, qualifications, expertise and resources of the external auditors. The assessment also includes the effectiveness of the audit process.

PricewaterhouseCoopers LLP have been the Group's auditors for many years. Under Italian law, the auditors of regulated entities are appointed for nine years and therefore, following our merger in 2008, PricewaterhouseCoopers were appointed as auditors of Borsa Italiana until the year ended 31 March 2016 replacing Deloitte. Borsa Italiana can replace PricewaterhouseCoopers for just cause at any time during the appointment, although along with PricewaterhouseCoopers, would have to explain the reasons to CONSOB the Italian regulatory body. The auditors must be replaced at the end of the nine year tenure and cannot be re-appointed within three years.

The external auditors' independence and objectivity is maintained via a variety of safeguards:

- On a periodic basis the external auditors are required to provide written confirmation of all relationships with the Group and the actions they take to comply with professional and regulatory requirements designed to ensure their independence;
- As required by their own rules and relevant professional standards PricewaterhouseCoopers rotate the lead engagement partner at least every five years. The current audit partner has been in place for three years;
- There are restrictions on the employment of former employees of the external auditor. Under the Group policy any partners involved in the audit of the Group would not be employed by the Group until at least two years have lapsed from the end of their involvement; and
- The Committee has adopted a policy on the provision of non-audit services by the external auditor and monitors compliance with it semi-annually. Copies are available from the Group Company Secretary or at the corporate governance section of the Company's website at www.londonstockexchange.com.

A breakdown of audit and non-audit service fees paid and payable to the external auditors for the year ended 31 March 2012 is provided below and in note 33 to the accounts:

	2012	2011
	£m	£m
Audit of parent company and consolidated accounts	0.2	0.2
Audit of subsidiary companies	0.9	0.8
Other audit related	0.3	0.2
Other non-audit services		
Taxation	0.1	0.3
Corporate finance	2.8	0.3
Other assurance services	-	0.4
Total	4.3	2.2

In the year ended 31 March 2012, the substantial majority of other non-audit services related to services provided by PricewaterhouseCoopers in relation to the proposed merger with TMX Group and the proposed acquisition of a majority shareholding in LCH.Clearnet Group Limited. These services included financial due diligence work and reporting accountant activities in connection with the relevant Prospectus and Circulars to shareholders.

The Audit and Risk Committee reviewed each of these individual appointments on their merits, prior to PricewaterhouseCoopers being engaged. The process involved considering management's assessment of:

- which accounting firms had the appropriate experience and expertise to undertake the work;
- whether there were any conflicts of interest for PricewaterhouseCoopers;
- whether the conflicts of interest that existed for other potential firms, who were either advising other parties to the transactions or were auditors of the other company, could be appropriately managed; and
- the quantum of non-audit fees in the context of the overall audit fee and relative significance to PricewaterhouseCoopers in the context of their total client fees.

In each case the Audit and Risk Committee concluded, based on the balance of risks, that the appointment of PricewaterhouseCoopers represented the most effective, secure and efficient way of obtaining the necessary advice and services, given their knowledge of our business and the Group's structure and accounting and tax affairs together with their wider knowledge of our industry sector, particularly as other smaller firms lacked sufficient relevant industry experience. To mitigate the residual risk, PricewaterhouseCoopers maintained separate teams, distinct from the audit team, on the corporate finance transactional work.

The Company has also engaged other accounting firms on transactional work during the year, selecting the appropriate firms based on the criteria above, and the fees for these assignment are included alongside PricewaterhouseCoopers' and other advisers' costs within the transaction costs disclosed in note 7 to the accounts.

The Committee is satisfied that the framework outlined above ensures that PricewaterhouseCoopers maintain the required level of independence and objectivity, that their external audit process remains effective and the fee payable in respect of audit services is appropriate to ensure that an adequate audit can be performed. Accordingly, the Group does not consider it necessary to tender for the provision of audit services at this time. There are no contractual obligations that restrict the Group's choice of external auditor except as highlighted above in relation to Borsa Italiana. On the recommendation of the Committee, the Board will propose PricewaterhouseCoopers for re-election as auditor at the Company's Annual General Meeting (AGM) on 18 July 2012.

Remuneration Report



This Remuneration Report has been prepared by the Remuneration Committee and approved by the Board. It 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. Details of Directors' remuneration and benefits for the year ended 31 March 2012 are set out in the tables within this report. The tables on pages 61 to 63 have been subject to independent audit.

Remuneration Committee

All members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in this Remuneration Report. 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.londonstockexchange.com.

Dear shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 March 2012.

The Group has continued to deliver strong financial performance and has made significant progress in delivering our diversification strategy.

As in previous years, the Committee reviewed executive remuneration arrangements to ensure that they remain aligned with the business strategy, shareholders' interests and the Group's financial performance. The Committee concluded that the current framework continued to be effective in achieving these aims and that our incentive design should be retained for FY2013. As such, we have made no significant changes to our executive remuneration policies during the year. In particular:

- Salaries. No increases for Chief Executive Officer and Chief Financial Officer roles. Raffaele Jerusalem's salary increased to €425,000 with effect from 1 April 2012 (see page 57).
- No increase in bonus opportunity. The Committee continues to believe it has the right mix between fixed and variable remuneration (having a higher variable pay component than the general market) and that the annual bonus opportunity available to employees remains appropriate. For the annual bonus plan, the Committee believes it continues to be appropriate to use a balance between annual financial targets, corporate objectives and individual performance objectives.
- LTIP targets unchanged. Performance will continue to be measured against Total Shareholder Return (TSR) and Earnings per Share (EPS). The absolute TSR and EPS growth targets used for awards in the year ended 31 March 2012 will again be used for awards for the year ending 31 March 2013. The Committee intends to continue its policy for grants to the Chief Executive to be over shares to the value of 200 per cent of salary and intends to apply a policy of grants up to 200 per cent of salary for other Executive Directors.

The Committee monitors corporate governance and best practice developments in the wider market as well as in the financial services sector. Our Executive Director pay packages have a number of best practice features including potential deferral into shares, shareholding guidelines and appropriate consideration of risk in determining performance-related pay. The Committee will continue to monitor developments and incorporate further best practice features as appropriate.

The Committee takes an active interest in shareholders' views and voting on the Remuneration Report, liaising with a number of shareholders and other representative bodies over the year to discuss our approach in more detail. We hope to receive your support at the forthcoming AGM.

Robert Webb
Chairman of the Remuneration Committee

Executive remuneration summary

A summary of the key elements of remuneration for Executive Directors is shown in the table below.

Element	Purpose	Commentary
Salary	Reflect responsibilities of the role	Reviewed annually against the market Base salaries are referenced at or around 80 per cent of the FTSE 31-100
Annual bonus	Reward annual financial, corporate and individual performance	Maximum of 225 per cent of salary for Chief Executive and 200 per cent of salary for other Executive Directors Half based on adjusted operating profit and half based on achievement of strategic objectives Voluntary deferral of up to 50 per cent of salary of pre-tax bonus (with 2:1 matching based on LTIP performance targets)
LTIP	Incentivise performance over the longer term	Ordinary maximum of 200 per cent of salary for Chief Executive and up to 200 per cent of salary for other Executive Directors Vesting dependent half on TSR and half on EPS, with 30 per cent vesting at threshold performance, 100 per cent vesting at exceptional performance and straight-line pro-rating between points Threshold performance: eight per cent per annum TSR growth and six per cent per annum EPS growth. No vesting below this performance for relevant TSR or EPS element. Exceptional performance: 16 per cent per annum TSR growth and above, and 12 per cent per annum EPS growth and above. These performance levels would result in full vesting for the relevant performance element.
Benefits	Provide market competitive benefits	Flexible benefits plan, in which individuals have an annual allowance which they can spend as benefits or receive as a cash allowance Xavier Rolet and Doug Webb each receive an annual allowance of £20,000
Pensions	Provide market competitive pension benefits	Annual pension allowance, invested in the company defined contribution plan or taken as a cash allowance Xavier Rolet and Doug Webb each receive an annual pension allowance of 25 per cent of salary
Share ownership guidelines	Align with shareholders' interests	Executive Directors expected to build up and then maintain holdings of at least 1x salary
Service contracts	Employment terms in line with best practice	Notice periods do not exceed 12 months Policy of appropriate mitigation of termination payments and no liquidated damages clauses

Further details are provided in the remainder of this Remuneration Report.

Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and the Executive Committee (please see page 17 for details of the Group's Executive Committee), including the awards made under the performance-related incentive schemes.

During the year ended 31 March 2012, the Committee met on three occasions.

Remuneration Committee composition and meeting attendance in the year ended 31 March 2012

	Meetings attended
Robert Webb (Chairman)	3
Chris Gibson Smith	3
Gay Huey Evans	3
Paulo Scaroni	3
Sergio Ermotti	2

The Committee's terms of reference, which are reviewed regularly and approved by the Board, are available on the Company's website at www.londonstockexchange.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 the 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 in FY2012. 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 consults with major shareholders on any key decisions taken. The Committee continues to keep all these matters under review.

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 members of the Executive Committee are reviewed by the Remuneration Committee to ensure that they continue to achieve this objective.

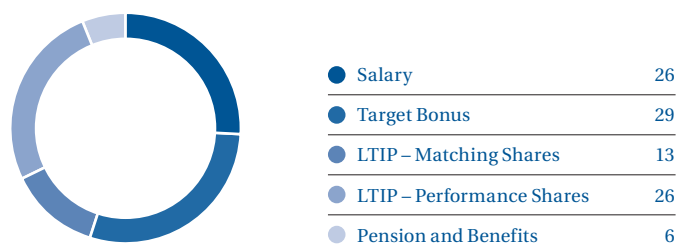
The Group must attract and retain a high calibre senior management team to ensure it is in a position to deliver its business plans and maximise returns for shareholders. The Group is committed to paying for performance, rewarding the senior management team only when its goals are achieved.

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

- a commitment to maximising shareholder value;
- the regular recruitment of senior management roles from the international financial sector 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's intent to comply with best practice as expressed by institutional shareholders and their representative bodies; and
- the continued expansion of the Group beyond the UK.

The chart below shows the average proportions of total target remuneration for the Chief Executive 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 2012.

Total Target Remuneration %
Year end 31 March 2012



The Committee recognises that its remuneration structure is perhaps more geared than those of some FTSE 100 companies, because the Group has a higher annual bonus potential (albeit one that is significantly less than at City financial institutions) balanced by below-median base salaries.

As in previous years, the Committee reviewed executive remuneration against FTSE 31-100 ranked companies. Overall the Committee wishes to position total target remuneration at or around the median of the FTSE 31-100 as 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 Committee reviews and comments on the salary, bonus and LTIP awards of the senior executives immediately below Board-level and approves the design and distribution profile of incentive awards available to all employees, including share-based plans.

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

Base salary

Reflecting the Committee’s desire to place greater emphasis on variable pay than in most FTSE 31-100 companies, base salaries are to be set at or around 80 per cent of the median of the pay comparator group. Salaries are typically reviewed with effect from 1 April each year. With effect from 1 April 2012, the salary of Raffaele Jerusalmi increased to €425,000. This change is summarised in the table below:

Base salary with effect from:	1 April 2011	1 April 2012
Xavier Rolet	£675,000	£675,000
Doug Webb	£330,000	£330,000
Raffaele Jerusalmi	€380,000	€425,000

No base salary increases were awarded to either the Chief Executive Officer or the Chief Financial Officer. Consequently the salaries for Xavier Rolet and Doug Webb remain at £675,000 and £330,000 respectively. The salary for Raffaele Jerusalmi was increased from €380,000 to €425,000 with effect from 1 April 2012. Raffaele Jerusalmi joined the Board in June 2010 and has made an exceptional contribution to the Group with oversight of Borsa Italiana and as Group Director of Capital Markets. The repositioning of his salary is intended to recognise his sustained high performance and the strategic value of his role to the Group.

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 2012, the Committee determined that the sole annual financial target should again be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the Group and believes it should continue to be the main financial measure for annual bonus plan purposes.

For the year ended 31 March 2012, the maximum bonus opportunities were 225 per cent of salary for the Chief Executive Officer and 200 per cent of salary for other Executive Directors. For the forthcoming year, it is intended that the same maximum opportunities will apply.

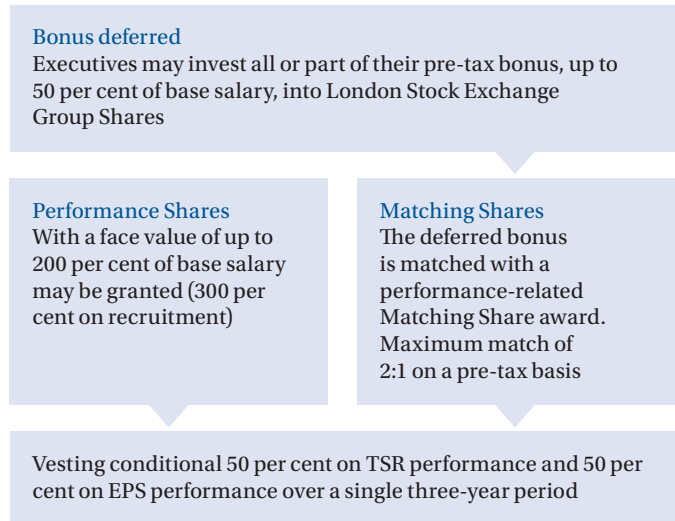
For the year ended 31 March 2012, the Remuneration Committee continued to consider that a mix of 50 per cent adjusted operating profit and 50 per cent strategic performance objectives was most appropriate for determining bonus. The Committee assessed the performance objectives, which included a number of criteria. Achievements included prudent cost management, ongoing roll out of MilleniumIT technology, development of Information Services division such as Proquote and UnaVista, the acquisition of FTSE and the continued development of international partnerships.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded annual bonuses to each of the Executive Directors. Xavier Rolet received the maximum bonus of £1,518,750, representing 225 per cent of base salary, for excellent performance, resilient leadership and the delivery of strong financial results in a challenging and uncertain economic environment. Raffaele Jerusalmi was awarded a bonus of €750,000 and Doug Webb a bonus of £450,000.

Long Term Incentive Plan

The LTIP has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by the senior management of all or some of their annual bonus (or such other income as the Remuneration Committee may permit) 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 2012 are illustrated below.



For the year ended 31 March 2012, awards of Performance Shares were made with a value of £1,350,000 for Xavier Rolet, £500,000 for Raffaele Jerusalmi and £500,000 for Doug Webb. Xavier Rolet and Doug Webb also received Matching Shares equivalent to 100 per cent of salary following their investment in London Stock Exchange Group Shares.

Vesting of Performance Shares and Matching Shares

The policy for share awards 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’). For TSR the performance period starts on the date of grant and for EPS on the first day of the financial year in which the award is granted. For TSR, performance is calculated using a two month average share price at the start and at the end of the performance period to ensure 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. Both TSR and EPS measures are independently verified by Deloitte LLP.

The following tables set out the performance conditions which applied to awards made in the year ending 31 March 2012, and the conditions attached to subsisting awards in the three previous years.

It is intended that the targets for awards in the years ended 31 March 2011 and 31 March 2012 (shown in the table below) will apply for awards made in the year to 31 March 2013:

EPS element (50%) - average EPS growth over 3 years	TSR element (50%) - absolute TSR growth over 3 years	Proportion of relevant element which vests
Less than 6% p.a.	Less than 8% p.a.	0%
6% p.a.	8% p.a.	30%
Straight-line pro-rating applies between these points		
12% p.a. or more	16% p.a. or more	100%

The comparator groups and vesting schedules for awards made in FY2010 and FY2009 are set out below.

