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London Stock Exchange

Annual Report 2011

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Delivering on our strategy

Getting in shape
Leveraging our assets
Developing opportunities

Annual Report 2011

London
Stock Exchange Group

Welcome to our Annual Report

London Stock Exchange Group sits at the heart of the world's financial community. The Group provides a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS (Europe's leading fixed income market); IDEM derivatives; and Turquoise, offering pan-European lit and dark equity trading, together with equity derivatives from June 2011.

Through its markets, the Group offers domestic and international businesses 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 an extensive range of real time and reference data products and market-leading post trade services.

Headquartered in London, with significant operations in Italy and Sri Lanka, the Group employs over 1,500 people worldwide.

Further information on London Stock Exchange Group can be found at *www.londonstockexchangegroup.com*

Introduction

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.

Business Review

More detail on each of our divisions, our performance, our approach to our employees, other stakeholders and our wider community and the principal risks and uncertainties that could affect our business.

Governance

An introduction to our Board of Directors, our approach to corporate governance and how we reward performance, along with other statutory and regulatory information.

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.

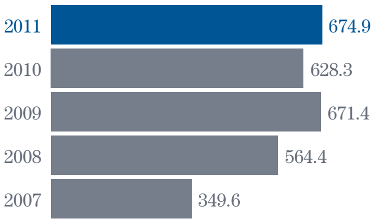
Shareholder information

An explanation of how trading markets are structured, a glossary of terms used in this report and other information for shareholders.

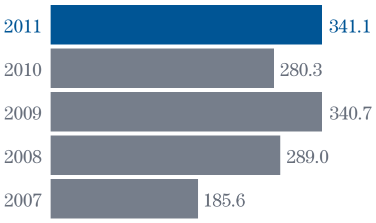
Highlights

Financial highlights

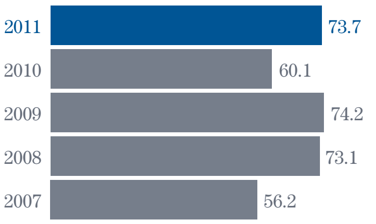
Total Income (+7%)
£m



Adjusted Operating Profit* (+22%)
£m



Adjusted Earnings per share* (+23%)
Pence



Dividends per share (+10%)
Pence

Year ended 31 March

	2011	2010	Variance %
Total income	£675m	£628m	7
Adjusted operating profit*	£341m	£280m	22
Operating profit	£283m	£182m	56
Adjusted profit before tax*	£296m	£242m	22
Profit before tax	£238m	£144m	65
Adjusted basis earnings per share*	73.7p	60.1p	23
Basic earnings per share	56.4p	33.8p	67

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. See non-GAAP definitions on page 101 for further information. Adjusted operating profit and adjusted earnings per share exclude amortisation of purchased intangibles, goodwill impairment and non-recurring items.

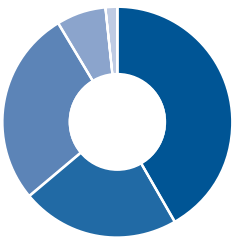
Operational highlights

Good progress has been made in the year in delivering on our strategy to improve operational efficiencies and leverage Group assets:

- MillenniumIT high performance trading system successfully implemented for Turquoise and for the UK cash equities market
- Stabilisation of share of order book trading of UK equities following tariff changes and reductions to post trade costs
- Migration of the IDEM market to the SOLA derivatives platform
- Development of pan-European equity derivatives through Turquoise
- New customers won by MillenniumIT, including the Johannesburg Stock Exchange and the Mongolian Stock Exchange
- Post Trade Services extended; growth in underlying volumes and active treasury management at our CCP operation improved net treasury income
- New real time data pricing and separate, low cost post trade price and trading information service, providing users with further choice, facilitating greater transparency of such data and helping market data distributors provide consolidated data solutions
- Launch of new information products, including UnaVista Confirmation and Swaps Portals; and new technology services with further data centre co-location enhancements
- Services developed for retail investors: lower cost trading through Private Client Broker incentives, lower cost real time data and additional bonds added to retail bond platform (ORB)

Group income by segment

£m



Capital Markets	281.5
Post Trade Services	150.6
Information Services	184.7
Technology Services	48.6
Other	9.5

Group at a glance

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

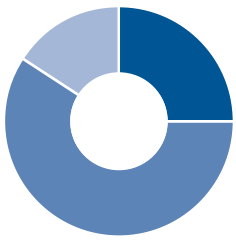
Total income contribution | Sub-segment | Main types of revenue

Capital Markets

At the heart of what we do are our markets in London and Italy – and increasingly throughout Europe

£281.5 million
2010: £295.3 million

42%
Total Group income



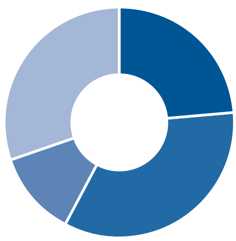
Sub-segment	Main types of revenue
Primary	• Admission fees for initial listing or raising further capital • Annual fees for securities traded on our markets
Secondary	• Fees based on value traded (UK equities and Government bonds) or number of trades (Italian equities, retail bonds and derivatives)
Other	• Membership fees to access any of our trading markets, such as SETS

Post Trade Services

We offer open and efficient clearing, settlement and custody services. Our post trade business supports cash equity, derivative and fixed income markets

£150.6 million
2010: £116.2 million

23%
Total Group income



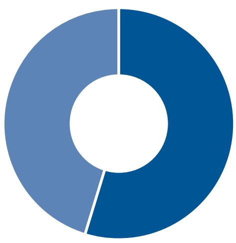
Sub-segment	Main types of revenue
Clearing	• Fees based on trades or contracts cleared, and Central Counterparty (CCP) services provided
Net treasury income	• Net interest and fees on cash and securities held for margin and default funds
Settlement	• Revenue mostly comes from the settlement of equity and fixed income trades
Custody and other	• Fees are charged on the issuance of an equity or fixed income asset, when dividend and interest payments are made, and on any corporate action

Information Services

We sell real time and reference data to market users

£184.7 million
2010: £169.3 million

27%
Total Group income



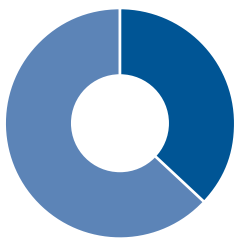
Sub-segment	Main types of revenue
Data charges	• Fees primarily based on number of terminals taking our real time price and trading data
Other information	• Fees vary based on the nature of service provided, for example a licence fee is paid to gain access to the SEDOL securities numbering system

Technology Services

Our businesses and customers depend on technology that is secure and performs to high levels of availability and throughput

£48.6 million
2010: £39.4 million

7%
Total Group income



Sub-segment	Main types of revenue
MillenniumIT	• Sales of technology services • Distribution of IT hardware and software in Sri Lanka and to international capital market customers
Technology	• Fees for network connections and systems supplied by Group businesses

Note: Other income £9.5m, 1% Total Group Income

Customer profile	Highlights	KPIs	
Companies from 70 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other assets	185 new companies joined our markets in the year New admission to trading service for Depositary Receipts	*Number of companies on our markets* 2,938 2010: 3,046	*Capital raised by new and further issues* £40 billion 2010: £77 billion
Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms	Share of trading stabilised during the year, at 63.5 per cent in the UK, and 84.0 per cent in Italy MTS, the trading platform for Government bonds, total value traded up 51 per cent	*Average number of equity order book trades per day in Italy* 257,000 2010: 252,000	*Average equity value traded per day in London* £4.7 billion 2010: £4.6 billion
Banks and brokers worldwide	Integration of London and Italian markets has facilitated cross-membership	*Member firms connected to our markets* 532 2010: 530	
171 members, mainly banks and brokers, over 40 per cent of which are based outside Italy	Introduction of guarantee service for the interbank collateralised deposit market in Italy	*Number of equity and derivative contracts cleared* 115.8 million 2010: 107.7 million	
Clearing members	Active treasury management of margins from increased derivatives and fixed income trading in Italy	*Average initial margin held* €6.9 billion 2010: €4.5 billion	
Wide range of Italian and international banks and brokers for both on market and OTC trades	Settlement rate of 99.5 per cent exceeds the Bank for International Settlements' quality standards	*Settlement instructions handled* 69.8 million 2010: 83.9 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	*Monte Titoli's custody assets under management* €3.02 trillion 2010: €2.87 trillion	
Service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information and sell onto users	Introduction of direct billing and non-display tariff initiatives	*Number of professional terminals taking group data (93,000 London data; 139,000 Italian data)* 232,000 2010: 235,000	
Our customers vary based on the service provided, including fund managers, traders, retail brokers and market makers	Acquisition by FTSE of the FXI Xinhua business providing indices for China (previously a joint venture)	*Number of instruments contained in our SEDOL Masterfile* 19 million 2010: 10 million	
Other London Stock Exchange Group divisions, other exchange groups and capital market clients, banks, IT and other large Sri Lankan companies	MillenniumIT has entered into agreements to provide systems to the Johannesburg Stock Exchange and the Mongolian Stock Exchange	*Latency on UK trading platform (at average of 99th percentile)* 113 microseconds 2010: 1.4 milliseconds	
Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region	Implementation of Millennium Exchange trading system for Turquoise and UK cash equities market	*Availability of UK equity market during the year* 99.83% uptime 2010: 99.84%	

What we do – business model

We provide services to a broad set of clients across a 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 seeking capital with investors from around the world.

Primary market

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

Initial Public Offerings (IPOs)
99 (2010: 50)

Companies on our markets
2,938 (2010: 3,046)

Market capitalisation
£2.4 trillion
(2010: £2.3 trillion)

Amounts raised
- £13.1 billion in new issues (2010: £3.9 billion)
- £27.2 billion from further issues (2010: £72.6 billion)

ETFs and ETCs listed
- 1,345 (2010: 861)

Information & Technology Services

Real time data

We supply real time prices and trading data creating the transparency and liquidity that are essential for market users. This data is of high value, used and referenced by market participants and other trading services as it is "price forming" information. As well as providing feeds directly to clients, we also distribute through providers such as Bloomberg and Thomson Reuters. They incorporate our data with other information and sell to trading firms, investors and institutions around the world.

More information

- *See the Segmental Review section (pages 15 to 25) for an update on developments in each main business area.*
- *Read the Financial Review (pages 26 to 29) for details of business performance over the past year.*

Post Trade Services

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

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

Fixed income
The Group's MTS and MOT businesses provide platforms for the trading of Government and corporate bonds. In February 2010, the Group launched a new UK electronic order book for bonds, modelled on the Italian MOT retail bond market which provides access for retail investors.

Derivatives
Our experience of running our primary markets has enabled us to develop derivative markets for the trading of emerging market equity derivatives, particularly Russian. IDEM is our derivatives market for Italian equities, and Turquoise will launch pan-European derivatives from June 2011.

The Group provides a full range of Post Trade services. Based in Italy, CC&G provides clearing services and Monte Titoli pre-settlement, settlement and custody services. CC&G will provide clearing services for Turquoise Derivatives.

More Post Trade information is provided in Market Structures, pages 102 to 103.

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

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

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

Market position and outlook

Exchanges provide the primary location for capital raising, transparent price information, trading facilities and post trade services that capital markets need in order to function efficiently.

Evolution in our markets continues to be driven by structural shifts in the economy and wider geopolitical environment, regulatory change and technological innovation. For an explanation of Market Structures, see pages 102-103.

Economic conditions

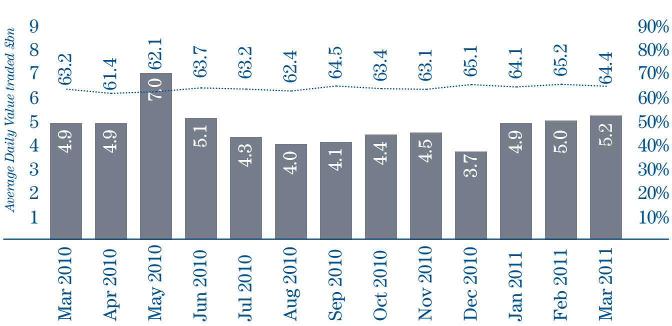
The past year has been characterised by further global economic recovery although some uncertainty continues to exist in the market, which is potentially constraining investor confidence and growth. This includes the effects of the tragic Japan earthquake, unrest in North Africa and the Middle East with related concerns over possible contagion into other developing markets, and the continuing sovereign debt concerns in some Eurozone countries. Our own domestic economies, in the UK and Italy, remain sluggish as Governments restrict spending in order to balance their books.

This year, we have experienced increased numbers of initial capital raisings on our international markets as companies in developing markets start to benefit from the recovery. We expect this trend to continue as these markets grow and companies fund further expansion. Our position as the pre-eminent global listing brand means the Group is well positioned to compete and benefit from this growth.

Despite the mixed market conditions, our strategy has successfully delivered a stable share of value traded over the year at an average 63.5 per cent for UK cash equities and 84.0 per cent for Italian order book trading.

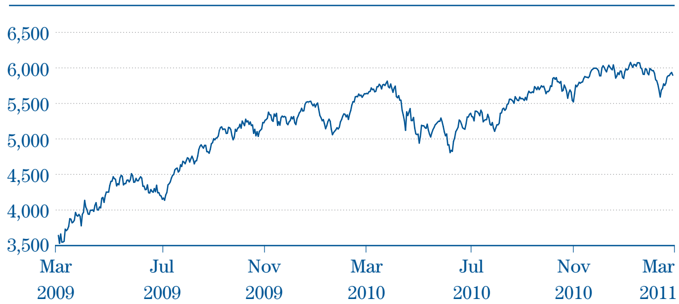
LSE order-book value traded and share of trading

• LSE daily value traded • LSE share of trading

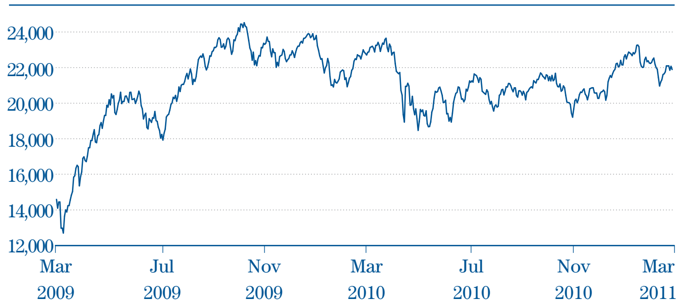


During the year, principal global indices have continued to show strength leaving behind the lows of early 2009 (graphs below). Furthermore, equity trading levels have also started to show an improvement.