For awards made in the year to 31 March 2010:

EPS element (50%) - aggregate EPS over 3 years	TSR element (50%) - comparative TSR versus FTSE 31-100 excl. inv. trusts	Proportion of relevant element which vests
Below 181p	Less than median	0%
181p	Median	30%
Straight-line pro-rating applies between these points		
234p or above	Upper quintile	100%

For award made in the year to 31 March 2009:

EPS element (50%) - aggregate EPS over 3 years	TSR element (50%) - comparative TSR versus FTSE 31-100 excl. inv. trusts	Proportion of relevant element which vests
Less than 5% p.a.	Less than median	0%
5% p.a.	Median	30%
Straight-line pro-rating applies between these points		
9% p.a. or above	Upper quintile	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 each 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. Raffaele Jerusalem receives benefits in kind, principally health care, life assurance and disability insurance.

Pensions

The London Stock Exchange plc final salary pension scheme was closed to new entrants in 1999 and was closed to future accruals from 1 April 2012. 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 2012, Xavier Rolet and Doug Webb each received an allowance equivalent to 25 per cent of base salary. For Doug Webb, this was invested in the defined contribution pension scheme up to HM Revenue & Customs annual allowance limit. Where this annual allowance limit is exceeded, the balance is paid as a cash supplement. Xavier Rolet receives the whole of his pension allowance as a cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Raffaele Jerusalem accrues post-employment benefits under the trattamento di fine rapporto arrangements applicable under Italian law as set out below.

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 an aggregate value at the time of acquisition at least equal to their annual base salary.

Full details of the interests in shares of the Executive Directors are shown on pages 62 to 63.

Other share plans

All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved Save As You Earn Scheme (SAYE). Under the rules of the SAYE, 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 (ISP), which is designed to provide share options to Group employees who are not based in the UK on similar terms to the options that are available to UK employees through the SAYE. To date, employees in Italy and Sri Lanka have participated in the ISP.

Following the Group's recent acquisition of the outstanding 50 per cent shareholding in FTSE International Limited, the Group wishes to be able to extend the ISP to Group employees in France and USA. Accordingly, resolutions will be put to shareholders at the AGM on 18 July 2012 to adopt two sub-plans as appendices to the ISP. These are intended to mirror as far as possible the terms of the ISP, although certain provisions are modified, where appropriate, to take account of local tax, legal and regulatory issues.

In 2009 a HM Revenue & Customs Approved Share Option Plan (ASOP) was adopted by the Company and awards were made to a limited number of employees under this ASOP.

Awards were also granted to the same limited number of employees under the Performance Aligned Restricted Share Plan (PARSP) which was adopted by the Company in 2010. Awards granted under the PARSP have been in the form of conditional share awards which give participants, subject to satisfaction of performance conditions, a contingent right to acquire or receive shares in the Company at no cost following a three-year vesting period. Directors are not eligible to participate in either the ASOP or PARSP and no recipient of an award granted under the LTIP will participate in the ASOP or PARSP.

Service contracts

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

Notice periods and 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. Notice periods are no longer than 12 months. The Remuneration Committee considers that this is consistent with current best practice.

Xavier Rolet entered into a service agreement with the Company on 16 March 2009. Doug Webb entered into a service agreement with the Company on 2 June 2008. Raffaele Jerusalemi has been employed by Borsa Italiana under a fixed term employment contract which was executed on 1 October 2001 and subsequently amended to an open-ended employment contract on 1 May 2004. On 3 May 2011, effective from 4 May 2011, Raffaele Jerusalemi entered into a service agreement with Borsa Italiana relating to his position as general manager of that company and as the Group's Head of Capital Markets and a service agreement with LSEG Holdings (Italy) Limited Italian Branch relating to his position as Institute of that company. Raffaele Jerusalemi is treated as having continuous employment with both companies from 1 October 2001. The terms of his employment with each company are substantially the same.

Xavier Rolet's service agreement can be terminated by either party giving not less than 12 months' notice. Alternatively, the Company may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary and benefits paid in a lump sum or, at the Remuneration Committee's discretion, on a monthly basis. If the payment is made 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 making a payment in lieu of notice 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 (subject to the duty to mitigate any loss).

Raffaele Jerusalemi's contracts expressly state that no collective bargaining agreements apply to his employment and accordingly, the terms applying to the termination of his employment under both contracts are governed by Italian law. If Raffaele Jerusalemi is dismissed, the notice period will be equal to eight months if the length of service is between nine and 15 years, or nine months if the length of service is 15 years or over. If Raffaele Jerusalemi resigns, he is required to give three months' notice. On termination of either employment for any reason, Raffaele Jerusalemi is entitled to severance payments under Italian law to: (i) *Trattamento di Fine Rapporto*, which accrues during his employment and is released or paid into a retirement fund as a lump sum payment when the employment ends and is equal to 7.4 per cent of all sums paid to Raffaele Jerusalemi during his employment; (ii) pro-rated supplementary monthly payments (the annual salary is normally paid in 12 instalments plus two supplementary monthly payments, pursuant to the fixed term employment contract dated 1 October

2001; and (iii) a payment in lieu of untaken holidays, if any. Where no just cause for termination exists, a payment in lieu of notice is payable if the employment is terminated with immediate effect. The payment in lieu of notice is in addition to the payments at (i), (ii), (iii) above and is equal to the overall salary due to Raffaele Jerusalemi during the notice period. For these purposes monthly salary includes base salary, the average of any bonuses or commissions paid during the last 36 months of the employment and benefits in kind.

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.

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 receives a fee of £60,000 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 ended 31 March 2012, it was determined that the Chairman's and Non-Executive Directors' fee levels would remain the same (i.e. no increase) from 1 April 2012 as follows:

	From 1 April 2012 onwards
Non-Executive Director base fee	£60,000
Audit and Risk Committee and Remuneration Committee membership	£5,000
Audit Committee Chairman	£20,000
Remuneration Committee Chairman	£20,000

The fee for the Chairman remained unchanged at £370,000. The fee for the Deputy Chairman also remained unchanged at £120,000. Massimo Tononi was appointed as Chairman of Borsa Italiana on 28 June 2011. In addition to his fee as a Non-Executive director of London Stock Exchange Group and member of the Audit and Risk Committee, he receives a fee of €178,500 as Chairman of Borsa Italiana.

Other than chauffeur costs for Chris Gibson-Smith, Non-Executive Directors do not receive any benefits or entitlements other than fees and reasonable expenses, do not participate in any of the Company's incentive schemes and are not entitled to any payments on termination. The Board as a whole determines the fees of the Non-Executive Directors and the Remuneration Committee determines the fee of the Chairman. No contributions are made to the pension arrangements of Non-Executive Directors.

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
Sergio Ermotti	01/10/2007
Andrea Munari	01/10/2007
Paolo Scaroni	01/10/2007
Robert Webb	01/02/2001
Paul Heiden	04/06/2010
Gay Huey Evans	04/06/2010
Massimo Tononi	27/09/2010

Baroness Cohen 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 by shareholders. Sergio Ermotti, Andrea Munari and Paolo Scaroni have letters of appointment (with no notice period) with the Company dated 1 October 2010. Each of their appointments continues until 30 September 2013, provided each Non-Executive Director is re-elected by shareholders. Paul Heiden and Gay Huey Evans have letters of appointment (with no notice period) with the Company dated 4 June 2010. Each of their appointments continues until 4 June 2013, provided each is re-elected by shareholders. Massimo Tononi has a letter of appointment (with no notice period) with the Company dated 27 September 2010. His appointment continues until September 2013, provided he is re-elected by shareholders. Massimo Tononi was also appointed as Chairman of Borsa Italiana on 28 June 2011. 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 but can be terminated on six months' notice.

The Chairman's letter of appointment will be renewed for a further three years following the 2012 Annual General Meeting.

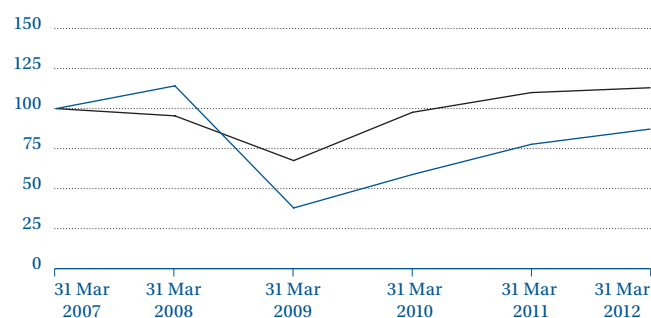
Total Shareholder Return (TSR) performance

The following line graphs show, for the financial year ended 31 March 2012 and for each of the previous five/three years, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated.

The TSR graphs represent the value, at 31 March 2012, of £100 invested in London Stock Exchange Group plc on 31 March 2007, or 31 March 2009, compared with the value of £100 invested in the FTSE 100 Index over the same period.

TSR 5 year performance

• London Stock Exchange Group • FTSE 100 Index



TSR 3 year performance

• London Stock Exchange Group • FTSE 100 Index

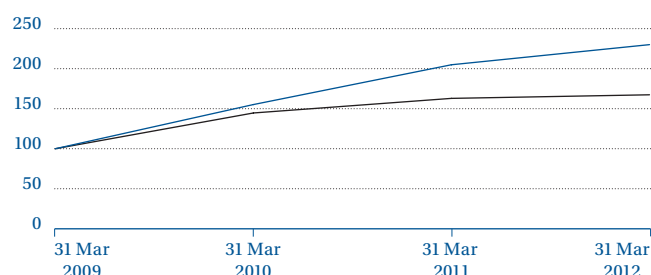


Table A – Directors' Remuneration – Auditable

	2012				2011				2012	2011
	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Salary £000	Performance bonus £000	Benefits £000	Total £000	Pensions (Note iii) £000	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	370	-	44	414	370	-	37	407	-	-
Chief Executive										
X Rolet	695	1,519	14	2,228	670	1,300	1	1,971	169	163
Executive Directors										
D Webb	350	450	1	801	350	450	1	801	83	83
R Jerusalemi (Note iv)	317	625	22	964	269	486	22	777	-	-
	1,732	2,594	81	4,407	1,659	2,236	61	3,956	252	246

Non-Executive Directors' Fees

	Fees	Benefits (Note ii)	Total	Fees	Benefits (Note ii)	Total	Pensions	Pensions
	£000	£000	£000	£000	£000	£000	£000	£000
Baroness Cohen (Note iv)	87	-	87	76	-	76		
S Ermotti	65	-	65	54	-	54		
A Munari	65	-	65	54	-	54		
P Scaroni	159	-	159	88	-	88		
R Webb QC	80	-	80	72	-	72		
P Heiden	80	-	80	59	-	59		
G Huey Evans	70	-	70	44	-	44		
M Tononi (Note iv)	174	-	174	39	-	39		
Former directors	-	-	-	333	25	358		
Total Non-Executive Directors' fees (Note v)	780		780	819	25	844		
Total Directors' emoluments			5,187			4,800	252	246

P Scaroni was appointed as Deputy Chairman of the Company on 27 September 2010 - his fee payment in FY2012 includes arrears of pay in relation to this appointment.

Notes

- i) **Salary**
Salary includes base salary, on which bonus and benefits allowance are based, and benefit allowances paid in cash.
- ii) **Benefits**
For Chris Gibson-Smith, benefits represent the gross value of chauffeur costs attributed to the Company.
For X Rolet and D Webb, benefits represent the cash value of health and life insurance cover and taxable commuting expenses.
For R Jerusalemi, benefits represent the cash value of health, disability, life and accident insurance cover, luncheon vouchers and car and fuel benefit.
- iii) **Pensions**
The Company contributed £50,000 to the senior executive defined contribution plan for D Webb as shown in the table above, and a further £32,500 as a cash supplement.
X Rolet received his pension allowance as a cash supplement.
- iv) **Executive and Non-Executive Directors**
R Jerusalemi is paid in euros. Baroness Cohen and M Tononi are also paid in euros in relation to their respective roles as Vice-Chairman and Chairman of Borsa Italiana S.p.A. for which Baroness Cohen receives an annual fee of €26,000 (£21,667) and M Tononi receives an annual fee of €178,500 (£148,750). In FY2012, M Tononi received €133,875 (£111,563) as he assumed his position as Chairman of Borsa Italiana S.p.A. on 28 June 2011. Where remuneration is presented in sterling in the Remuneration Report, a euro:sterling conversion rate of 1.2 has been used for 2012 and 1.18 for 2011.
- v) **Non-Executive Directors' fees**
Fees paid directly to the employer company of two (2011: two) Non-Executive Directors were £130,000 (2011: £108,000).
- vi) **Waiver of emoluments**
None of the Directors waived their emoluments during 2011 and 2012.

Table B – Directors' Share Interests – Auditable
Long Term Incentive Plan

The Long Term Incentive Plan 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.

The awards are dependent on TSR performance for 50 per cent of the award, with the other 50 per cent dependent on an adjusted basic EPS growth target. Details of performance conditions are set out on pages 57 to 58.

Share awards	Notes	Number of shares				At end of year	Price at award date	Price at vesting date	Value at vesting date	Date of award	Final vesting date
		At start of year	Awarded during the year	Vested during year	Lapsed during year						
X Rolet		290,016	–	–	–	290,016	4.48	–	–	17/03/09	21/05/12
		147,928	–	–	–	147,928	6.76	–	–	16/07/09	16/07/12
		142,857	–	–	–	142,857	7.00	–	–	14/09/10	14/09/13
		92,073	–	–	–	92,073	7.03	–	–	27/09/10	27/09/13
			139,031	–	–	139,031	9.71	–	–	03/06/11	03/06/14
			63,380	–	–	63,380	10.65	–	–	08/07/11	08/07/14
		672,874	202,411	–	–	875,285					
D Webb	1	37,016	–	–	37,016	–	8.92	–	–	09/06/08	09/06/11
	1	36,104	–	–	36,104	–	9.14	–	–	10/06/08	10/06/11
	2	63,137	–	14,047	49,090	–	7.84	10.42	146,408	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
		71,428	–	–	–	71,428	7.00	–	–	14/09/10	14/09/13
		46,974	–	–	–	46,974	7.03	–	–	27/09/10	27/09/13
			51,493	–	–	51,493	9.71	–	–	03/06/11	03/06/14
		30,985	–	–	30,985	10.65	–	–	08/07/11	08/07/14	
		376,972	82,478	14,047	122,210	323,193			146,408		
R Jerusalemi	1	26,049	–	–	26,049	–	8.06	–	–	27/06/08	27/06/11
	2	40,213	–	8,947	31,266	–	7.84	10.42	93,252	23/07/08	23/07/11
		73,964	–	–	–	73,964	6.76	–	–	16/07/09	16/07/12
		71,428	–	–	–	71,428	7.00	–	–	14/09/10	14/09/13
			51,493	–	–	51,493	9.71	–	–	03/06/11	03/06/14
		211,654	51,493	8,947	57,315	196,885			93,252		

¹ Awards granted in June 2008 did not meet the minimum performance criteria for vesting on either of the TSR or the EPS measures and so lapsed in full.

² Awards granted in July 2008 achieved partial vesting (44.5 per cent) on the TSR element only – resulting in an overall vesting of 22.25 per cent of shares awarded. The remainder lapsed.

Executive Directors in the UK are entitled to participate in all the employee SAYE schemes.

SAYE

Share awards	Number of shares				At end of year	Price at award date	Price at vesting date	Value at vesting date	Date of award	Vesting date	Expiry date
	At start of year	Awarded during the year	Vested during year	Lapsed during year							
D Webb	1,652	-	1,652	-	-	5.69	9.32	5,997	07/08/08	01/09/11	01/03/12

Directors' Interest in Shares

The Directors who held office on 31 March 2012 had the following other beneficial interests in the shares of the Company:

	Ordinary Shares 31 March 2012	Ordinary Shares 31 March 2011
C Gibson-Smith	63,757	63,757
X Rolet	38,000	23,000
D Webb	52,037	36,287
R Jerusalmi	40,100	40,100
Baroness Cohen	6,616	6,616
S Ermotti	-	-
A Munari	-	-
P Scaroni	-	-
R Webb	1,200	1,200
P Heiden	3,000	3,000
G Huey Evans	-	-
M Tononi	-	-

There have been no changes in Directors' own share interests in the Company between 31 March 2012 and 18 May 2012.

Directors' Report

The Directors of the Company are pleased to present their annual report to shareholders, together with the financial statements for the year ended 31 March 2012.

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, the clearing and settlement of trading in securities, the organisation and regulation of markets in securities, the provision of investment support tools (including benchmarking and index licensing products) and the provision of real time data and other information products, together with a wide range of technology services from trading platform solutions through to connectivity to our markets. The Group made a profit before taxation, before amortisation of purchased intangible assets and non-recurring items, of £400.6 million (2011: £296.3 million). After taking into account amortisation of purchased intangible assets and non-recurring items, the profit of the Group before taxation for the year ended 31 March 2012 was £639.7 million (2011: £238.2 million) and profit after taxation was £531.4 million (2011: £156.5 million).

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:

- Overview pages 2 to 16; and
- Business Review (including the Financial Review) pages 17 to 43.

Dividends

The Directors are recommending a final dividend for the year of 19.0 pence (2011: 18.0 pence) per share which is expected to be paid on 20 August 2012 to shareholders on the register on 27 July 2012. Together with the interim dividend of 9.3 pence (2011: 8.8 pence) per share paid in January 2012, this produces a total dividend for the year of 28.3 pence (2011: 26.8 pence) per share estimated to amount to £76.4 million (2011: £72.2 million).

Share capital

As at 31 March 2012 the Company had 271.1 million ordinary shares in issue with a nominal value of 6 ⁷⁹/₁₀₀ pence each, representing 100 per cent of the total issued share capital. There were no changes to the Company's issued ordinary share capital during the year.

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 held 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 or as otherwise specified in the Company's articles of association.

No shareholder shall be entitled to vote at a general meeting, either in person or by proxy, in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid. In addition, no shareholder shall be entitled to vote, either in person or by proxy, if he has been served with a notice under section 793 of the Companies Act 2006 (concerning interests in those shares) and has failed to supply the Company with the requisite information.

Other than restrictions considered to be standard for a UK listed company there are no limitations on the holding or transfers of ordinary shares in the Company, both of which are governed and regulated by the Company's articles of association and applicable legislation and regulation, 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 46 to 51 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 14 July 2010) may only be amended by special resolution at a general meeting of the shareholders.

Substantial Shareholding

As at 18 May 2012 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%
UniCredit S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
FIL Limited	5.0%
Legal & General Group plc	3.9%

Directors

Details of the Directors are set out on pages 44 to 45 and are incorporated into this Directors' Report by reference.

The rules governing the appointment and replacement of Directors are set out in the Company's articles of association.

At each AGM, pursuant to the UK Governance Code, all of the Directors will retire and be proposed for re-election.

Powers of the Directors

Subject to the provisions of the Companies Act 2006, the Company's articles of association and any directions given by special resolution, the business of the Company 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 the Companies Act 2006 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 £6,250,000 (representing approximately 33.3 per cent of the issued share capital of the Company as at the latest practicable date before publication 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 £12,500,000 (representing approximately 66.6 per cent of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM), expires on the date of the forthcoming AGM. Although the latter authority was not utilised by the Company, 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 27,000,000 of its ordinary shares (representing approximately 10 per cent of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM. Although the latter authority was not utilised by the Company, shareholders will be asked to give a similar authority to purchase shares at the forthcoming AGM.

Directors' interests

Directors' interests in the shares of the Company as at 31 March 2012, according to the register maintained under the Companies Act 2006, are set out in the Directors' Remuneration Report on pages 54 to 63. 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 37 and information on the Group's share schemes is provided in the Directors' Remuneration Report on pages 54 to 63. 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 £663,000 (2011: £384,000) to charitable organisations. In addition, £300,000 of London Stock Exchange fine income was donated to charity. In aggregate, £800,000 (2011: £1,300,000) of these donations were made to the London Stock Exchange Group Foundation. Details of the Group's charitable giving is contained in the Corporate Responsibility Report on pages 36 and 37.

Political Donations and Expenditure

The Group made no political donations and incurred no political expenditure during the year. It remains the Company's policy not to make political donations or to incur political expenditure, however the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority. Accordingly, the Board is proposing that shareholders pass a resolution at the forthcoming AGM to authorise the Group to:

- make political donations to political parties and independent election candidates not exceeding £100,000 in total;
- make political donations to political organisations other than political parties not exceeding £100,000 in total; and
- incur political expenditure not exceeding £100,000 in total,

and in aggregate not exceeding £100,000, until the Company's AGM in 2013.

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. London Stock Exchange plc is 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 2012 based on the aggregate of the amount which was owed to trade creditors and the aggregate of the amount in which the Group was invoiced by suppliers during the year was 28 days (2011: 24 days).

Significant agreements

The following are significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Facility Agreements

The Company (as borrower) has entered into:

- a revolving facility agreement with, among others, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, London Branch, and Intesa Sanpaolo S.p.A., dated 24 July 2008, as amended by an amendment agreement dated 7 February 2012;
- a revolving facility agreement with, among others, Barclays Capital, The Royal Bank of Scotland plc, HSBC Bank plc, The Bank of Tokyo-Mitsubishi UFJ Limited, Intesa Sanpaolo S.p.A., Lloyds TSB Bank plc and Unicredit Bank AG, London Branch, dated 17 November 2010, as amended by an amendment agreement dated 7 February 2012; and
- a revolving facility agreement with, amongst others, Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Morgan Stanley Bank International Limited and The Bank of Tokyo-Mitsubishi UFJ, Limited, dated 15 December 2011.

All the above agreements contain change of control provisions which, if triggered, allow the relevant facility agent upon instructions from the majority lenders 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.

Notes

The Company has issued two sterling Notes due 2016 and 2019. Both Notes contain a redemption upon 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.

Implementation Agreement

The Company has entered into an implementation agreement with LCH.Clearnet Group Limited and the Company's wholly owned subsidiary, London Stock Exchange (C) Limited, dated 9 March 2012, which records the parties' obligations with respect to the implementation of the acquisition by the Company of a majority interest in LCH.Clearnet Group Limited, as contemplated by the press announcement made by the Company dated 9 March 2012. It may be terminated prior to completion by LCH.Clearnet Group Limited on publication of a formal offer announcement (pre-conditional or otherwise) under Rule 2.7 of the Takeover Code relating to an acquisition of the Company which is not at a discount to the closing middle market price of the Company's shares as at the trading day prior to such announcement, provided that in the case of a unilateral offer, such offer would justify, in the good faith judgement of the LCH.Clearnet Group Limited board (taking account of appropriate external financial and legal advice) exercise of its termination right in order to comply with its fiduciary duties. On termination of the implementation agreement, the offer made by London Stock Exchange (C) Limited to acquire the issued share capital of LCH.Clearnet Group Limited on the terms and subject to the conditions set out in the offer document and form of acceptance sent to LCH.Clearnet Group Limited shareholders on 16 March 2012 would lapse and (subject to any pre-existing claims or rights) the parties' obligations under the implementation agreement would cease.

Employee Share Plans

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 2012 the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 1.2 million shares (2011: 1.9 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 plans. 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 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 its clearing services providers (including the LCH.Clearnet Group and SIX X-Clear) and with SIA-SBB 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 38 to 43 of this Annual Report, and in the notes to the Financial Statements, on pages 77 to 81 of this Annual Report, and in each case are incorporated by reference into this Directors' Report.

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:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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
18 May 2012

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
- 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 Annual Report, the financial statements and the Directors' 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 Overview and Business Review sections of the Annual Report on pages 2 to 43. 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 38 to 43.

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 77 to 81. 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 term funding at 31 March 2012 increased to £1,350 million (2011: £1,000 million) all of which is committed until July 2013 or beyond (2011: £1,000 million committed until July 2013), described further in the Financial Review on pages 32 to 35.

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 pages 44 to 45 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
- 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
18 May 2012

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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Cash Flow Statements, the Statements of Changes in Equity 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 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of the Group's profit and Group's and the 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 Directors' 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 set out on pages 46 to 51 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 Directors' 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; or
- 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 68, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the parent Company's compliance with the nine provisions of the UK Corporate Governance Code (2010) specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Alison Morris

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 May 2012

Consolidated income statement

Year ended 31 March 2012		2012			2011		
		Before acquisition amortisation and non-recurring items	Acquisition amortisation and non-recurring items	Total	Before acquisition amortisation and non-recurring items	Acquisition amortisation and non-recurring items	Total
	Notes	£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	4	679.8	-	679.8	615.9	-	615.9
Net treasury income through CCP business	4	126.9	-	126.9	51.3	-	51.3
Other income		8.1	-	8.1	7.7	-	7.7
Total income		814.8	-	814.8	674.9	-	674.9
Expenses							
Operating expenses	5	(378.8)	(81.0)	(459.8)	(336.9)	(68.1)	(405.0)
Share of profit after tax of joint ventures/associates	14	5.9	(2.4)	3.5	3.1	10.0	13.1
Operating profit/(loss)	7	441.9	(83.4)	358.5	341.1	(58.1)	283.0
(Loss)/profit on disposal/acquisition of shares in subsidiary and joint venture	7	(0.5)	324.3	323.8	-	-	-
Finance income		16.8	-	16.8	16.1	-	16.1
Finance expense		(57.6)	(1.8)	(59.4)	(60.9)	-	(60.9)
Net finance expense	8	(40.8)	(1.8)	(42.6)	(44.8)	-	(44.8)
Profit/(loss) before taxation		400.6	239.1	639.7	296.3	(58.1)	238.2
Taxation	9	(116.9)	8.6	(108.3)	(89.8)	8.1	(81.7)
Profit/(loss) for the financial year		283.7	247.7	531.4	206.5	(50.0)	156.5
Profit/(loss) attributable to non-controlling interests		12.4	(3.0)	9.4	8.6	(3.7)	4.9
Profit/(loss) attributable to equity holders		271.3	250.7	522.0	197.9	(46.3)	151.6
		283.7	247.7	531.4	206.5	(50.0)	156.5
Basic earnings per share	10			193.6p			56.4p
Diluted earnings per share	10			190.9p			55.9p
Adjusted basic earnings per share	10			100.6p			73.7p
Adjusted diluted earnings per share	10			99.2p			72.9p
Dividend per share in respect of the financial period							
Dividend per share paid during the year				27.3p			24.8p
Dividend per share declared for the year	11			28.3p			26.8p

Consolidated statement of comprehensive income

Year ended 31 March 2012		Group	
		2012	2011
	Notes	£m	£m
Profit for the financial year		531.4	156.5
Other comprehensive income			
Defined benefit pension scheme actuarial (loss)/gain	17	(47.6)	32.4
Cash flow hedge		-	2.8
Net investment hedge		15.6	6.5
Exchange loss on translation of foreign operations		(75.7)	(13.0)
Tax related to items not recognised in income statement	9	12.7	(6.5)
		(95.0)	22.2
Total comprehensive income for the financial year		436.4	178.7
Attributable to non-controlling interests		9.5	5.9
Attributable to equity holders		426.9	172.8
		436.4	178.7

Balance sheets

31 March 2012	Notes	Group		Company	
		2012 £m	2011 £m	2012 £m	2011 £m
Assets					
Non-current assets					
Property, plant and equipment	12	73.3	62.4	-	-
Intangible assets	13	2,117.4	1,394.4	-	-
Investment in joint ventures	14	-	17.3	-	-
Investments in associates		0.6	0.6	-	-
Investments in subsidiary undertakings	15	-	-	3,762.8	3,759.7
Deferred tax assets	16	16.8	12.2	-	-
Derivative financial instruments	19	5.2	-	5.2	-
Retirement benefit asset	17	-	37.6	-	-
Other non-current assets		0.7	0.9	-	-
		2,214.0	1,525.4	3,768.0	3,759.7
Current assets					
Inventories		2.0	1.4	-	-
Trade and other receivables	18	178.3	126.8	586.2	155.0
Derivative financial instruments	19	-	0.7	-	0.4
CCP financial assets		93,619.6	110,177.9	-	-
CCP cash and cash equivalents (restricted)		6,137.3	5,929.3	-	-
CCP clearing business assets	19	99,756.9	116,107.2	-	-
Current tax		41.8	21.2	10.6	8.3
Assets held at fair value	19	14.6	8.6	-	-
Cash and cash equivalents	20	216.0	267.0	0.2	0.8
		100,209.6	116,532.9	597.0	164.5
Assets held for sale	21	6.4	36.9	-	-
Total assets		102,430.0	118,095.2	4,365.0	3,924.2
Liabilities					
Current liabilities					
Trade and other payables	22	233.7	156.5	315.7	210.9
Derivative financial instruments	19	-	0.3	-	-
CCP clearing business liabilities	19	99,747.2	116,104.5	-	-
Current tax		72.5	49.9	-	-
Borrowings	23	10.5	0.1	-	-
Provisions	25	2.5	3.7	-	-
		100,066.4	116,315.0	315.7	210.9
Non-current liabilities					
Borrowings	23	746.6	499.0	746.6	499.0
Other non-current payables	22	3.8	-	-	-
Derivative financial instruments	19	2.1	12.9	2.1	12.9
Deferred tax liabilities	16	117.3	92.3	-	-
Retirement benefit obligation	17	16.5	6.4	-	-
Provisions	25	27.6	27.8	-	-
		913.9	638.4	748.7	511.9
Liabilities held for sale		-	4.8	-	-
Total liabilities		100,980.3	116,958.2	1,064.4	722.8
Net assets		1,449.7	1,137.0	3,300.6	3,201.4
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	26	18.8	18.8	18.8	18.8
Retained (losses)/earnings		(262.9)	(662.9)	1,463.3	1,364.1
Other reserves		1,620.9	1,681.0	1,818.5	1,818.5
Total shareholder funds		1,376.8	1,036.9	3,300.6	3,201.4
Non-controlling interests		72.9	100.1	-	-
Total equity		1,449.7	1,137.0	3,300.6	3,201.4

The financial statements on pages 70 to 109 were approved by the Board on 18 May 2012 and signed on its behalf by:

Xavier Rolet
Chief Executive

Doug Webb
Chief Financial Officer

Cash flow statements

	Notes	Group		Company	
		2012 £m	2011 £m	2012 £m	2011 £m
Year ended 31 March 2012					
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	27	462.4	381.8	(22.4)	(9.9)
Interest received		3.5	1.4	27.8	46.6
Interest paid		(44.0)	(44.9)	(59.8)	(44.6)
Corporation tax paid		(73.4)	(54.3)	(8.3)	-
Group relief received		-	-	-	48.2
Withholding tax paid		(45.5)	(19.5)	-	-
Net cash inflow/(outflow) from operating activities		303.0	264.5	(62.7)	40.3
Cash flow from investing activities					
Purchase of property, plant and equipment		(17.1)	(16.9)	-	-
Sale of property, plant and equipment		-	0.4	-	-
Purchase of intangible assets		(16.3)	(26.1)	-	-
Proceeds from disposal of joint venture		1.3	-	-	-
Investment in other acquisition		(15.0)	-	-	-
Investment in subsidiaries		(481.1)	(10.3)	(11.7)	(10.8)
Net cash inflow from acquisitions		7.6	4.8	-	-
Dividends received		1.8	4.3	201.3	168.8
Proceeds from sale of subsidiary		28.4	-	-	-
Proceeds from investment by non-controlling interest in subsidiary		4.3	-	-	-
Net cash (outflow)/inflow from investing activities		(486.1)	(43.8)	189.6	158.0
Cash flow from financing activities					
Dividends paid to shareholders		(73.6)	(66.6)	(73.6)	(66.6)
Dividends paid to non-controlling interests		(12.8)	(6.1)	-	-
Repayment of loan to ESOP trust		-	-	2.3	3.3
Loans to subsidiary companies		-	-	(303.8)	(30.5)
Proceeds from own shares on exercise of employee share options		2.3	3.3	-	-
Proceeds from borrowings		248.5	-	247.6	-
Repayments from borrowings		(24.2)	(104.6)	-	(103.8)
Net cash inflow/(outflow) from financing activities		140.2	(174.0)	(127.5)	(197.6)
(Decrease)/increase in cash and cash equivalents		(42.9)	46.7	(0.6)	0.7
Cash and cash equivalents at beginning of year		267.0	223.1	0.8	0.1
Exchange losses on cash and cash equivalents		(8.1)	(0.9)	-	-
Transfer to assets held for sale		-	(1.9)	-	-
Cash and cash equivalents at end of year		216.0	267.0	0.2	0.8

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 funds 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 for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

	Attributable to equity holders					Total equity <i>£m</i>
	Ordinary share capital <i>£m</i>	Retained loss <i>£m</i>	Other reserves <i>£m</i>	Total attributable to equity holders <i>£m</i>	Non-controlling interests <i>£m</i>	
1 April 2010	18.8	(775.7)	1,684.8	927.9	102.9	1,030.8
Issue of shares	-	-	-	-	-	-
Total comprehensive income for the financial year	-	176.6	(3.8)	172.8	5.9	178.7
Final dividend relating to the year ended 31 March 2010	-	(42.9)	-	(42.9)	-	(42.9)
Interim dividend relating to the year ended 31 March 2011	-	(23.7)	-	(23.7)	-	(23.7)
Dividend payments to non-controlling interests	-	-	-	-	(7.2)	(7.2)
Employee share scheme expenses	-	8.3	-	8.3	-	8.3
Purchase of non-controlling interest	-	(5.5)	-	(5.5)	(1.5)	(7.0)
31 March 2011	18.8	(662.9)	1,681.0	1,036.9	100.1	1,137.0
Total comprehensive income for the financial year	-	487.0	(60.1)	426.9	9.5	436.4
Final dividend relating to the year ended 31 March 2011	-	(48.5)	-	(48.5)	-	(48.5)
Interim dividend relating to the year ended 31 March 2012	-	(25.1)	-	(25.1)	-	(25.1)
Dividend payments to non-controlling interests	-	-	-	-	(11.3)	(11.3)
Employee share scheme expenses	-	14.1	-	14.1	-	14.1
Purchases of non-controlling interests	-	(27.5)	-	(27.5)	(25.4)	(52.9)
31 March 2012	18.8	(262.9)	1,620.9	1,376.8	72.9	1,449.7

Other reserves comprise the following:

Capital redemption reserve of £514.2m (2011: £514.2m), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5)m (2011: £(512.5)m), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £334.1m (2011: £409.8m), reflecting the impact of foreign currency changes on the translation of foreign operations.

Merger reserve of £1,304.3m (2011: £1,304.3m), arising on consolidation when the Company issues shares as part of the consideration to acquire subsidiary undertakings.

Hedging reserve of £(19.2)m (2011: £(34.8)m), representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

	Attributable to equity holders					Total attributable to equity holders <i>£m</i>
	Ordinary share capital <i>£m</i>	Retained earnings <i>£m</i>	Other reserves			
Company	<i>£m</i>	<i>£m</i>	Capital redemption reserve <i>£m</i>	Merger reserve <i>£m</i>	Hedging reserve <i>£m</i>	<i>£m</i>
1 April 2010	18.8	1,289.9	514.2	1,304.3	(2.7)	3,124.5
Total comprehensive income for the financial year	-	135.8	-	-	2.7	138.5
Final dividend relating to the year ended 31 March 2010	-	(42.9)	-	-	-	(42.9)
Interim dividend relating to the year ended 31 March 2011	-	(23.7)	-	-	-	(23.7)
Employee share scheme expenses	-	5.0	-	-	-	5.0
31 March 2011	18.8	1,364.1	514.2	1,304.3	-	3,201.4
Total comprehensive income for the financial year	-	163.1	-	-	-	163.1
Final dividend relating to the year ended 31 March 2010	-	(48.5)	-	-	-	(48.5)
Interim dividend relating to the year ended 31 March 2011	-	(25.1)	-	-	-	(25.1)
Employee share schemes expenses	-	9.7	-	-	-	9.7
31 March 2012	18.8	1,463.3	514.2	1,304.3	-	3,300.6

The balance held at 31 March 2012 includes £1,613.1m (2011: £1,679.0m) of distributable reserves.

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 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 non-recurring 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, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition impairment and amortisation, and non-recurring items is reconciled to profit before taxation on the face of the income statement.

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. 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 non-controlling interests through the economic entity model. Acquisitions of shares from non-controlling interests result in the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary being recognised in equity.

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.

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:

IAS 24 (revised), 'Related party disclosures' – effective for annual periods beginning on or after 1 January 2011; IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' – effective for annual periods beginning on or after 1 January 2011; IFRIC 19, 'Extinguishing financial liabilities with equity instruments' – effective for annual periods beginning on or after 1 July 2010; and IFRS various Annual improvements 2011.

The adoption of these standards did not have a material impact on these consolidated financial statements.

Accounting policies

Income Statement

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.

Non-recurring items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring 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.

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 expense respectively. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of 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.

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.

On consolidation, exchange differences arise from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial year.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. If a facility is deemed unlikely to be drawn over its life the arrangement fees will be charged immediately to the income statement. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments includes the movement in the market valuations of derivative instruments held as fair value hedges.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

- a) Freehold buildings – 33 to 50 years;
- b) Fixed plant – five to 20 years; and
- c) Plant and equipment – three to 15 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.

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.

Intangible assets

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid 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 of three years.

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, and amortised over useful economic lives of three years.

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/liabilities 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) 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 treasury income earned on margin and default funds held as part of our risk management process and is shown separately from the Group revenues. 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.

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 and IDEX derivatives markets 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. 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 in relation to initial and variation margins, option premiums, securities as collateral 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 has already withdrawn from the settlement system but has not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised 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 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 re-measured 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 its Italian Companies 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.

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, term deposits and investments in money market funds that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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.

Share capital

The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for 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.

2. Financial risk management

The Group's approach to financial risk management seeks to protect its financial performance from exposure to capital, credit, market (including foreign exchange and fair value and cash flow interest rate) and liquidity risks.

Financial risk management is not speculative. It is performed at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage regulatory and operational risks. The Treasury Committee, chaired by the Chief Financial Officer, meets regularly to ensure control is maintained and that the management of foreign exchange, interest rates, credit risks and the investment of excess liquidity are performed in accordance with Group Board approved policies and procedures.

Capital risk

Risk description	Risk management approach
<p>The Group considers that an increase in regulatory requirements and/or a scarcity of debt or equity (driven by its own performance or financial market conditions) are the principal risks to managing its capital.</p> <p>The Group's capital base comprises equity capital, debt capital and retained profits, details of which are set out in the Consolidated Statement of Changes in Equity and in note 23.</p>	<p>The Group is mindful of its overall cost of capital, as it seeks to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration.</p> <p>The Group can manage its capital structure by varying returns to shareholders, issuing new shares, or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom.</p> <p>To maintain the financial strength to access new capital at reasonable cost and meet its objective of maintaining an investment grade credit rating, the Group monitors its leverage ratio which is operating net debt (ie excluding cash and cash equivalents set aside for regulatory purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1-2 times. At 31 March 2012 leverage was 1.4 times (2011: 1.0 times) on a pro forma basis assuming the Group had owned 100 per cent of FTSE for the whole year.</p> <p>Performance against the Group's bank facility ratio covenants (net leverage and debt service) remains very comfortable and does not inhibit the Group's operations or financing plans.</p> <p>As at 31 March 2012, £165 million of cash and cash equivalents was set aside to cover regulatory and operational requirements. This amount increased during the year as a result of a revised approach taken by the FSA in its regulatory oversight of LSE plc and is subject to on-going review with regulators in the UK and Italy.</p>

Credit risk

Risk description	Risk management approach
<p>CC&G, in its role as central counterparty clearer (CCP) to Italian financial market participants, guarantees final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. It faces the risk of losses from the deterioration in the creditworthiness, or the default, of a participant.</p> <p>To maintain liquidity, CC&G invests significant amounts of margin and default fund cash with Italian banks but faces the risk of direct loss from a deterioration or failure of one or more deposit counterparties.</p> <p>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:</p> <ul style="list-style-type: none"> customer receivables repayment of invested cash and cash equivalents settlement of derivative financial instruments 	<p>CC&G</p> <p>To address the market participant risk, CC&G has established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. 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. Margins are calculated using established international risk models and are debited by CC&G directly from participants' accounts held with Bank of Italy. Clearing members also 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. Amounts are determined on the basis of the results of periodic stress testing examined by CC&G's risk committee and exceed standards agreed by the European Association of Central Counterparty Clearing Houses. To date, no default of a direct participant has occurred.</p> <p>Deposit counterparty risk for CC&G margin and default funds is managed by investing cash with counterparties that are rated investment grade or who, if not rated, are publicly quoted and have a minimum level of capital. CC&G liaises closely with the regulator of its counterparty banks, Bank of Italy, and to ensure liquidity funds are generally placed as overnight deposits and in all cases can be accessed within two business days if required.</p> <p>During the year we have further expanded the number of counterparties that take CC&G's deposits to diversify this risk including the introduction of Italian-based branches of major international banks.</p> <p>Group</p> <p>Credit risk is controlled through policies developed at a Group level.</p> <p>Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, a low concentration of credit risk across a large number of customers, the recurring nature of the billing and collection arrangements and, historically, a low incidence of default.</p> <p>Credit risk of cash and cash equivalents is managed by limiting the exposure to up to £50 million for 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £10 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions are undertaken with well-capitalised counterparties, authorised by policy, to limit the credit risk underlying these transactions.</p> <p>The Group has increased focus on sovereign risk as a criteria in its counterparty selection.</p>

Liquidity risk

Risk description	Risk management approach
<p>The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.</p> <p>In addition, 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.</p>	<p>Group businesses are profitable and generate strong free cash flow. Other than the collection of annual equity market membership fees in the first quarter of each financial year, the Group's cash flows are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. Funds can generally be lent across the Group without limitation (other than by regulatory requirements in certain companies).</p> <p>Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions.</p> <p>Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to at least cover its expected funding requirements for the next 24 months. During the year, a new £350 million committed revolving credit facility extending up to 3 years was arranged to underpin liquidity resources. It provides additional headroom to fund the potential acquisition of LCH.Clearnet Group but falls away one month following any formal announcement by the Company to cancel the acquisition. At 31 March 2012, £603 million of the Group's facilities (excluding FTSE's local facilities) were unutilised (2011: £500 million), with committed lines of credit (including bond issues) having an average life to maturity of almost 4 years.</p> <p>CC&G maintains cash and cash equivalents and has access to bespoke committed and uncommitted lines of credit with intra-day financing from the Bank of Italy to meet the cash requirements of the clearing and settlement cycle that it manages in association with Monte Titoli. In addition, Group companies maintain operational support facilities from banks to manage intraday and overnight liquidity.</p> <p>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.</p>

	Less than 1 year <i>£m</i>	Between 1 and 2 years <i>£m</i>	Between 2 and 5 years <i>£m</i>	Over 5 years <i>£m</i>
At 31 March 2012				
Borrowings	10.5	235.7	263.2	247.7
Trade and other payables	237.5	-	-	-
CCP liabilities	99,747.2	-	-	-
Derivative financial instruments	-	-	0.1	2.0
	99,995.2	235.7	263.3	249.7
	Less than 1 year <i>£m</i>	Between 1 and 2 years <i>£m</i>	Between 2 and 5 years <i>£m</i>	Over 5 years <i>£m</i>
At 31 March 2011				
Borrowings	0.1	-	-	500.0
Trade and other payables	156.5	-	-	-
CCP liabilities	116,104.5	-	-	-
Derivative financial instruments	0.3	-	-	12.9
	116,261.4	-	-	512.9

Market risk – Foreign Exchange

Risk description	Risk management approach
<p>The Group operates in the UK, Italy, and Sri Lanka and, through its FTSE International Limited subsidiary, has growing businesses in the USA and Asia. With the exception of MillenniumIT and FTSE International Limited, which invoice a material proportion of their revenues in US dollars, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, large intercompany transactions.</p> <p>The Group faces less significant foreign exchange exposures from transaction risk on dividends that are remitted in currencies other than the currency of the recipient operation. However, the Group may be exposed from time to time by strategic investments in currencies other than sterling.</p>	<p>The Group seeks, where it can, to match the currency of its debt liabilities with its EBITDA generation in the same currency whilst endeavouring to balance the currency of its assets with the currency of its liabilities.</p> <p>The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency cash earnings through interest payments on sterling debt, re-denominated through the use of cross-currency swaps or by drawing debt in the same currency. A significant majority of the Group's debt effectively held in currency is in euro. At 31 March 2012, £250.2 million (2011: £265.1million) of this was designated as a hedge of the net investment in the Italian Group and a loss of £27.8 million for the financial year (2011: gain of £6.5million) on foreign currency borrowings was recognised in equity. The hedge was fully effective.</p> <p>Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy which requires that cash flows of more than £1million or equivalent per annum should be hedged. Hedge accounting is considered in each case where material levels of income statement volatility might result.</p> <p>The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2012, 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 2012, if sterling had weakened/strengthened by 10 per cent against the euro with all other variables held constant, post tax profit for the year would have been £0.3 million higher/£0.3 million lower (2011: £0.8 million higher/£0.6 million lower); however, equity would have been £14.4 million lower (2011: £10.8 million lower)/£8.6 million higher (2011: £8.8 million higher). 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, measuring the impact of a change in rate on the balance sheet date. If, on the other hand, the average £/€ rate for the year had moved €5c, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £12 million.</p> <p>The Group monitors its exposure to the sovereign debt crisis in the Eurozone and the impact of austerity measures being adopted, specifically in respect of our operations in Italy and more generally because of the potential impacts on other areas of our business.</p>

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
<p>The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates.</p>	<p>To provide a degree of income statement stability, the Group seeks to maintain a proportion of its net debt at fixed rates of interest over the medium term. The Group has issued a significant amount of its debt at fixed rates of interest with the floating rate element being repaid as the Group generates cash. As at 31 March 2012, fixed rate borrowings represent 92 per cent of net debt. During the year, the Group considered swapping a portion of its fixed rate debt into floating rates but did not execute any transactions due to unfavourable economics and a preference to increase floating rate borrowings naturally through strategic investments (for example the proposed acquisition of LCH.Clearnet Group).</p> <p>In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a two percentage point upward movement (and no downward movement) reflects a reasonable level of risk to current rates. At 31 March 2012, if interest rates on sterling-denominated and euro-denominated cash and borrowings had been two percentage points higher with all other variables held constant, post-tax profit for the year would have been £1.5 million lower (2011: £2.2 million higher) mainly as a result of higher interest expense on floating rate net borrowings (2011: interest income on floating rate cash and cash equivalents).</p>

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 March 2012 are as follows:

Goodwill – 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. Sensitivity analysis is provided in note 13;

Purchased intangible assets – 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;

Valuation of subsidiary companies for the purpose of impairment testing – determined in the financial statements of the Company based on 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;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 17;

Property provision – determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers; and

Corporation taxes – 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.