FTSE 100



FTSE MIB



During the year a number of Eurozone countries' credit ratings were downgraded, notably Greece, Ireland and Portugal. This had a significant impact on the level of trading in many sovereign debt products. ECB initiatives and Government support have helped stabilise the position and we saw some recovery in fixed income trading volumes in the latter part of the year.

Looking ahead, we believe that these improvements, along with other structural changes, indicate that a steady recovery in secondary market activity is underway.

Exchanges operate on an increasingly international basis, in an environment of continued globalisation of capital flows and a need to provide clients with efficient services on a wider global basis. Against this backdrop, in February this year, we announced our planned merger with TMX Group which will create the world's leading listing venue and the fourth largest exchange by revenues. We believe that a merger with TMX is strategically compelling and will create a more diversified business with greater scale, scope, reach and efficiencies, and exposure to broader economic influences.

Regulatory Developments

In recent years, regulation and technology have transformed the capital markets into a global marketplace by removing the barriers to cross-border trading and lowering the costs of entry for new providers of trading services. This has led to greater competition: there are now over 40 active equity trading venues in Europe alone.

In part due to G20 commitments, regulation of financial services remains a key priority of national and EU Governments and is likely to have significant effects on the environment in which we and our customers operate.

European regulatory reform is proposed across a broad range of activities, including:

Markets (MiFID II)

- increased pre and post trade transparency for all non-equity asset classes, including bonds and derivatives;
- improved quality of post trade data in order to counter the effects of fragmentation and enable consolidation of such data;
- increased harmonisation of standards across regulators and trading venues;
- increased regulatory oversight of the activities of non pre-trade transparent trading venues, broker crossing systems and OTC trading;
- assessment of the impact on EU markets of proprietary trading and high frequency trading strategies; and
- importance of SME funding and markets.

OTC Derivatives & Clearing (EMIR)

- a move to mandate the use of CCP services for OTC derivatives in order to better manage risk;
- harmonisation of European CCP standards and requirements; and
- a move to mandate the reporting of OTC derivative trades to Trade Repositories operating subject to harmonised standards.

Post trade

- measures to harmonise the operation of central securities depositories and harmonise the law related to the holding and disposition of, and the possession of the rights attaching to securities, held through securities accounts.

Short selling

- a regulation to restrict the ability of investors and market participants to undertake short selling and to impose settlement performance measures.

Capital Requirements (CRD4)

- 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.

In addition, it is expected that there will be EU proposals on the following areas: corporate governance, market abuse, issuer transparency, financial transaction/activity taxes and crisis management, all of which may affect Group operations to some extent.

In the UK, the regulatory regime is in the process of being revised. The Government proposes creating a Financial Policy Committee responsible for considering macro-systemic risk, and transferring the micro prudential functions of the FSA to the Prudential Regulatory Authority (PRA), a new subsidiary of the Bank of England, and the conduct and markets functions of the FSA (including the UKLA) to a new body, the Financial Conduct Authority (FCA). The FCA will represent the UK at ESMA, the new European Securities and Markets Authority and the PRA will represent the UK at the European Banking Authority. These new European Supervisory Authorities, which have greater powers than their predecessor organisations, will be responsible for some direct supervision activities, the implementation of the above reforms and the development of the EU “single rule book”.

As an operator of regulated markets and MTFs, a regulated central counterparty and a central securities depository, the Group is a stable, trusted and neutral provider of the full range of market infrastructure in a broad range of asset classes. We will continue to respond to the dynamic market environment in order to create value for both customers and shareholders, by providing commercial, reliable, transparent and fully compliant products and services.

The implementation date for the European Central Bank’s Target 2 Securities (T2S) project, aimed at facilitating cheaper cross border settlement across Europe, has now been set for the end of 2014. The ECB announced in January 2011 that Monte Titoli has been accepted in Phase 1 of this important project, a move that has been universally welcomed by the Group’s customers and key regulators. Our involvement 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.

Chairman's statement

"The actions that we have taken to ensure our Company remains efficient, competitive and focused on building increased scale, scope and reach, have put us in a strong position."

Market and operating environment

The Group operates in an increasingly dynamic and fast paced sector. In particular, the environment remains characterised by widespread regulatory change and further exchange sector consolidation.

We are proponents of regulatory regimes that place great value on efficient, transparent, independent and trusted capital markets services. Currently, the EU is developing its new European Markets and Infrastructure Regulation (EMIR), conducting a review of the Markets in Financial Instruments Directive (so-called MiFID II) and undertaking a large infrastructure project – Target 2 Securities (T2S) – in the post trade landscape (see page 9 of this report for further details).

We are actively involved in these regulatory processes, providing responses to consultations, reviewing draft policy and seeking engagement with policy-makers. All of this regulation will impact our business opportunities.

In the UK, the Government is currently consulting on a new approach to financial regulation. Again we are active in our lobbying, focusing on themes of transparency, efficiency, commerciality and the UK's attractiveness as a global financial centre. We have also been vocal on the need for London to have an effective voice at an EU level. It is expected that the Government's proposals will be implemented in mid-2011, with the aim of introducing a new regulatory framework by the end of 2012.

As domestic and international economies evolve, the Group's equity and debt markets continue to provide an important source of financing to business at home and overseas. This funding function is essential for economic prosperity. The year saw strong overall growth in the number of new equity issues, up 68 per cent with a more than threefold increase in money raised by new issues. In particular, we were delighted to celebrate the 15th anniversary of AIM, our junior market, in 2010 and we have been working closely with the Government and European policy makers to find ways of encouraging equity investment in growing businesses. AIM continues to play a pivotal role in the funding of innovation and business success, in turn driving economic growth, directly supporting 250,000 UK jobs. We are staunch advocates of the importance of the SME sector and the role it plays in economic prosperity.

Strategic Development

We aim to develop the Group further, with increasing international scale, together with extended reach and scope to provide competitive services to global customers. This approach underpins the rationale for our proposed merger with Canada's TMX Group, announced in February this year. We believe this transaction will create a leading diversified international exchange group with exciting opportunities for growth. The process of achieving necessary approvals is underway and will include seeking approval from shareholders of both companies.

Our focus has also been on driving efficiency through management changes, cost reduction, client alignment and new technology. The results are showing through in improved operational and financial performance, and the efforts in this area will continue.

The second pillar of our strategic approach, characterised as "leveraging our assets", is also delivering results. We have announced plans to launch pan-European equity derivatives trading in the first quarter of the new financial year. We have also strengthened our equities trading offering, stabilised our share of trading and have developed a number of new information and technology products.

The CEO's review and the update on strategy provide more detail on our plans and progress.