4. Segmental information

Segmental disclosures for the year ended 31 March 2012 are as follows:

	Capital Markets <i>£m</i>	Post Trade Services <i>£m</i>	Information Services <i>£m</i>	Technology Services <i>£m</i>	Other <i>£m</i>	Eliminations <i>£m</i>	Group <i>£m</i>
Revenue from external customers	301.9	101.6	218.9	52.6	4.8	-	679.8
Inter-segmental revenue	-	-	-	12.9	-	(12.9)	-
Revenue	301.9	101.6	218.9	65.5	4.8	(12.9)	679.8
Net treasury income through CCP business	-	126.9	-	-	-	-	126.9
Other Income	-	-	-	-	8.1	-	8.1
Total income	301.9	228.5	218.9	65.5	12.9	(12.9)	814.8
Operating profit before amortisation of purchased intangible assets and non-recurring items	138.9	169.0	125.0	1.8	0.1	7.1	441.9
Amortisation of purchased intangible assets							(54.9)
Non-recurring items							(28.5)
Operating profit							358.5
Profit on disposal/acquisition of shares in subsidiary and joint ventures							323.8
Net finance expense							(42.6)
Profit before taxation							639.7
Other income statement items							
Depreciation and software amortisation	(24.7)	(5.0)	(8.7)	(1.6)	(0.4)	-	(40.4)
Share of (loss)/profit after tax of joint ventures/associates	(1.4)	-	7.3	-	-	-	5.9

Net treasury income through CCP business of £126.9m comprises gross interest income of £964.2m less gross interest expense of £837.3m. Included within both gross interest income and gross interest expense is £767.3m relating to repo transactions; net of repo transactions gross interest income was £196.9m and gross interest expense was £70.0m.

Comparative segmental disclosures for the year ended 31 March 2011 (restated) are as follows:

	Capital Markets <i>£m</i>	Post Trade Services <i>£m</i>	Information Services <i>£m</i>	Technology Services <i>£m</i>	Other <i>£m</i>	Eliminations <i>£m</i>	Group <i>£m</i>
Revenue from external customers	291.5	99.3	171.8	48.6	4.7	-	615.9
Inter-segmental revenue	-	-	-	33.5	-	(33.5)	-
Revenue	291.5	99.3	171.8	82.1	4.7	(33.5)	615.9
Net treasury income through CCP business	-	51.3	-	-	-	-	51.3
Other Income	-	-	-	-	7.7	-	7.7
Total income	291.5	150.6	171.8	82.1	12.4	(33.5)	674.9
Operating profit before amortisation of purchased intangible assets and non-recurring items	133.4	90.4	111.4	30.0	5.5	(29.6)	341.1
Amortisation of purchased intangible assets							(47.1)
Non-recurring items							(11.0)
Operating profit							283.0
Net finance expense							(44.8)
Profit before taxation							238.2
Other income statement items							
Depreciation and software amortisation	(33.3)	(5.5)	(8.8)	(1.4)	(0.5)	-	(49.5)
Share of (loss)/profit after tax of joint ventures/associates	(1.9)	-	5.0	-	-	-	3.1

Net treasury income through CCP business of £51.3m comprises gross interest income of £227.3m less gross interest expense of £176.0m. Included within both gross interest income and gross interest expense is £150.4m relating to repo transactions; net of repo transactions gross interest income was £76.9m and gross interest expense was £25.6m.

The segmental reporting has been restated to:

- show the transfer of the Turquoise business from Information Services into the Capital Markets segment. This reflects the current organisation of the chief operating decision maker, which is the Executive Committee;
- reflect a change in the allocation of overheads between the segments to better reflect the management and reporting structures; and
- show the underlying profitability of each segment, including the impact of inter-segmental transactions, being the sales of software from MillenniumIT to other segments, which are eliminated from the Group total.

None of these changes are considered material.

Geographical disclosure

	2012	2011
	<i>£m</i>	<i>£m</i>
Revenue		
UK	338.2	305.9
Italy	166.9	168.8
Other	174.7	141.2
Total	679.8	615.9

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

	2012	2011
	<i>£m</i>	<i>£m</i>
Total assets		
UK	1,198.5	850.2
Italy	101,212.6	117,208.8
Other	18.5	18.3
Total	102,429.6	118,077.3
Joint ventures – UK	–	13.7
Joint ventures – Japan	–	3.6
Associates – Italy	0.4	0.6
Total	102,430.0	118,095.2

The change in status of joint ventures is explained in note 14.

5. Expenses by nature

Expenses comprise the following:

	2012	2011
	<i>£m</i>	<i>£m</i>
Cost of sales	45.8	37.0
Employee costs	151.4	117.4
Depreciation and non-acquisition software amortisation	40.4	49.5
Amortisation of purchased intangibles assets and non-recurring costs	81.0	68.1
IT costs	67.7	65.7
Other costs	73.5	67.3
Total expenses	459.8	405.0

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

6. Employee costs

	Notes	2012 £m	2011 £m
Employee costs comprise the following:			
Salaries and other short term benefits		115.8	92.0
Social security costs		16.6	15.2
Pension costs	17	6.9	5.2
Share based compensation	31	12.1	5.0
Total		151.4	117.4

The number of employees in the Group was:	2012		2011	
	Average	Year end	Average	Year end
UK	760	746	497	492
Italy	422	416	455	456
Sri Lanka	615	655	534	587
Other	119	120	29	28
	1,916	1,937	1,515	1,563

The Company has no employees.

Average is calculated from date of acquisition.

7. Amortisation of purchased intangible assets and non-recurring items

	Notes	2012 £m	2011 £m
Amortisation of purchased intangible assets	13	54.9	47.1
Transaction costs		23.4	15.4
Restructuring costs		-	3.5
Property costs		2.7	2.1
Revaluation on acquisition within joint venture		2.4	(10.0)
Total affecting operating profit		83.4	58.1
Profit on acquisition/disposal of shares in subsidiary		(324.3)	-
Charge for new transaction related revolving credit facility		1.8	-
Total affecting profit before tax		(239.1)	58.1
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		(5.9)	(6.4)
Current tax on amortisation of purchased intangible assets		(0.7)	-
Tax effect on other items affecting profit before tax		(2.0)	(1.7)
Total tax effect on items affecting profit before tax		(8.6)	(8.1)
Total (credit)/charge to income statement		(247.7)	50.0

Transaction costs principally comprise advisers' costs relating to the acquisition of the remaining 50 per cent of FTSE and costs incurred and committed to date associated with the proposed LCH.Clearnet transaction, which primarily comprise non-contingent advisers' fees. A C\$10m break fee received from TMX Inc. offset the costs incurred in the year relating to that proposed transaction. Property costs are an impairment provision relating to a freehold building now held for resale. The revaluation on acquisition within joint venture relates to the acquisition by the Group's FTSE joint venture of the remaining 50 per cent of the FXI Chinese index business. The profit on acquisition/disposal relates to the fair value mark up of our existing interest in FTSE International Ltd on acquisition, resulting in a gain of £317.9m, as well as the sale of Servizio Titoli in April 2011, which resulted in a profit on disposal of £6.4m. The charge for the new revolving credit facility relates to funding required for the LCH.Clearnet transaction - the facility falls away if the acquisition is not completed.

8. Net finance expense

	Notes	2012 £m	2011 £m
Finance income			
Expected return on defined benefit pension scheme assets	17	13.1	14.5
Bank deposit and other interest income		3.6	1.3
Other finance income		0.1	0.3
		16.8	16.1
Finance expense			
Interest payable on bank and other borrowings		(40.6)	(42.8)
Defined benefit pension scheme interest cost	17	(13.8)	(14.7)
Other finance expenses		(3.2)	(3.4)
Non-recurring credit facility arrangement fees		(1.8)	-
		(59.4)	(60.9)
Net finance expense		(42.6)	(44.8)

9. Taxation

The standard UK corporation tax rate was 26 per cent (28 per cent for the year ended 31 March 2011).

	Notes	2012 £m	2011 £m
Taxation charged to the income statement			
Current tax:			
UK corporation tax for the year		28.6	38.1
Overseas tax for the year		89.1	55.3
Adjustments in respect of previous years		1.8	1.0
		119.5	94.4
Deferred tax:			
Deferred tax for the year	16	0.2	(10.4)
Adjustments in respect of previous years		(5.5)	4.1
Deferred tax liability on amortisation of purchased intangible assets		(5.9)	(6.4)
Taxation charge		108.3	81.7

Taxation on items not credited/(charged) to income statement

	2012 £m	2011 £m
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	0.3	1.3
Deferred tax credit/(loss):		
Defined benefit pension scheme actuarial loss/(gain)	12.5	(9.0)
Tax allowance on share options/awards in excess of expense recognised	0.5	0.5
Adjustments relating to change in UK tax rate	(0.6)	0.7
	12.7	(6.5)

Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 26 per cent as explained below:

	2012 <i>£m</i>	2011 <i>£m</i>
Profit before taxation	639.7	238.2
Profit multiplied by standard rate of corporation tax in the UK	166.3	66.7
Profit on disposal/acquisition of shares in subsidiary	(84.3)	-
Expenses not deductible/(income not taxable)	1.7	(5.9)
Share of joint venture and associates consolidated at profit after tax	(0.9)	(3.8)
Overseas earnings taxed at higher rate	21.6	13.2
Adjustments in respect of previous years	(3.8)	5.1
Amortisation of purchased intangibles	7.7	6.4
Taxation charge	108.3	81.7

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 amortisation of purchased intangible assets and non-recurring items to enable a better comparison of the underlying earnings of the business with prior periods.

	2012	2011
Basic earnings per share	193.6p	56.4p
Diluted earnings per share	190.9p	55.9p
Adjusted basic earnings per share	100.6p	73.7p
Adjusted diluted earnings per share	99.2p	72.9p
	<i>£m</i>	<i>£m</i>
Profit for the financial year attributable to equity holders	522.0	151.6
Adjustments:		
Amortisation of purchased intangible assets	54.9	47.1
Transaction costs	23.4	15.4
Restructuring costs	-	3.5
Property costs	2.7	2.1
Revaluation on acquisition within joint ventures	2.4	(10.0)
Profit on disposal/acquisition of shares in subsidiary	(324.3)	-
Charge for new revolving credit facility	1.8	-
Tax effect of amortisation and non-recurring items	(8.6)	(8.1)
Non-recurring items, amortisation and taxation attributable to non-controlling interests	(3.0)	(3.7)
Adjusted profit for the financial year attributable to equity holders	271.3	197.9
Weighted average number of shares - million	269.6	268.6
Effect of dilutive share options and awards - million	3.8	2.8
Diluted weighted average number of shares - million	273.4	271.4

The weighted average number of shares excludes those held in the ESOP.

11. Dividends

	2012	2011
	<i>£m</i>	<i>£m</i>
Final dividend for 2011 paid 16 August 2011: 18.0p per Ordinary share (2010: 16.0p)	48.5	42.9
Interim dividend for 2012 paid 5 January 2012: 9.3p per Ordinary share (2011: 8.8p)	25.1	23.7
	73.6	66.6

The Board has proposed a final dividend in respect of the year ended 31 March 2012 of 19.0p per share, which is estimated to amount to £51.3m, to be paid on 20 August 2012.

12. Property, plant & equipment

Group	Land and buildings		Plant and equipment	Total
	Freehold	Leasehold		
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost:				
1 April 2010	61.7	41.0	66.7	169.4
Additions	-	0.1	16.4	16.5
Foreign exchange	(0.5)	-	(0.1)	(0.6)
Disposals	-	-	(3.7)	(3.7)
Reclassified as held for sale	(14.3)	-	(1.4)	(15.7)
31 March 2011	46.9	41.1	77.9	165.9
Additions	-	0.1	22.4	22.5
Foreign exchange	(0.3)	-	(2.7)	(3.0)
Acquisition of subsidiaries	-	2.0	3.8	5.8
Disposals	(0.3)	(3.2)	(4.5)	(8.0)
31 March 2012	46.3	40.0	96.9	183.2
Depreciation:				
1 April 2010	28.7	26.2	39.6	94.5
Charge for the year	1.1	3.0	12.3	16.4
Foreign exchange	(0.1)	-	(0.2)	(0.3)
Disposals	-	-	(3.5)	(3.5)
Impairment	2.5	-	-	2.5
Reclassified as held for sale	(4.8)	-	(1.3)	(6.1)
31 March 2011	27.4	29.2	46.9	103.5
Charge for the year	1.3	3.1	11.5	15.9
Foreign exchange	(0.6)	-	(1.0)	(1.6)
Disposals	(0.3)	(3.2)	(4.4)	(7.9)
31 March 2012	27.8	29.1	53.0	109.9
Net book values:				
31 March 2012	18.5	10.9	43.9	73.3
31 March 2011	19.5	11.9	31.0	62.4

The Company has no property, plant and equipment.

13. Intangible assets

	Purchased intangible assets					Total <i>£m</i>
	Goodwill <i>£m</i>	Customer and supplier relationships <i>£m</i>	Brands <i>£m</i>	Software, licences and intellectual property <i>£m</i>	Software <i>£m</i>	
Cost:						
1 April 2010	1,217.8	699.3	11.1	123.2	197.1	2,248.5
Additions	-	-	-	-	29.2	29.2
Acquisitions of subsidiaries	-	0.3	-	-	-	0.3
Disposals	(1.1)	-	-	-	(1.0)	(2.1)
Transfers to held for sale	(27.7)	(20.6)	-	-	-	(48.3)
Foreign exchange	(11.3)	(7.0)	(0.1)	(1.7)	(0.1)	(20.2)
31 March 2011	1,177.7	672.0	11.0	121.5	225.2	2,207.4
Additions	-	16.2	-	-	16.0	32.2
Acquisitions of subsidiaries	75.6	309.5	226.5	228.3	5.1	845.0
Disposals	-	-	-	-	(24.8)	(24.8)
Foreign exchange	(64.4)	(38.2)	(0.7)	(7.4)	(2.5)	(113.2)
31 March 2012	1,188.9	959.5	236.8	342.4	219.0	2,946.6
Amortisation and accumulated impairment:						
1 April 2010	487.6	79.5	2.8	51.7	142.8	764.4
Amortisation charge for the year	-	30.7	1.1	15.3	33.2	80.3
Disposals	-	-	-	-	(1.0)	(1.0)
Transfers to held for sale	(22.3)	(3.6)	-	-	-	(25.9)
Foreign exchange	(3.9)	-	-	(0.8)	(0.1)	(4.8)
31 March 2011	461.4	106.6	3.9	66.2	174.9	813.0
Amortisation charge for the year	-	36.2	3.7	15.0	23.7	78.6
Disposals	-	-	-	-	(24.8)	(24.8)
Foreign exchange	(24.1)	(7.0)	(0.3)	(4.7)	(1.5)	(37.6)
31 March 2012	437.3	135.8	7.3	76.5	172.3	829.2
Net book values:						
31 March 2012	751.6	823.7	229.5	265.9	46.7	2,117.4
31 March 2011	716.3	565.4	7.1	55.3	50.3	1,394.4

The fair values of the 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 arising on consolidation represents the growth potential and assembled workforces of the Italian Group, FTSE Group, MillenniumIT and Turquoise. The Company has no intangible assets.