Financial performance

It has been a good year for the Group, set against the backdrop of more stable though still highly competitive markets. We made real strides in delivering on our stated strategy to deliver greater efficiencies and to grow existing Group operations.

Reflecting the upturn in financial performance, the Board is proposing a 12.5 per cent increase in the final dividend to 18.0 pence per share, resulting in a dividend for the full year of 26.8 pence per share, a 10 per cent rise. The final dividend will be paid to shareholders on the register on 29 July 2011.

Board of Directors

We have refreshed the Board with the appointments of Paul Heiden, Gay Huey Evans and Massimo Tononi as Non-Executive Directors, and the addition of Raffaele Jerusalmi as an Executive Director. Angelo Tantazzi, Oscar Fanjul and Nigel Stapleton stepped down during the year and we thank them for their substantial contributions during their tenure.

Please see the Governance section of this report on pages 38 to 63 for more details of the Board and our report on Corporate Governance.

Conclusion

Looking forward, we expect that regulatory changes, macroeconomic factors, competition and developments in the exchange sector will continue to exert considerable influence on the way we operate and future opportunities for the Group.

We are very much engaged with the processes that shape these developments. The actions that we have taken to ensure our Group remains efficient, competitive and focused on building increased scale, scope and reach have put us in a strong position. We look forward to continuing to make progress and to further strengthen the Group, as we enter a new phase in our global industry.

C. S. Gibson-Smith.

Chris Gibson-Smith
Chairman

Chief Executive's Review

"We are a business in transformation, operating in a highly dynamic and evolving global industry; development of growth opportunities, continued delivery on cost reductions, enhancing our competitiveness and improving customer service will remain pivotal to further progress in the year ahead."

Introduction and overview

We have made good progress over the last year, with improved financial performance and significant steps taken in delivering on our ambition to be, by scale and offering, a world-leading diversified exchange group.

Against a background of more stable although highly competitive markets, we achieved total income of £675 million, a seven per cent increase. Adjusted operating profit was £341 million, a 22 per cent increase, as we maintained focus on cost control. Growth across a range of Group operations illustrates the increasingly diversified nature of our business.

The past year saw the cautious return of optimism to the economy and global capital markets. London remains a world-leading centre for companies seeking to raise capital, both domestically and internationally, and the Group retains an enviable franchise in helping issuers access capital and generate liquidity in secondary markets. We saw strong growth in the number of new issues and the pipeline across geography, sector and markets remains encouraging.

Following the introduction of a number of key initiatives designed to bring the Group closer to its clients, our share of order book trading in UK cash equities has been stable over the year. Our fixed income markets, MTS and MOT, performed well and the IDEM derivatives market in Italy also delivered good growth.

Our Information Services and Technology Services divisions made good progress. The number of users of the Group's real time data remained broadly unchanged over the year compared with a period of reduced demand last year. Our other reference data, desktop products, and FTSE Indices businesses all delivered growth over the twelve months. Contributing to growth in the Technology segment were MillenniumIT and other specialist technology services, including network connections and co-location of clients' servers in our data centres. Further details on business performance and new developments are provided in the review of strategy below and also in the Business Review section of this report.

Strategy Review

Last year we set out a clear strategy for the development of the business, with customer focus and improving operational efficiency very much central to our plans. Our strategy is broadly characterised as "getting in shape", "leveraging our assets" and "developing opportunities". The imperatives are fourfold, namely to drive efficiency, build scale, increase scope and extend reach.

Our strategic outline is more than a one year plan but we are undoubtedly making good progress.

Getting in shape – drive efficiency

The focus of initial management attention, "getting in shape", was on reducing costs; implementing low cost, high performance technology; improving client relationships; and adjusting tariffs, particularly with regard to improving our competitive position in cash equities trading.

Pleasingly, we reduced our adjusted organic operating cost base by eight per cent, reflecting previously implemented headcount reductions and other savings.

Last year we conducted a full review of our technology requirements, resulting in the acquisition of MillenniumIT, an innovative, capital markets-focused software services business. We embarked on an ambitious programme to swiftly implement MillenniumIT's leading, high speed and high performance equities trading technology across the Group's markets. In October, we successfully completed the migration of Turquoise, our pan-European MTF, onto the Millennium Exchange trading system. This was followed by the London Stock Exchange main UK equity trading market in February 2011. The new platform is running at least 10 times faster than its predecessor TradElect and delivering consistent world-leading average latency of below 125 microseconds, fully meeting our requirements for a low cost and highly competitive trading system.

We continued the process started last year with the roll out of the TMX Group's derivatives trading technology, SOLA, to our IDEM market, following the successful earlier launch on EDX. This has provided IDEM clients with a faster and improved trading system.

Work to enhance our equity markets offering has driven significant improvements. We have negotiated improved pricing for clearing and settlement services by external providers, which reduce the overall cost of trading on our UK market; and we introduced new tariffs last May intended to incentivise trading which was well received. Our share of trading, in what remains a competitive marketplace, was stable throughout the financial year at an average 63.5 per cent, and in Italy the share of order book value traded was also steady at 84.0 per cent.

Leveraging assets – increasing scope and reach

Turquoise, our pan-European MTF joint venture with 12 banks, which became part of the Group shortly before the start of the financial year has made good progress, with a significantly reduced cost base and a growing share of trading. Of particular note was the increase in dark pool trading, regularly occupying the number one or two position among MTFs for much of the past year. We have also recently announced plans to launch a pan-European derivatives business through the creation of Turquoise Derivatives in combination with the Group's existing derivatives market, EDX, and use the SOLA platform already adopted by EDX. FTSE 100 Futures will begin trading on this platform in June 2011, with further products planned, subject to obtaining relevant trading licences in some instances.

Post Trade had a strong year with total income up 30 per cent, driven in part by clearing an increased number of Italian derivatives and fixed income trades which also resulted in higher margin held by the clearing operation. Active risk and treasury management of the cash margin in turn contributed to increased net treasury management income. The European post trade landscape remains poised for widespread structural re-definition and we continue to pursue a number of opportunities that are available to the Group. In Information Services, Proquote, a cornerstone of our important retail strategy, has had a transformational year, having been completely restructured, partnering with FactSet and recording a significant surge in retail trading volumes. We have also extended the UnaVista service to provide a Swaps Portal and a Confirmation Portal to help clients automate processes and reduce costs and risk. We have introduced optionality for clients with new reporting structures for real time data use, and introduced new post trade data services, providing data in new forms to increase client choice of the information they receive.

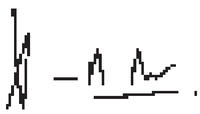
In Technology Services, MillenniumIT has signed agreements to supply technology to a number of third parties, extending the number of users of its innovative systems including the Johannesburg Stock Exchange which recently announced its intention to use Millennium Exchange, and the Mongolian Stock Exchange which signed a strategic partnership with the Group to restructure and develop the national exchange of the world's third fastest growing economy.

Developing opportunities – building scale and extending international operations

The last quarter of our financial year saw the Group announce a merger of equals with Canadian-based exchange business TMX Group Inc., to create a leading diversified international exchange group. As we set out at the time of the announcement, the merger will create a group highly diversified across asset classes and geographies, a leading global listings franchise, with significant efficiencies for customers, increased scale and reach, a strong balance sheet and considerable growth opportunities. Over the coming months we will continue to work on achieving the customary shareholder and regulatory approvals with the aim of completing the transaction in the autumn of 2011.

Outlook

We have had a good year, reporting a strong financial performance. I am especially proud of the energised team I am surrounded by. People remain at the core of all that we do; from those on our highly successful new international graduate scheme to experienced market practitioners, we are actively working together to drive the business forward. There are many opportunities, especially in post trade, derivatives and financial technology and I am excited about the future. We are a business in transformation, operating in a highly dynamic and evolving global industry; development of growth opportunities, continued delivery on cost reductions, enhancing our competitiveness and improving customer service will remain pivotal to further progress in the year ahead.



Xavier Rolet
Chief Executive

Strategy in action

We continue to work towards our vision to be one of the world's largest exchange groups. We are delivering this vision by executing a clear strategy:

Strategic imperatives	Our strategy in action – progress and plans announced to date
Getting in Shape	
Drive Efficiency • Price and technology competition in our markets • Need to align with customers for efficient services	• cost reduction programme: as part of ongoing operational management to achieve headcount efficiencies and technology savings – our organic cost base reduced seven per cent • migration of EDX and IDEM derivative trading platforms to SOLA; and Turquoise and SETS to Millennium Exchange; further roll out of Millennium Exchange to all our equity markets planned • increased customer focus and new tariff structures introduced to incentivise greater volumes and increase competitiveness (particularly in UK cash equities) – UK share of trading stabilised in year at 63.5 per cent
Leverage our assets and developing opportunities	
Build Scale • Need to service global customers • Scale drives efficiency • Better able to respond to regulatory change	• technology migration programmes achieving scale on Millennium Exchange and SOLA trading platforms • successful development of dark and a pan-European lit offering through Turquoise – 34 per cent share of pan-European MTF mid-point ("dark") trading, the second largest MTF venue • proposed merger with TMX Group to increase Group scale and extend the range and efficiency of services to clients
Increase Scope • Increased 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	• launch of the post trade MIC service and CCP service to the domestic MOT segment of Borsa Italiana's fixed income market • plans for Turquoise Derivatives well underway, combining with EDX; Trading of FTSE 100 Index futures to start June 2011 • enhancement of co-location services to both trading firms and solution providers located in the Exchange's data centre • expansion of the UnaVista product suite to include new Swaps Portal and Confirmation Portal Services
Extend Reach • Globalisation of capital markets	• proposed merger with TMX Group to enhance and diversify the range of Group products • strategic partnership with Mongolian Stock Exchange to provide technology and assist in market development • a Letter of Intent with National Stock Exchange of India to evaluate joint strategic business opportunities • further global capital markets relationships established through MillenniumIT sales

Segmental review

We manage and report on the performance of the Group in four principal segments:

– Capital Markets
– Post Trade Services
– Information Services
– Technology Services

In addition, we provide sub-segmental breakdown of total income and activities, shown in the next column.

The following pages provide information on developments over the past year.

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

See biographies on page 38.

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

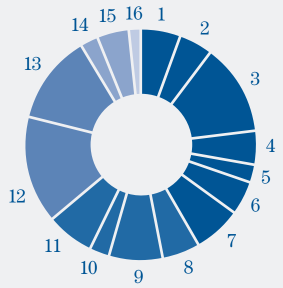
David Lester
Director of Information Services
Joined the Group in 2001. Over 20 years' experience in financial markets including Thomson Financial, Accenture and KPMG.

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

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

The team meets regularly to review business and financial performance, develop Group strategy, review project development, set targets and agree actions.

Total income



	Year ended 31 March 2011
Capital Markets	£m
1 Annual fees	37.8
2 Admission fees	33.0
3 Cash equities trading UK	86.4
4 Cash equities trading Italy	30.7
5 Derivatives trading	16.8
6 Fixed Income trading	32.4
7 Other Capital Markets	44.4
	281.5
Post Trade Services	
8 Clearing	35.9
9 Net treasury income through CCP business	51.3
10 Settlement	18.2
11 Custody & other	45.2
	150.6
Information Services	
12 Real time data	101.2
13 Other information	83.5
	184.7
Technology Services	
14 MillenniumIT	18.2
15 Technology	30.4
	48.6
Other	
16 Other revenues	9.5
	674.9

Capital Markets

The Group's Capital Markets division facilitates companies' raising of capital – both equity and debt – together with the provision of liquid secondary markets for trading.

Raffaele Jerusalmi
Director of Capital Markets and Chief Executive Officer of Borsa Italiana

Introduction

The Group has a successful track record of developing and promoting markets and segments to meet the specific capital raising needs of issuers. By providing access to a deep pool of capital and efficient secondary markets, we provide liquidity in issuers' securities and greater visibility amongst investors, resulting in a lower cost of capital for companies.

As one of the world's most international markets for listings, we have seen improvement in the IPO market in the past year. There have been 185 new issues, a 68 per cent increase year on year, and we have helped companies raise a total of £40 billion in new and further equity issuance, and enabled companies and sovereign states to raise £454 billion of debt.

In our secondary markets, we have continued to provide access to high levels of liquidity across our markets, introduced leading-edge trading platforms and adjusted tariffs to incentivise trading. Volume and value of trading for equities remained stable amidst periods of volatility in the markets. Fixed Income trading increased significantly as European Governments issued a record amount of bonds, and IDEM derivatives volumes also increased.

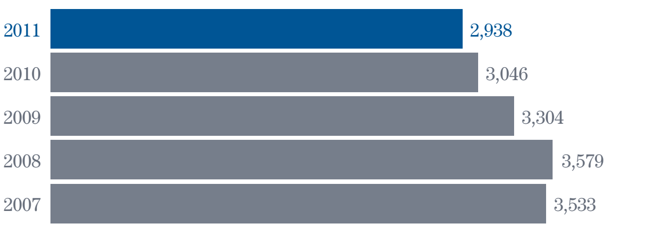
Primary Markets

The number of new companies joining the Group's markets increased by 185 during the year (2010: 110), bringing the total number of companies listed or admitted on our markets to 2,938. IPO fundraising rose by more than 235 per cent, as 99 companies (2010: 50 IPOs) from across the globe raised over £13.1 billion (2010: £3.9 billion) on our markets. In addition, £27.2 billion (2010: £72.6 billion) was raised in secondary issues. The pipeline of IPOs remains strong, although market volatility may affect the timing of some issues.