During the prior year the goodwill and purchased intangibles allocated to Servizio Titoli were transferred to assets held for sale.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to the 11 cash generating units (CGUs) shown in the table below with the FTSE Group, acquired during the year, comprising one CGU.

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 2017. 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			31 March 2012 £m	Pre-tax discount rate used in value in use calculations
	31 March 2011 £m	Additions £m	Foreign exchange £m		
Italian group:					
Issuer	19.4	-	(1.1)	18.3	12.4%
Equities Trading	65.4	-	(3.7)	61.7	12.7%
Derivatives Trading	29.3	-	(1.7)	27.6	12.6%
Fixed Income Trading	73.9	-	(4.2)	69.7	12.2%
Information Services	121.2	-	(6.8)	114.4	12.7%
Technology Services	14.3	-	(0.8)	13.5	13.5%
Post Trade Services	383.7	-	(21.7)	362.0	13.3%
MillenniumIT:					
Software	0.9	-	(0.2)	0.7	21.6%
Enterprise Service Provider	0.8	-	(0.1)	0.7	19.8%
Turquoise	7.4	-	-	7.4	14.2%
FTSE	-	75.6	-	75.6	-
	716.3	75.6	(40.3)	751.6	

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 2.1 per cent for each of the Italian CGUs, 7.0 and 15.2 per cent for MillenniumIT's Software and Enterprise Service Provider CGUs respectively, and 3.0 per cent for Turquoise) represent management's internal forecasts based on external estimates of GDP and inflation for the 14 year period 1 January 2003 to 31 December 2016, 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.

Based on the results of the impairment tests performed management believes there is no impairment of the carrying value of the goodwill in any CGU. In addition, no impairment of the Company's investments in subsidiary undertakings referred to in note 15 was considered necessary.

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:

The FTSE Group was acquired only recently and, following a post acquisition review, no factors have been identified which would give rise to an impairment.

	Excess of value in use over carrying value <i>£m</i>	Impact on value in use of:			
		5% reduction in revenues <i>£m</i>	5% increase in costs <i>£m</i>	0.5% reduction in long-term growth rate <i>£m</i>	0.5% increase in pre-tax discount rate <i>£m</i>
Cash generating unit					
Italian group:					
Issuer	15.4	9.3	5.3	4.4	4.1
Equities Trading	26.6	18.9	9.2	9.9	8.9
Derivatives Trading	55.4	9.5	4.3	5.3	4.9
Fixed Income Trading	77.5	34.9	19.3	16.6	15.7
Information Services	85.3	24.3	10.3	13.8	12.3
Technology Services	16.4	7.9	5.5	1.7	1.4
Post Trade Services	324.1	70.0	22.4	40.8	34.1

Management believes goodwill allocated to FTSE International Ltd ('FTSE'), MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 March 2012. 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 owned 50 per cent of the 1,000 £1 issued equity shares in FTSE, a company incorporated in Great Britain which provides financial indices to international clients until it acquired full ownership on 16 December 2011.

The following table shows the Group's 50 per cent share of the revenues and expenses of FTSE, which had a December year-end, up to the date of acquisition on 16 December 2011 and the share of assets and liabilities as a joint venture at 31 December 2010:

	December 2011 <i>£m</i>	December 2010 <i>£m</i>
Revenue	57.2	51.2
Expenses, including tax	(49.9)	(36.2)
Profit after tax	7.3	15.0
Non-current assets	-	29.8
Current assets	-	31.0
Total assets	-	60.8
Current liabilities	-	(36.5)
Non-current liabilities	-	(8.1)
Total liabilities	-	(44.6)
Net assets	-	16.2

The Group disposed of its 49 per cent interest in TOKYO AIM, a company incorporated in Japan to provide secondary market listings in Tokyo for £1.3m on 27 March 2012 resulting in a loss on disposal of £0.5m. TOKYO AIM was a joint venture with Tokyo Stock Exchange Group, a company incorporated in Japan, and the Group has recognised its £1.4m (2011: £1.6m) share of TOKYO AIM's loss in the income statement.

The Group was entitled, under a shareholders' agreement, to receive royalties from FTSE. The amount received by the Group from FTSE until the remaining interest was acquired was £13.1m (2011: £11.3m).

During the year the Group received dividends of £7.3m (2011: £3.7m) from FTSE. This related to the period that FTSE was a joint venture within the Group.

The Company had no investment in joint ventures.

15. Investments in subsidiary undertakings

Company	Shares £m	Loans £m	Total £m
1 April 2010	3,411.5	333.1	3,744.6
Subscription for shares in London Stock Exchange Group Holdings (R) Ltd	10.8	-	10.8
Other movements during the year	-	4.3	4.3
31 March 2011	3,422.3	337.4	3,759.7
Subscription for further shares in London Stock Exchange Group Holdings (R) Ltd	11.7	-	11.7
Other movements during the year	-	(8.6)	(8.6)
31 March 2012	3,434.0	328.8	3,762.8

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
Held indirectly by the Company:				
Blit Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Limited	Market indices provider	UK	UK	100
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
Millennium IT Software (Private) Limited	IT solutions provider	Sri Lanka	Sri Lanka	100
Proquote Limited	Market data provider	UK	UK	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Limited	Multi-lateral trading facility	UK	UK	51.36

During the year, the Group acquired the remaining 50 per cent of the share capital of FTSE International Limited and Borsa Italiana paid £53.2m for the 13.64 per cent of Cassa di Compensazione e Garanzia S.p.A. from Unicredit S.p.A., that it did not already own.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange Group plc.

16. Deferred taxation

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

Group	Accelerated tax depreciation <i>£m</i>	Acquisition deferred tax and amortisation <i>£m</i>	Provisions and other temporary differences <i>£m</i>	Total <i>£m</i>
1 April 2010	(1.5)	(89.5)	2.9	(88.1)
Tax (charged)/credited to the income statement	(0.2)	6.4	6.5	12.7
Tax credited to other comprehensive income:				
- defined benefit pension scheme actuarial loss	-	-	(8.3)	(8.3)
- allowance on share options/awards	-	-	0.5	0.5
- foreign exchange	-	1.1	-	1.1
Transfer to held for sale	-	2.7	(0.2)	2.5
Transfer between current and deferred tax	-	-	(0.5)	(0.5)
31 March 2011	(1.7)	(79.3)	0.9	(80.1)
Tax credited to the income statement	3.8	5.9	1.5	11.2
Tax credited/(charged) to other comprehensive income:				
- defined benefit pension scheme actuarial loss	-	-	12.2	12.2
- allowance on share options/awards	-	-	0.2	0.2
- foreign exchange	(0.1)	4.5	-	4.4
Balance sheet transfer of pre-acquisition balances	-	(48.4)	-	(48.4)
31 March 2012	2.0	(117.3)	14.8	(100.5)
Assets at 31 March 2012	2.0	-	14.8	16.8
Liabilities at 31 March 2012	-	(117.3)	-	(117.3)
Net assets/(liabilities) at 31 March 2012	2.0	(117.3)	14.8	(100.5)
Assets at 31 March 2011	1.1	-	11.1	12.2
Liabilities at 31 March 2011	(2.8)	(79.3)	(10.2)	(92.3)
Net (liabilities)/assets at 31 March 2011	(1.7)	(79.3)	0.9	(80.1)

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

The purchased intangible assets of the Italian group 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 Group has unrecognised deferred tax assets in respect of losses of £56m (2011: £54m) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

17. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds were primarily managed by Schroder Investment Management Limited, Investec Asset Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva Investors during the year.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law and the employee benefit and retirement plan operated by MillenniumIT.

The Company has no retirement benefit obligations.

On 7 April 2011 the Trustees of the Group's Defined Benefit Plan signed an agreement with Pension Insurance Corporation Limited to insure for a premium of all future payments to scheme members who were pensioners at 31 March 2011, thereby eliminating any investment, inflation and mortality risk associated with these benefits. The actuarial liability of these benefits at 31 March 2011 was £140.5m, with the excess of the insurance premium over the liabilities being funded from the Plan surplus. The contract includes an obligation to insure future retirements over the next five years on consistent pricing terms for a total premium currently estimated to be £45m.

The only scheme operated by FTSE International was a defined contribution scheme.

Defined benefit schemes

The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future years of service benefits for active members.

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 the Italian 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 month's gross salary multiplied by the number of years in service at MillenniumIT.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in the 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.

Amounts recognised in the income statement are as follows:

	Notes	2012		2011	
		UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
Defined contribution schemes		(3.1)	(1.2)	(2.2)	(1.3)
Defined benefit scheme - current service cost		(0.6)	(2.0)	(0.7)	(1.0)
Total pension charge included in employee costs	6	(3.7)	(3.2)	(2.9)	(2.3)
Finance income and expense					
Interest expense		(13.5)	(0.3)	(14.3)	(0.4)
Expected return on assets		13.1	-	14.5	-
Net finance (expense)/income		(0.4)	(0.3)	0.2	(0.4)
Total recognised in the income statement		(4.1)	(3.5)	(2.7)	(2.7)

Defined benefit assets/(obligations) for UK pension scheme

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Fair value of assets:					
Equities	39.0	39.3	37.2	25.1	33.2
Bonds	67.5	219.5	218.5	202.6	190.9
Property	24.4	23.3	13.3	7.1	8.8
Pensioner buy in policy	133.5	-	-	-	-
Total fair value of assets	264.4	282.1	269.0	234.8	232.9
Present value of funded obligations	(274.2)	(244.5)	(264.4)	(229.8)	(221.1)
(Deficit)/surplus	(9.8)	37.6	4.6	5.0	11.8

The main actuarial assumptions are set out below:

	2012		2011	
	UK Pension	Italian plan	UK Pension	Italian plan
Inflation rate – RPI	3.4%	2.0%	3.5%	2.0%
Inflation rate – CPI	2.4%	-	2.5%	-
Rate of increase in salaries	4.4%	3.5%	5.0%	3.5%
Rate of increase in pensions in payment	3.6%	3.0%	3.7%	3.0%
Discount rate	5.0%	4.0%	5.6%	4.1%
Expected return on assets as at the start of the year:				
- equities	7.3%	-	7.6%	-
- bonds	3.8%	-	4.8%	-
- property	6.5%	-	6.8%	-
- pensioner buy in policy	5.0%	-	-	-
Life expectancy from age 60 (Years):				
- Non retired male member	27.9	-	27.8	-
- Non retired female member	30.7	-	30.6	-
- Retired male member	26.3	-	26.2	-
- Retired female member	29.2	-	29.1	-

Expected return 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 SINA 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. 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 £4.6m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £18.0m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £21.7m
Mortality rate	Increase by 1 year	Increase by £8.1m

Movement in defined benefit obligation during the year

	2012		2011	
	UK Pension	Other plans	UK Pension	Other plans
	£m	£m	£m	£m
1 April	244.5	6.4	264.4	7.3
Current service cost	0.6	2.0	0.7	1.0
Interest expense	13.5	0.3	14.3	0.4
Benefits paid	(8.7)	(1.6)	(8.1)	(1.8)
Actuarial loss/(gain)	24.3	(0.1)	(26.8)	(0.3)
Foreign exchange	-	(0.3)	-	(0.2)
31 March	274.2	6.7	244.5	6.4

Movement in fair value of UK plan assets during the year

	2012 £m	2011 £m
1 April	282.1	269.0
Expected return on assets	13.1	14.5
Contributions received	1.3	1.4
Benefits paid	(8.7)	(8.1)
Actuarial (loss)/gain	(23.4)	5.3
31 March	264.4	282.1

The actual loss on plan assets was £10.3m (2011 return: £19.8 million).

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:

	2012		2011	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
Recognised up to 1 April	34.8	(1.0)	2.7	(1.3)
Net actuarial (loss)/gain recognised in the year	(47.7)	0.1	32.1	0.3
Cumulative amount recognised at 31 March	(12.9)	(0.9)	34.8	(1.0)

The actuarial loss recognised in the year includes £33.1m in relation to the buy-in of the pension payments in April 2011. This is reflective of the excess of the premium paid over the related liabilities transferred.

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The current ordinary contributions are 41 per cent of pensionable salaries. This will be reviewed following the actuarial valuation. The Company expects to contribute approximately £0.6 million to the defined benefit scheme during the year to 31 March 2013. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

The Company 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	2012	2011	2010	2009	2008
Experience adjustments arising on scheme assets:					
Experience (loss)/gain (£m)	(23.4)	5.3	25.6	(11.2)	(3.7)
Percentage of scheme assets	(8.9%)	1.9%	9.5%	(4.8%)	(1.6%)
Experience adjustments arising on scheme liabilities:					
Experience (loss)/gain (£m)	(3.9)	1.5	7.5	1.3	0.7
Impact of changes in assumptions (£m)	(20.4)	25.3	(34.9)	(1.1)	24.8
Total (£m)	(24.3)	26.8	(27.4)	0.2	25.5
Percentage of scheme liabilities					
Experience (loss)/gain	(1.4%)	0.6%	2.8%	0.6%	0.3%
Impact of changes in assumptions	(7.4%)	10.3%	(13.2%)	(0.5%)	11.2%
Total	(8.8%)	10.9%	(10.4%)	0.1%	11.5%

18. Trade and other receivables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade receivables	114.7	82.4	-	-
Less: provision for impairment of receivables	(7.8)	(7.3)	-	-
Trade receivables - net	106.9	75.1	-	-
Amounts due from Group undertakings	-	-	585.9	154.5
Other receivables	4.1	3.6	-	-
Prepayments and accrued income	67.3	48.1	0.3	0.5
	178.3	126.8	586.2	155.0

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

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

The ageing of past due debtors for the Group is as follows:

	2012		2011	
	Impaired £m	Not impaired £m	Impaired £m	Not impaired £m
0 to 3 months past due	0.1	47.9	-	24.8
Greater than 3 months past due	7.7	12.4	7.3	5.2
	7.8	60.3	7.3	30.0

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

	2012 £m	2011 £m
Sterling	98.8	58.3
Euro	57.2	61.8
Other Currencies	22.3	6.7
	178.3	126.8

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

	2012 £m	2011 £m
1 April	7.3	6.8
Provision for receivables impairment	1.6	0.8
Receivables written off during the year as uncollectible	(0.6)	(0.3)
Provisions no longer required	(0.4)	(0.1)
Foreign exchange	(0.1)	0.1
31 March	7.8	7.3

The creation and release of the provision for impaired receivables have been included in operating expenses 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.