Strategy:

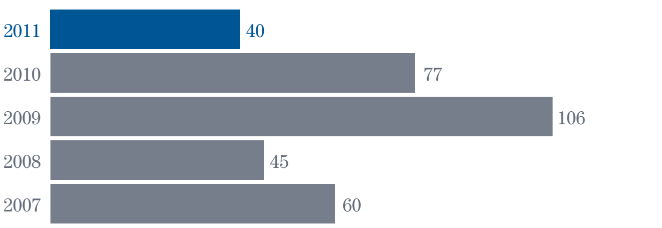
- *Become a more client-centric business*
- *Promote and extend appeal of our markets to international issuers*
- *Product innovation beyond equities – in particular in equity derivatives and fixed income*
- *Add value through integrated offering from listing to cash trading and indices to derivatives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

Number of companies



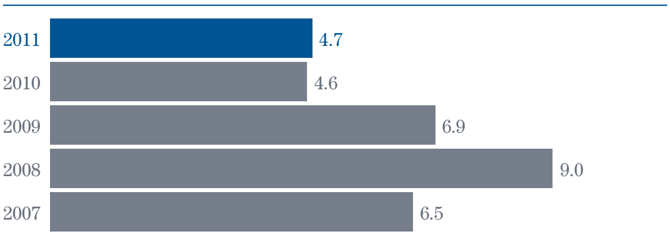
Money raised

£bn



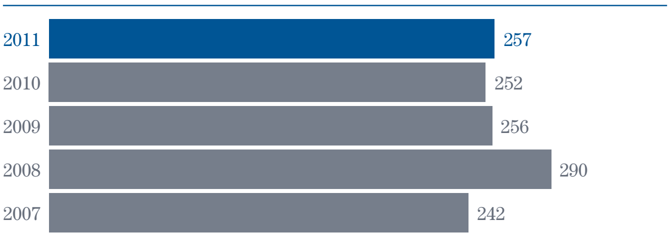
LSE – average daily value traded

£bn



Borsa Italiana – average daily number of trades

000's



We have continued extensive marketing activity across the globe to companies seeking capital. Among the notable companies joining our markets were Essar Energy, International Consolidated Airlines Group, AZ Electronic Materials, Enel Green Power and TransContainer. As well as the focus on key growth economies, including Russia and Latin America, we have been spreading our footprint in frontier markets such as Vietnam, Indonesia and Mongolia. In January 2011, we formed a strategic partnership to restructure and develop the Mongolian Stock Exchange. In March Hoang Anh Gia Lai Joint Stock Company became the first Vietnamese company listed on the London Stock Exchange.

The European Securities and Markets Authority (ESMA) announced a framework in March 2011 which eases the process for non-EU issuers to list in Europe. It enables prospectuses from non-EU countries which are drawn up in compliance with that third country legislation to have a "wrap" added containing supplementary disclosures. Israeli issuers became the first to benefit from this new framework.

> "We are a leading global primary markets venue for international companies and the leading venue for equities trading in Europe. We continue to build on our broad portfolio of assets including fixed income and derivatives."

Secondary Markets

Equity trading

Our cash equities markets are designed to maximise the liquidity of an individual security and deliver efficient trading price formation and execution services, through robust trading systems, effective regulation and a high level of price and trade transparency.

The most important performance metrics are value traded in the London market and volume traded in the Italian market. Both have remained stable in the past year. In London, the average daily value traded was £4.7 billion (2010: £4.6 billion); in Italy the average daily number of trades was 257,000 (2010: 252,000) with volumes picking up strongly in Q4.

We took a number of steps in the past year to improve the competitiveness of our cash equities market in the UK. Such measures included changes to tariffs to incentivise more trading, reductions in post trade costs by negotiating with third party providers to reduce their fees, and improving client relationships. Share of trading was stable over the course of the year at 63.5 per cent of total UK lit order book trading and 84.0 per cent in Italy.

In February 2011, we migrated our cash equity markets to the Millennium Exchange platform. This new technology has made trading speeds 10 times faster and delivered substantial performance improvements to clients. It is now providing the Group with a lower cost base and a more flexible platform.

Separately, the value traded, volume and number of ETFs and ETCs on our markets have enjoyed strong growth over the past few years. In aggregate there were 1,345 ETFs listed on the London Stock Exchange and Borsa Italiana at the year end, up 56 per cent on the previous year. Our markets comprise the largest ETF market in Europe in terms of turnover (trading volume). Average daily value traded for the year reached £483 million, delivered through a 31 per cent increase in average trades a day to 18,291. Retail demand for ETF trading continued to be strong.

AIM

AIM

Companies from around the world	Access to a deep pool of capital	Contribution to UK Economy in 2009*
• 1,174 companies and £82.0 billion aggregate market capitalisation. • 459 companies have major operations outside the UK. • From a wide range of 42 business sectors. • 62 Nominated Advisers.	• £1.1 billion raised at admission in the past year. • £6.6 billion raised through further issuance. • Value traded £37.8 billion with 4.9 million trades. • £74.5 billion raised since launch in 1995.	• £12 billion to GDP. • Supporting 250,000 full-time equivalent jobs.

AIM Italia

Growing AIM Italia
• Launched December 2008. • 11 companies at 31 March 2011. • 15 Nominated Advisers. • Acquisition of ProMac (Italian market for smaller companies) – nine Italian SMEs admitted.

Making the equity funding ladder work for UK SMEs:
Over the past few years, policy makers have increasingly recognised the significant potential of SMEs as drivers of growth, stability, innovation and employment. We have worked hard at the UK and European levels to make sure that the regulatory and tax environment helps support these businesses throughout their growth, from seed capital to AIM and beyond.

In partnership with AIM companies and organisations representing both small business and the investment community, we have played an integral role in developing the UK Government's growth agenda. This approach has brought strong results, including important policy measures in the 2011 Budget to support venture capital investment. In Brussels, we are working closely with the European Commission and Parliament to build the best possible regulatory environment for SME growth markets to encourage fund raising while maintaining high levels of investor protection. More widely, we continue to act as a thought leader on these issues, hosting or participating in public discussion with policy makers at the highest levels.

* Economic Impact of AIM and the Role of Fiscal Incentives by Grant Thornton, September 2010

Derivatives

IDEM is the Group's Italian derivatives market, composed of two segments: IDEM Equities; and IDEX for electricity futures. Trading of International Order Book and Norwegian derivatives is conducted on EDX in London.

It was a record year for trading on IDEM with particularly strong performance in the seasonally busy Q1 period. The total number of contracts traded increased 13 per cent from last year, reaching 46.4 million. Trading of Italian electricity futures on IDEX reduced four per cent at an average of 59 GWh traded each day. The number of contracts traded on EDX declined 37 per cent to 35.6 million, principally reflecting the loss of Scandinavian derivatives trading on EDX at the end of 2009.

In November 2010, IDEM markets migrated to the SOLA Trading platform, a technology developed by TMX Group, increasing the range of functionalities available for IDEM members. EDX successfully migrated to the SOLA Trading platform in 2009.

We have announced plans for the launch of a pan-European derivatives trading service through Turquoise, to commence in June 2011. The service will provide trading in futures and options on key indices and single stocks across European markets. EDX is to be incorporated into Turquoise Derivatives, to provide an efficient London-based service.

Retail offering

Active retail markets in Italy

Trading

- Largest retail market in Europe, with more than one third of total trades.
- 850,000 active private terminals.
- Nearly 4 million trades and €220 billion traded on MOT.

Access

- Retail investors can access real time Italian data via Proquote Italy, our financial information and trading system.
- Proquote Mobile enables access via a smart phone or other mobile device.