19. Financial instruments by category

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

	Group			Total	Company		
	Loans and receivables	Available for sale	Assets at fair value through profit or loss		Loans and receivables	Assets at fair value through profit or loss	Total
31 March 2012	£m	£m	£m	£m	£m	£m	£m
Assets as per balance sheet							
Financial assets of the CCP clearing business							
- CCP trading assets	-	-	4,167.6	4,167.6			
- Receivables for repurchase transactions	84,968.2	-	-	84,968.2			
- Other receivables from clearing members	4,410.5	-	-	4,410.5			
- Financial assets held at fair value	-	-	73.3	73.3			
- Cash and cash equivalents of clearing members	6,137.3	-	-	6,137.3			
Financial assets of the CCP clearing business	95,516.0	-	4,240.9	99,756.9			
Assets held at fair value	-	-	14.6	14.6			
Total financial assets for CCP clearing	95,516.0	-	4,255.5	99,771.5			
Trade and other receivables	111.0	-	-	111.0	585.9	-	585.9
Cash and cash equivalents	216.0	-	-	216.0	0.2	-	0.2
Available for sale financial assets	-	0.4	-	0.4	-	-	-
Cross currency interest rate swaps	-	-	5.2	5.2	-	5.2	5.2
Total	95,843.0	0.4	4,260.7	100,104.1	586.1	5.2	591.3

	Group			Total	Company		
	Derivatives used for hedging	Other financial liabilities			Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet							
Financial liabilities of the CCP clearing business							
- CCP trading liabilities	-	4,167.7	4,167.7	-	-	-	-
- Liabilities under repurchase transactions	-	84,968.2	84,968.2	-	-	-	-
- Other payables to clearing members	-	10,537.9	10,537.9	-	-	-	-
- Financial liabilities held at fair value	-	73.4	73.4	-	-	-	-
Financial liabilities of the CCP clearing business	-	99,747.2	99,747.2	-	-	-	-
Trade and other payables	-	237.5	237.5	-	315.7	315.7	-
Provisions	-	30.1	30.1	-	-	-	-
Borrowings	-	757.1	757.1	-	746.6	746.6	-
Cross currency interest rate swaps	2.1	-	2.1	2.1	-	2.1	-
Total	2.1	100,771.9	100,774.0	2.1	1,062.3	1,064.4	-

The valuation of CCP 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. The derivative financial instruments are considered to be level 2. The cross currency interest rate swaps are used to change the currency of borrowings to reduce exposure to net assets and cash flow denominated in currencies other than sterling. These are designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting as both legs of the swap are at fixed rate.

There were no new swaps transacted during the period. The existing cross-currency swaps, amounting to six contracts of €50m each, effectively exchange some of the proceeds of the 2016 and the 2019 £250m bonds from sterling into euros. The swaps are designated part of the Group's net investment hedge and these derivative financial instruments exactly match the terms of the underlying 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 2012, the Group recognised the £15.6m movement in mark to market value of these derivatives in reserves (2011: £3.4m).

The effectiveness of the other hedges has been tested by means of a regression analysis and ineffectiveness was found to be negligible.

During the period, four interest rate contracts of £25m each, that swapped a proportion of the 2016 sterling bond issue obligation from fixed interest rates into floating interest rates matured. These interest rate swaps were used to manage exposure to movements in interest rates. The resulting increase in fixed rate liabilities has been more than compensated by floating rate drawings from the Group's revolving credit facilities to finance the 50 per cent acquisition of FTSE International Limited in December 2011.

The Group's financial 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 nature and composition of the CCP clearing business assets and liabilities is explained in the accounting policies note on page 76.

As at 31 March 2012, there were no provisions for impairment in relation to any of the CCP financial assets (2011: nil) and none of these assets were past due (2011: nil).

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

	Group				Company		
	Loans and receivables <i>£m</i>	Available for sale <i>£m</i>	Assets at fair value through profit or loss <i>£m</i>	Total <i>£m</i>	Loans and receivables <i>£m</i>	Assets at fair value through profit or loss <i>£m</i>	Total <i>£m</i>
31 March 2011							
Assets as per balance sheet							
Financial assets of the CCP clearing business							
- CCP trading assets	-	-	7,309.5	7,309.5	-	-	-
- Receivables for repurchase transactions	98,863.1	-	-	98,863.1	-	-	-
- Other receivables from clearing members	3,983.1	-	-	3,983.1	-	-	-
- Financial assets held at fair value	-	-	22.2	22.2	-	-	-
- Cash and cash equivalents of clearing members	5,929.3	-	-	5,929.3	-	-	-
Financial assets of the CCP clearing business	108,775.5	-	7,331.7	116,107.2	-	-	-
Assets held at fair value	-	-	8.6	8.6	-	-	-
Total financial assets for CCP clearing	108,775.5	-	7,340.3	116,115.8	-	-	-
Trade and other receivables	78.7	-	-	78.7	154.5	-	154.5
Cash and cash equivalents	267.0	-	-	267.0	0.8	-	0.8
Available for sale financial assets	-	0.4	-	0.4	-	-	-
Interest rate swaps	-	-	0.4	0.4	-	0.4	0.4
Forward foreign exchange contracts	-	-	0.3	0.3	-	-	-
Total	109,121.2	0.4	7,341.0	166,462.6	155.3	0.4	155.7
Liabilities as per balance sheet							
Financial liabilities of the CCP clearing business							
- CCP trading liabilities	-	-	7,309.5	7,309.5	-	-	-
- Liabilities under repurchase transactions	-	-	98,863.1	98,863.1	-	-	-
- Other payables to clearing members	-	-	9,910.9	9,910.9	-	-	-
- Financial liabilities held at fair value	-	-	21.0	21.0	-	-	-
Financial liabilities of the CCP clearing business	-	-	116,104.5	116,104.5	-	-	-
Trade and other payables	-	-	156.5	156.5	-	210.4	210.4
Provisions	-	-	31.5	31.5	-	-	-
Borrowings	-	-	499.1	499.1	-	499.0	499.0
Cross currency interest rate swaps	-	12.9	-	12.9	12.9	-	12.9
Forward foreign exchange contracts	-	0.3	-	0.3	-	-	-
Total	-	13.2	116,791.6	116,804.8	12.9	709.4	722.3

20. Cash and cash equivalents

	Group		Company	
	2012 <i>£m</i>	2011 <i>£m</i>	2012 <i>£m</i>	2011 <i>£m</i>
Cash at bank	116.5	152.1	0.2	0.8
Short term deposits	99.5	114.9	-	-
	216.0	267.0	0.2	0.8

Cash and cash equivalents is held with authorised counterparties of a high credit standing, in interest bearing current and call accounts, short term deposits and AAA rated money market 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 19). Cash and cash equivalents includes amounts held by regulated entities for regulatory and operational purposes. At 31 March 2012, the Group set aside £165.0m (2011: £125.0m) for such purposes, with the amount subject to regular review with regulators in the UK and Italy.

21. Assets/liabilities held for sale

Assets classified as held for sale

	2012 <i>£m</i>	2011 <i>£m</i>
Property, plant and equipment	6.4	9.6
Intangible assets	-	22.4
Other current assets	-	4.9
	6.4	36.9

Liabilities classified as held for sale

	2012 <i>£m</i>	2011 <i>£m</i>
Trade and other payables	-	1.4
Other current liabilities	-	3.4
	-	4.8

The assets held at the year end relate to a freehold property. The carrying amounts of assets and liabilities are reasonable approximations of fair value.

There have been no transactions recognised during the year in the statement of comprehensive income relating to the Company classified as held for sale.

22. Trade and other payables

	Notes	Group		Company	
		2012 £m	2011 £m	2012 £m	2011 £m
Trade payables		31.7	19.0	-	-
Amounts owed to Group undertakings	32	-	-	283.8	179.8
Social security and other taxes		15.3	11.3	-	0.7
Other payables		29.7	24.7	3.5	3.8
Accruals and deferred income		160.8	101.5	28.4	26.6
		237.5	156.5	315.7	210.9
Current		233.7	156.5	315.7	210.9
Non-current		3.8	-	-	-
		237.5	156.5	315.7	210.9

23. Borrowings

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Current				
Bank borrowings and trade finance loans	10.5	0.1	-	-
	10.5	0.1	-	-
Non-current				
Bond	499.4	499.5	499.4	499.5
Bank borrowings	247.5	-	247.5	-
Deferred arrangement fees	(0.3)	(0.5)	(0.3)	(0.5)
	746.6	499.0	746.6	499.0

The Group has the following unsecured notes and committed bank facilities:

Type	Expiry date	Notes/Facility £m	Carrying value at 31 March 2012 £m	Interest rate percentage at 31 March 2012 %
Drawn value of facilities				
Multi-currency revolving credit facility	Jul 2013	250.0	236.0	LIBOR + 0.8
Multi-currency revolving credit facility	Dec 2014	350.0	-	LIBOR + 1.25
Multi-currency term & revolving credit facilities	Jul 2015	41.2	10.0	LIBOR + 1.5
Multi-currency revolving credit facility	Nov 2015	250.0	11.5	LIBOR + 1.0
Total Bank facilities		891.2	257.5	
Notes due July 2016	Jul 2016	250.0	251.7	6.125
Notes due October 2019	Oct 2019	250.0	247.7	9.125
Total Bonds		500.0	499.4	
Total Committed Facilities		1,391.2	756.9	

In addition to the committed bank facility drawings, Millennium IT and Millennium IT Software have un-committed overdraft facility drawings of £0.5m (2011: £0.1m).

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 €1billion are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by CCP assets comprising Italian Government Bonds. CC&G also has available to it €200m of committed facilities with banks, for short term CCP related activity purposes only.

Non-current borrowings

In July 2006, the Company issued a £250m bond which is unsecured and is due for repayment in July 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 movements in the Company's credit rating with Moody's which was unchanged throughout the financial year. The bond coupon remained at 6.125 per cent throughout this period.

In June 2009, the Company issued another £250m bond which is unsecured and is due for repayment in October 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 ratings with Moody's and Standard & Poor's which were unchanged throughout the financial year. The bond coupon remained at 9.125 per cent throughout this period.

During the year the Company drew down on its existing credit facilities to fund the acquisition of the 50 per cent of FTSE International Limited it did not already own and signed a new £350m unsecured committed revolving credit facility expiring in December 2014 which allowed the Company to preserve comfortable facility headroom. The facility term is subject to a one year extension option exercisable by the Company but the facility will expire one month after any formal cessation of the LCH Clearnet acquisition. Arrangement fees associated with the new committed facility were expensed during the year.

FTSE maintains separate committed facilities comprising a \$50m revolving credit facility and a Hong Kong dollar 124m term loan maturing in July 2015.

Fair values

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

Group	Carrying value 2012 £m	Fair value 2012 £m	Carrying value 2011 £m	Fair value 2011 £m
Borrowings				
- within one year	10.5	10.5	0.1	0.1
- after more than one year	746.6	832.8	499.0	573.0
	757.1	843.3	499.1	573.1

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

Company	Carrying value 2012 £m	Fair value 2012 £m	Carrying value 2011 £m	Fair value 2011 £m
Borrowings				
- after more than one year	746.6	832.8	499.0	573.0
	746.6	832.8	499.0	573.0

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

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

Currency	2012			2011		
	Drawn £m	Swapped £m	Effective £m	Drawn £m	Swapped £m	Effective £m
Sterling	735.1	(250.2)	484.9	499.0	(265.0)	234.0
Euro	-	250.2	250.2	-	265.0	265.0
Sri Lankan Rupees	0.5	-	0.5	0.1	-	0.1
Hong Kong Dollars	21.5	-	21.5	-	-	-
Total	757.1	-	757.1	499.1	-	499.1

24. Analysis of net debt

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Due within one year				
Cash and cash equivalents	216.0	267.0	0.2	0.8
Bank borrowings	(10.5)	(0.1)	-	-
Derivative financial assets	5.2	0.7	5.2	0.4
Derivative financial liabilities	-	(0.3)	-	-
	210.7	267.3	5.4	1.2
Due after one year				
Deferred (bank borrowings)/arrangement fees	(247.2)	0.5	(247.2)	-
Bonds	(499.4)	(499.5)	(499.4)	(499.5)
Derivative financial liabilities	(2.1)	(12.9)	(2.1)	(12.9)
Total net debt	(538.0)	(244.6)	(743.3)	(511.2)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
(Decrease)/increase in cash in the year	(42.9)	46.7	(0.6)	0.7
Bank loan repayments less new drawings	(224.3)	104.6	(247.2)	103.8
Change in net debt resulting from cash flows	(267.2)	151.3	(247.8)	104.5
Foreign exchange movements	(7.7)	0.1	-	2.4
Movement on derivative financial assets and liabilities	15.6	5.9	15.6	5.9
Bond valuation adjustment	0.1	0.1	0.1	0.1
Acquired debt	(34.2)	-	-	-
Net debt at the start of the year	(244.6)	(402.0)	(511.2)	(624.1)
Net debt at the end of the year	(538.0)	(244.6)	(743.3)	(511.2)

25. Provisions

Group	Property £m
1 April 2010	33.9
Utilised during the year	(3.9)
Interest on discounted provision	1.5
31 March 2011	31.5
Utilised during the period	(3.8)
Interest on discounted provision	1.4
Acquired during the year	1.0
31 March 2012	30.1
Current	2.5
Non-current	27.6
31 March 2012	30.1

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 two and 16 years to expiry.

The Company has no provisions.

26. Ordinary share capital

Authorised	2012		2011	
	millions	£m	millions	£m
Ordinary shares of 6 ⁷⁹ / _{86p}	271.1	18.8	271.1	18.8

More information about the shares and rights attached to the ordinary shares is given in the Directors' Report on pages 64 and 65.

27. Net cash flow generated from operations

	Group		Company	
	2012	2011	2012	2011
	£m	£m	£m	£m
Profit before taxation	639.7	238.2	136.8	123.9
Depreciation and amortisation	95.3	96.7	-	-
Property impairment	2.7	2.5	-	-
Gain on disposal of property, plant and equipment	-	(0.4)	-	-
Profit on acquisition/disposal of shares in subsidiary and joint venture	(323.8)	-	-	-
Net finance expense/(income)	42.6	44.8	(187.3)	(140.5)
Share of profit after tax of joint ventures	(3.5)	(13.1)	-	-
(Increase)/decrease in inventories	(0.9)	0.7	-	-
Decrease/(increase) in trade and other receivables	13.8	5.2	(1.0)	3.7
Increase/(decrease) in trade and other payables	2.9	13.9	2.1	(0.4)
Decrease/(increase) in CCP financial assets	7,702.5	(30,334.8)	-	-
(Decrease)/increase in CCP clearing business liabilities	(7,709.8)	30,325.1	-	-
Defined benefit pension obligation - contributions lower than/(in excess of) expenses charged	0.2	(0.9)	-	-
Provisions utilised during the year	(3.8)	(3.9)	-	-
(Increase)/decrease in assets held at fair value from operating activities	(6.7)	0.7	-	-
Share scheme expense	12.1	5.0	-	-
Foreign exchange (losses)/gains on operating activities	(0.9)	2.1	27.0	3.4
Cash generated from/(absorbed by) operations	462.4	381.8	(22.4)	(9.9)
Comprising:				
Ongoing operating activities	483.7	394.4	(4.2)	(7.5)
Non-recurring items	(21.3)	(12.6)	(18.2)	(2.4)
	462.4	381.8	(22.4)	(9.9)

28. Commitments and contingent liabilities

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £5.6m (2011: £2.5m) and £13.5m (2011: £23.8m) respectively. £13.5m other contracted commitments represent professional and other fees relating to the proposed transaction with LCH.Clearnet, the majority of which are conditional on completion.

29. Business combinations

Acquisitions in the year to 31 March 2012

In the year to 31 March 2012 the Group made two acquisitions involving the acquisition of an additional 50 per cent of the issued share capital of FTSE International Limited and purchase of the entire business of the Transaction Reporting Service.

Acquisition	Date acquired	Consideration including fair value adjustment of existing interest £m	Goodwill £m	Fair value of assets acquired £m	Contribution post-acquisition	
					Revenue £m	Operating profit/(loss) £m
FTSE International Limited	16 December 2011	757.1	75.6	681.5	37.3	6.6
Transaction Reporting Service	24 October 2011	15.0	-	15.0	1.4	0.9
Total		772.1	75.6	696.5	38.7	7.5

If both acquisitions had occurred on 1 April 2011, estimated Group revenue for the year would have been £782.8m, with operating profit (before acquisition amortisation and exceptional items) of £471.2m. These amounts have been calculated using the Group's accounting policies and based on available information.