Developing retail markets in the UK

Products

- DMA – Direct Market Access to provide private investors with a level playing field with market professionals.
- ORB – Order Book for Retail Bonds trading UK Gilts and Corporates.
- ETFs and ETCs.
- Covered warrants.

Cost reduction and Marketing

- Low cost access to real time data.
- Trading fee promotion for retail brokers.
- Objective to reduce post trade costs.
- Working with brokers/data vendors to tailor education to retail investors, including roadshows.

Rationale

Capital markets and core activities are showing strong signs of recovery and growth. We are exporting the MOT model from Italy to the UK and promoting our products to retail investors.

Fixed Income

MTS provides regulated electronic trading platforms for intermediaries trading European wholesale Government bonds and other types of fixed income securities. Trading at the start of the year was affected by the Eurozone sovereign debt crisis. However, actions taken by the European Central Bank gave confidence to the markets which helped restore volumes. In particular, average daily volume in France, the Netherlands and Spain went up 92 per cent, 72 per cent and 17 per cent respectively.

MTS now covers 15 market places and continues to expand its geographic scope. We aim to facilitate new markets and consolidate existing MTS markets.

We are also expanding our services and product range, including indices provision which now cover assets under management of almost €7bn. MTS Credit, a pan-European Multilateral Trading Facility (MTF) will be launched before the end of 2011. It will offer trading in more than 2,400 investment grade, Euro-denominated corporate, financial and covered bonds.

There was good trading on our retail bond markets. Borsa Italiana's MOT service attracted 4.0 million trades during the year (2010: 3.5 million). In the UK the Order book for Retail Bonds (ORB) increased the number of corporate, Government and supranational bonds to 147 that were available for trading by the end of the year, up from 73 at launch in February 2010, with 23 participants providing liquidity.

Post Trade Services

Our Post Trade Services division provides a range of risk management and trade processing services to ensure the successful completion of trades and custody of assets.

Kevin Milne
Director of Post Trade Services

Strategy:

– *Provide capital markets with the most efficient post trade arrangements*

– *Build the scale of our offering throughout the post trade process*

– *Champion greater post trade efficiency and competition in Europe*

Introduction

Our Post Trade Services division provides clearing, settlement and custody services for equity, derivative and fixed income securities on multiple platforms and for OTC products.

The last 12 months have seen unprecedented focus on the area of post trade from market participants, industry commentators, politicians and policymakers. This focus and resultant reform on a global level is set to profoundly change the post trade landscape. We continue to be at the forefront of this reform to ensure that our markets and our customers enjoy the safest, most robust and cost effective clearing, central counterparty, depository and asset servicing environments.

We have made changes to the management of our business, in particular with the appointment of Paolo Cittadini as CEO of Monte Titoli as well as remaining CEO of CC&G. We are working to promote the integrated development of the post trade businesses at an international level helping to drive the growth and diversification of our services.

Clearing

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

We have delivered a good performance, with 30 per cent growth in total income, driven by an increase in contracts cleared, particularly in IDEM derivatives and MTS fixed income trading. These trades carry higher inherent risk than equity trades, resulting in higher margin funds held over the year.

Contracts cleared

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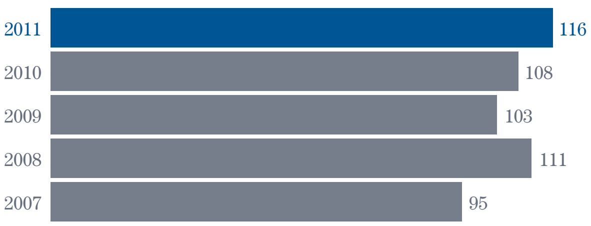
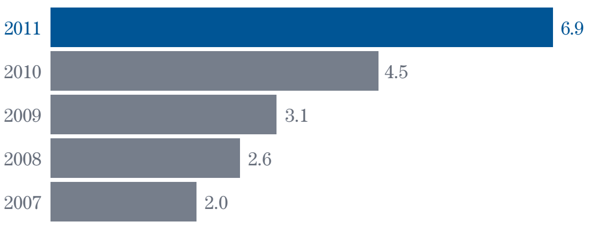


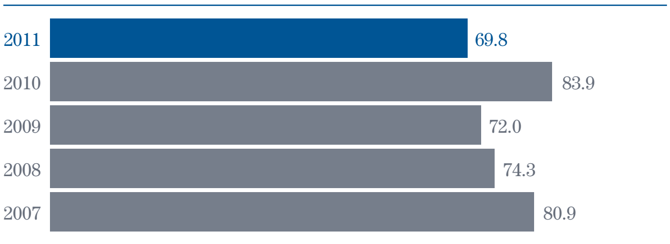
Initial margin held

Average €bn

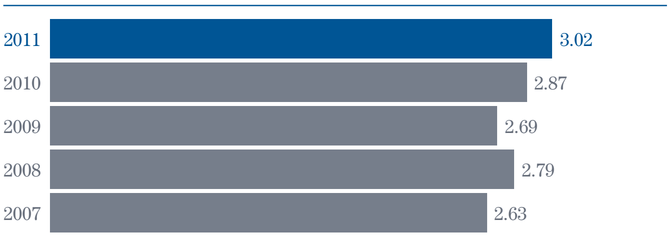


"Clearing, settlement and asset servicing volumes have increased due to recovery and growth in trading volumes on our markets."

Settlement Instructions
m



Assets under custody
€ trillion



Initial margin for CC&G averaged €6.9 billion daily for the period (2010: €4.5 billion). We made significant investment in our risk and treasury management functions in CC&G, which resulted in improved returns on the cash placed on deposit. The growth in margin held and improved risk treasury management contributed to an increase in net treasury income to £51.3 million (2010: £16.2 million).

New services were added during the year. In October 2010 CC&G introduced a guarantee service for the New MIC, the interbank collateralised deposit market in Italy, managed by e-MID. The New MIC was launched as a successor to the original MIC project, which operated with Banca d'Italia as its guarantor, created to stimulate the Italian market after the financial crisis in 2008.

In November, CC&G extended the CCP service on MOT and introduced corporate bonds as an asset class served. By the end of the year, CC&G covered seven asset classes and 10 markets. Euro TLX will later this year use the CC&G CCP service for Italian Government and corporate bonds.

By the year end, CC&G had 171 members, up 22 per cent from last year, from 10 countries around Europe. 73 members were from outside Italy, accounting for 68 per cent of volumes in derivatives and 54 per cent in equities.

Our netting services provide scale benefits to customers in two ways: a single risk position per member at the end of each day; and a single settlement instruction per security for each firm. The first is important for clients' capital management, the second for their post trade costs per transaction. For instance, we charge a single fee for clearing a trade, including netting and settlement, leading to lower post trade costs for our large customers in Italy. Clearing members can also benefit from margin offset between different products traded on different venues.

In the UK, we continued to work with clearing houses, such as LCH.Clearnet, to reduce clearing tariffs and overall cost of trading for our clients. CC&G will also provide services to Turquoise Derivatives.

Settlement

Monte Titoli is our Settlement Company and Central Securities Depository (CSD), with a wide range of connections to European markets and central counterparties.