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

	FTSE		TRS		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current assets:						
Intangible assets	59.6	765.4	-	16.2	59.6	781.6
Property, plant and equipment	5.8	5.8	-	-	5.8	5.8
Current assets:						
Cash and cash equivalents	7.6	7.6	-	-	7.6	7.6
Other current assets	43.0	43.0	-	-	43.0	43.0
Current liabilities:						
Other current liabilities	(59.8)	(59.8)	-	-	(59.8)	(59.8)
Non-current liabilities:						
Borrowings	(34.2)	(34.2)	-	-	(34.2)	(34.2)
Other non-current liabilities	(1.0)	(46.3)	-	(1.2)	(1.0)	(47.5)
Net assets	21.0	681.5	-	15.0	21.0	696.5
Goodwill		75.6				75.6
Fair value adjustments to investment in original holdings	-	(329.2)	-	-	-	(329.2)
Total consideration	21.0	427.9	-	15.0	21.0	442.9
Satisfied by:						
Cash		427.9		15.0		442.9

The fair values are preliminary and will be finalised during the following financial year.

The fair value adjustments include:

FTSE International Limited

The £837.0m of intangible assets arising on consolidation includes £453.0m relating to the FTSE trademark and £308.4m of customer contracts and customer relationships. 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 £75.6m arising on consolidation represents the growth potential of FTSE through future expected income from new customers now that it is fully part of the Group and its assembled workforce.

Transaction Reporting Services

The £16.2m of intangible assets arising on consolidation represents customer relationships. The fair values of these purchased intangible assets are being amortised over their useful economic lives of 20 years.

30. 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:

	Property		Equipment	
	2012 <i>£m</i>	2011 <i>£m</i>	2012 <i>£m</i>	2011 <i>£m</i>
Less than one year	24.9	21.0	3.1	3.1
More than one year and less than five years	80.3	78.4	1.6	3.4
More than five years	99.6	112.4	-	-
	204.8	211.8	4.7	6.5

Operating lease payments of £21.5m (2011: £20.8m) were charged to the income statement in the year in relation to property and £3.4m (2011: £3.9m) in the year in relation to equipment.

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Group	
	2012 <i>£m</i>	2011 <i>£m</i>
Less than one year	4.6	4.4
More than one year and less than five years	17.0	18.1
More than five years	11.2	14.7
	32.8	37.2

The Company has no lease commitments.

31. 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 54 to 63.

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 other share options were granted at fair market value or above.

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 1,215,289 (2011: 1,867,465) 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 2010	1,328,497	3.32	444,971	5.79	4,651,632	-
Granted	100,674	7.00	-	-	2,504,605	-
Exercised	(968,863)	3.22	(25,194)	5.69	(5,676)	-
Forfeited	(14,956)	5.49	(87,821)	6.18	(1,533,627)	-
At 31 March 2011	445,352	4.30	331,956	5.69	5,616,934	-
Granted	61,448	9.71	489,271	6.13	1,945,642	-
Exercised	(100,704)	3.77	(313,773)	5.69	(234,193)	-
Forfeited	(1,856)	3.45	(18,183)	5.69	(1,235,072)	-
At 31 March 2012	404,240	5.26	489,271	6.13	6,093,311	-
Exercisable at:						
31 March 2012	198,718	1.74	-	-	-	-
31 March 2011	299,422	2.43	-	-	-	-

The weighted average share price of London Stock Exchange Group plc shares during the year was £8.94 (2011: £7.36).

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

	2012		2011	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Exercise price range				
Share options				
Up to £3				
Between £3 and £4	250,686	1.8	353,246	2.6
Above £4	153,554	3.3	92,106	2.0
SAYE				
Between £5 and £6	-	-	331,956	0.4
Above £10	489,271	2.8	-	-
LTIP				
Nil	6,093,311	1.3	5,616,934	1.6
Total	6,986,822	1.7	6,394,242	1.7

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model.

The key assumptions used in the valuation were as follows:

	Performance Related Equity Plans				
	Share Save Plan	Matching Shares	Performance Shares	Restricted Shares	Market Value Options
	13 Jan 2012	13 Jul 2011	3 Jun 2011	3 Jun 2011	3 Jun 2011
Grant date share price	£8.54	£10.50	£9.72	£9.72	£9.72
Exercise price	£6.13	n.a	n.a	n.a	£9.71
Volatility	39%	50%	51%	51%	51%
Expected life	3.13 years	3 years	3 years	3 years	4 years
Dividend yield	3.20%	2.60%	2.80%	2.80%	2.80%
Fair value	£2.81	-	-	-	-
Fair value TSR	-	£4.98	£4.63	£4.76	£2.84
Fair value EPS	-	£9.71	£8.93	£8.93	£3.33

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 into 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.

32. Transactions with related parties

Key management compensation

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

	2012	2011
	<i>£m</i>	<i>£m</i>
Salaries and other short term benefits	9.0	8.6
Pensions	0.4	0.4
Share based payments	0.2	0.7
	9.6	9.7

Inter-company transactions with subsidiary undertakings

The Company has loan agreements with some subsidiary undertakings. Details as at 31 March 2012 are shown in the table below:

Loan counterparty	Amount in millions due from/(owed to) as at 31 March		Term	Interest rate as at 31 March 2012	Interest in millions credit/(charge)	
	2012	2011			2012	2011
London Stock Exchange plc	£(236.5)m	£(183.5)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	£(4.0)m	£(8.3)m
London Stock Exchange Employee Benefit Trust	£10.9m	£15.6m	Repayable on demand.	Non-interest bearing	nil	nil
London Stock Exchange Group Holdings (Italy) Limited - Italian Branch	€450.0m	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum	€27.5m	€21.8m
London Stock Exchange Group Holdings (Italy) Limited - Italian Branch	€122.0m	€120.5m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	€3.9m	€2.7m
London Stock Exchange Group Holdings Limited	£461.1m	£28.6m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	£6.7m	£1.7m
London Stock Exchange Group Holdings (R) Limited	£0.6m	nil	Fifth anniversary of the initial utilisation date which was April 2011.	LIBOR plus 1.5% per annum	nil	nil
Cassa di Compensazione e Garanzia S.p.A.	€(40.0)m	nil	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	€(0.1)m	nil
Monte Titoli S.p.A.	€(18.2)m	nil	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	nil	nil
Societa Mercato Titoli di Stato S.p.A.	€(5.7)m	nil	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	nil	nil

During the year the Company charged in respect of employee share schemes £8.8m (2011: £3.1m) to London Stock Exchange plc, £2.8m (2011: £1.7m) to London Stock Exchange Group Holdings (Italy) Ltd and £0.5m (2011: £0.3m) to Millennium Information Technologies Ltd. The Company received dividends of £121.8m (2011: £123.3m) and €90.0m (2011: €55.0m) respectively from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

33. Other statutory information

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

	2012	2011
	<i>£m</i>	<i>£m</i>
Audit of parent company and consolidated financial statements	0.2	0.2
Audit of subsidiary companies	0.9	0.8
Other audit related	0.3	0.2
Other fees:		
- Taxation	0.1	0.3
- Corporate finance	2.8	0.3
- Other assurance services	-	0.4
Total expenses	4.3	2.2

Further details of the services provided by PricewaterhouseCoopers are given in the Report of the Audit and Risk Committee on page 53.

Directors' emoluments comprise the following:

	2012	2011
	<i>£m</i>	<i>£m</i>
Salary and fees	2.5	2.6
Performance bonus	2.6	2.2
Benefits	0.1	0.1
	5.2	4.9
Contributions to defined contribution pension schemes	0.3	0.1
	5.5	5.0

During the year two Directors (2011: two) had retirement benefits accruing under defined contribution schemes and no Director (2011: none) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 54 to 63.

34. Post balance sheet events

On 9 March 2012, the Company and LCH.Clearnet Group Limited announced a recommended cash offer for the Company to take a majority stake in LCH.Clearnet. On 30 March 2012, the Company and LCH.Clearnet announced that the acceptance condition in respect of the offer had been satisfied and on 13 April 2012, the offer closed to further acceptances with final total acceptances in respect of the offer of 71.52 per cent of the LCH.Clearnet issued share capital.

In accordance with the terms of the offer, certain accepting LCH.Clearnet shareholders will have their acceptances scaled back so that, following completion and including the stake acquired from MF Global described below, LSEG will hold 60 per cent of the LCH.Clearnet issued share capital.

On 13 April 2012, the Company purchased 970,656 LCH.Clearnet Shares held by MF Global UK Limited (in special administration), representing 2.39 per cent of the LCH.Clearnet issued share capital at an initial price of €14 per LCH.Clearnet share. MF Global remains entitled to additional consideration that may become payable on the terms summarised in LSEG's offer announcement of 9 March 2012.

On 3 April 2012, the shareholders of both the Company and LCH.Clearnet voted overwhelmingly in favour of the offer and completion of the transaction is expected by the fourth quarter of calendar 2012, subject to regulatory and other approvals, including competition clearance.

Market structures

To understand all the services offered by a diversified exchange business, it is important to be aware of 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 Markets in Financial Instruments Directive 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
<i>Electronic trading</i>	Computerised systems for matching buy and sell orders of financial instruments, such as equities, bonds and derivatives.	<ul style="list-style-type: none"> Equities - London and Italian trading platforms and Turquoise pan-European trading ETFs, ETCs - London and Italian trading platforms Bonds - MTS, MOT and ORB Derivatives - Turquoise, IDEM and IDEX
<i>Clearing</i>	After a trade has been matched by a trading system, it is usually cleared. At this stage, a central counterparty (CCP) may stand 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 still ensure that the trade is completed with the other party.	CC&G acts as a CCP for Italian cash equities, derivatives and fixed Income. CC&G also provides non-guaranteed clearing processing functions for London Stock Exchange equities and Turquoise derivatives.
<i>Settlement</i>	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. Settlement operates both for transactions through a trading system and those completed over the counter (OTC).	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.
<i>Custody</i>	A custodian or Central Securities Depository undertakes the safekeeping and administration of securities on behalf of issuers and investors.	Monte Titoli provides Italian custody services for financial instruments such as equities and bonds, whether dematerialised or in paper form. De-materialised securities are those that can be held without the need for paper certificates.

Post Trade

Trading under MiFID

	Explanation	Attributes	LSE Group's involvement
<i>Exchange model for trading</i>	<ul style="list-style-type: none"> Traded through trading platforms run by an operator of a Regulated Market. 	<ul style="list-style-type: none"> Regulated Order driven Neutral Transparent Liquid Widest stock coverage Widest client base 	<ul style="list-style-type: none"> Trading platforms offered by the London Stock Exchange and Borsa Italiana, including securities listed and/or admitted to trading on the Group's primary markets
	<ul style="list-style-type: none"> On exchange business done off order book and reported to a Regulated Market. 	<ul style="list-style-type: none"> Telephone trading 	<ul style="list-style-type: none"> On exchange trade reporting and publication
<i>MTF</i>	MiFID allowed for the setting up of Multilateral Trading Facilities, new pan-European trading ventures thereby promoting venue choice. Trading is mainly of securities listed on the primary market of a regulated exchange.	<ul style="list-style-type: none"> Regulated Order driven Neutral Transparent Can include dark pool trading (see below) 	<ul style="list-style-type: none"> MTF services provided through Turquoise and Euro MTS
<i>OTC</i>	Over-the-counter/bilateral market conducted through electronic systems or by telephone. Electronically connected market consisting of dealers who are in constant contact, thereby facilitating trading directly between two parties.	<ul style="list-style-type: none"> Regulated participants Large or block trades Way to trade less liquid stocks 	<ul style="list-style-type: none"> OTC trade reporting and publication services

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 – MAC

Bit

Borsa Italiana, the Group's Italian exchange business

CAGR

Compound annual growth rate

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 or LSEG

London Stock Exchange Group plc

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 and Bank of England

CPI

Consumer Price Index which measures changes in the price of consumer goods and services purchased by households

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 and thereby creating a secure environment in which to execute larger trades

Depository Receipts/Global Depository 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

EBITDA

Earnings before interest, tax, depreciation and amortisation

European Market Infrastructure Regulation (EMIR)

European legislation on regulation of clearing of derivatives, and the operation and governance of CCPs and trade repositories

ESOP

Employee Share Option Plan

ETC

Exchange Traded Commodity – simple 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

ETP

Exchange traded products including ETFs and ETCs

FSA

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

FTSE Group or FTSE

FTSE International Limited and its subsidiaries, the Group's leading global provider of index and analytics solutions

FTSE 100 index

The index developed by FTSE and London Stock Exchange 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 developed by FTSE

Global Depository Receipt (GDR)

Negotiable certificates issued by depository banks which represent ownership of a given number of a company's shares, listed and traded separately from the underlying shares

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, Borsa Italiana S.p.A. and FTSE International Limited, 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

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

Latency

A measure of time delay experienced in a system, measured in milliseconds (1/1,000th of a second) or microseconds (1/1,000,000th of a second)

LCH.Clearnet or LCH.Clearnet Group

LCH.Clearnet Group Limited, our proposed partner to develop our pan-European clearing and risk management business

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

MIC

The interbank collateralised deposit market in Italy managed by CC&G

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

Millennium Exchange

MillenniumIT's multi-asset trading platform, deployed for Turquoise and the UK equities market

Millennium NewClear

MillenniumIT's post trade technology, providing trade routing and central counterparty (CCP) services across a wide range of products and markets

MillenniumIT

Millennium Information Technologies Limited, the Group's subsidiary that is the developer of flexible, 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

NOMAD

Nomad or Nominated Adviser is the primary regulator of an AIM company

ORB

The Group's Order Book for Retail Bonds

OTC

Over-the-counter transactions executed away from an exchange or MTF

Proquote

The Group's financial market software and data services provider

Regulated Market

A multilateral system which brings together multiple third party buying and selling in financial instruments in accordance with rules, authorised under provisions of MiFID

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 Turquoise Derivatives and IDEM, supplied to the Group by TMX Group

Specialist Fund Market (SFM)

The Group's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors

TARGET2-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 2015

TradElect

The Group's current trading technology for Borsa Italiana equities, to be replaced with MillenniumIT technology in the first half 2012

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

Financial calendar (provisional)

AGM	18 July 2012
Q1 Interim Management Statement (revenues only)	18 July 2012
Ex-dividend date for final dividend	25 July 2012
Final dividend record date	27 July 2012
Final dividend payment	20 August 2012
Half year end	30 September 2012
Interim Results	November 2012
Q3 Interim Management Statement (revenues only)	January 2013
Financial year end	31 March 2013
Preliminary Results	May 2013

The financial calendar is updated on a regular basis throughout the year.

Please refer to our website www.londonstockexchange.com/investor-relations/investor-relations.htm and click on the shareholders services section for up-to-date details.

The Group's AGM for the year ended 31 March 2012 will be held on 18 July 2012 at Plaisterers' Hall, One London Wall, London EC2Y 5JU, starting at 12:00 noon.

Investor relations

Shareholder services

Equiniti registrars shareview service

Shareholders who hold London Stock Exchange Group shares in certificated form or within Equiniti Investment Account or ISA can access Shareview. 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 London Stock Exchange Group 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.londonstockexchange.com.

By clicking on the Investor Relations tab you will find the Company'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.londonstockexchange.com and follow the link in the section on financial performance – reports and key documents.

Substantial Shareholders

As at 18 May 2012 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%
UniCredit S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
FIL Limited	5.0%
Legal & General Group plc	3.9%

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email: irinfo-r@londonstockexchange.com

Visit the investor relations section of
our website for up-to-date information
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Printed on Revive 50:50 Silk, made at an ISO 14001 mill with 25 per cent de-inked post-consumer waste, 25 per cent pre-consumer waste and 50 per cent virgin wood fibre.





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© May 2012

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Registered in England and Wales No. 5369106

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