In the past year, we processed around 70 million settlement instructions, a decrease of 17 per cent on the previous year due to increased netting efficiency in our CCP and lower OTC activity. Monte Titoli has a highly efficient settlement rate at 99.5 per cent whilst maintaining low costs for clients.

We continue to provide options for trade routing to clients. Our multi-purpose routing engine X-TRM is able to route trades to numerous clearing houses and settlement entities including CC&G, LCH.Clearnet SA, Euroclear Bank and Clearstream Banking Luxembourg. We have started to provide routing services to cash equity trading on SETS.

Custody

Monte Titoli is one of the largest CSDs in Europe and provides asset servicing for a wide range of financial instruments, encompassing Government securities, corporate bonds (including asset backed securities), shares, covered warrants and mutual investment funds (closed-end funds, property funds and exchange-traded funds). By the year end, assets under custody had reached €3.0 trillion, an increase of five per cent, partly driven by an increase in foreign securities held. Assets held were made up of 19 per cent equities, 48 per cent Government bonds, and 33 per cent corporate bonds.

In the coming year, we aim to enhance our asset services by offering a cash management and securities lending service.

In April, the Group agreed the disposal of Servizio Titoli, a provider of shareholder management services to listed companies in Italy. Revenue for Servizio Titoli last year was £7.9 million.

Information Services

The Group's Information Services division provides a diverse range of data and tools that enable decision making and operational efficiencies of our extensive, international client base.

David Lester
Director of Information Services

Strategy:

- *Deliver information services that improve the efficiency of our industry*
- *Leverage our flexible platform to expand scale and scope of product offering across the Group*
- *Tailor our offering to meet customers' needs*

Introduction

The Information Services business delivers real time data and other Information products (including reference data, indices and desktop solutions), ensuring efficient price discovery and extensive market intelligence for trading participants and investors.

Reliable and comprehensive market information enables businesses to make sound decisions in a fast-changing world. In the past year, we continued to improve our information offering to a broad base of international clients.

Real Time Data

The Group's Real Time Data business is a primary reference point for UK and Italian cash equities and other instruments, used by trading participants and investors at all levels.

The number of professional users accessing real time data, via our direct network and also via over 200 network service providers and market data vendor partners, remained stable at 93,000 (2010: 93,000) for London Stock Exchange and 139,000 (2010: 142,000) for Borsa Italiana. Reflecting the evolution in the way that real time data is distributed, during the year we introduced new pricing and service initiatives for direct reporting and non-display and other application usage, updating for evolved data usage and reducing costs for a number of our clients.

In July 2010, we launched a new post trade market data service to professional users, offering real time post trade market data from both the London Stock Exchange and Borsa Italiana cash markets. The offering has been designed to develop the availability of high-quality post trade market data in the multi-venue MiFID environment, to improve transparency of European trading data. We were pleased to see that other exchanges have followed our lead by providing similar services.

Other Information

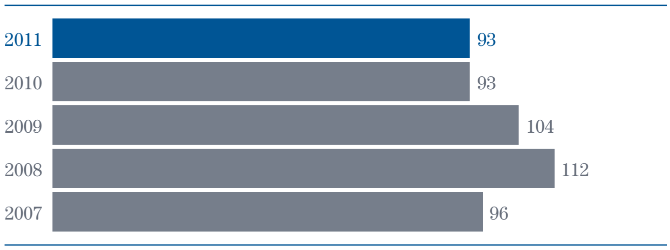
We provide reference data and software solutions, helping clients with effective data management and straight through processing (STP). In the past year, we further developed our services to provide clients with enhanced secure and efficient data management and connectivity through UnaVista and SEDOL.

UnaVista is the Group's secure, hosted platform for all matching, validation and reconciliation needs. UnaVista offers a range of business solutions within three areas: Post Trade Services, Data Solutions and Reconciliations (see case study on page 25). Our Post Trade transaction reporting service enables customers to send information to multiple regulators, including the FSA (UK) and AFM (Netherlands). The newly launched Post Trade Confirmation Portal and Swaps Portal further streamline the post trade process and reduce risk exposure for our customers.

SEDOL is our global multi-asset class reference data service, providing unique identification codes for global securities. SEDOL codes are a unique country level identifier and include both listed and unlisted instruments covering all asset classes. The SEDOL Masterfile Service (SMF) database provides clients with access to query reference data on over 19 million instruments, up from 10 million last year, sourced from over 80 countries worldwide. SMF is currently being upgraded on UnaVista Data Solutions to allow improved customer interaction with the data as well as the incorporation of new data sets.

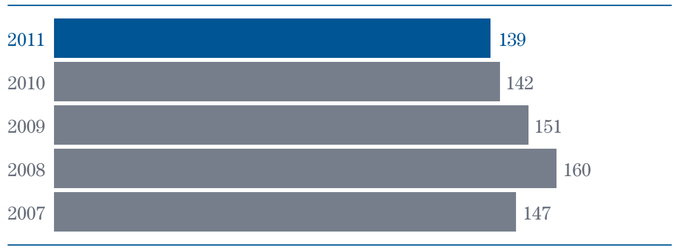
LSE professional terminals

000's



Borsa Italiana professional terminals

000's



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

Proquote provides financial services firms, listed companies and retail investors with efficient access to a store of financial information including market quotes, news and security profiles. In Italy, we reached 35,000 screens by the year end, up 1,000 on the previous year. In the UK, the number of desktop users taking real time data from Proquote was 4,800. In connecting brokers with Retail Service Providers (RSPs), Proquote enjoys a leading position with a network of 36 RSPs; with order flow via the RSP network for the fourth quarter increasing by 46 per cent on the same period for the prior year to over 400,000 trades a month.

RNS is a leading service for real time UK regulatory news announcements. Issuers, including a significant proportion of FTSE 100 companies, choose RNS to meet their disclosure obligations and communicate with professional investors with a total of 180,000 announcements over the past year.

FTSE, our joint venture with The Financial Times Ltd, provides financial indices to international clients. Since its establishment in 1995, it has successfully developed the FTSE brand globally and today the majority of its revenues are generated outside the UK. With over $5 trillion of assets estimated to be benchmarked to FTSE Indices globally, it is the third largest index provider worldwide and services the world's largest asset owners, fund managers and investment banks. FTSE revenues increased 18 per cent during the year.

During the year FTSE acquired the outstanding shares of FTSE/Xinhua Index, now renamed FTSE China Index series, which is the leading index series designed to enable international investment in the China market.

Turquoise, our majority owned MTF offering trading in pan-European equities on a range of markets, has successfully grown its share of trading. As at the end of the year, Turquoise was the third largest Multilateral Trading Facility for lit book trading with a 3.6 per cent share of pan-European secondary trading and the second largest MTF mid-point, or "dark", market with a 34 per cent share of pan-European MTF mid-point trading.

This year Turquoise successfully completed the migration of its trading platform to the Millennium Exchange platform. The new platform has increased the speed, capacity, functionality and scalability of trading and provided enhanced access for customers.

From 1 April 2011, Turquoise will be reported as part of Capital Markets following changes to the way the business is managed on the incorporation of EDX into Turquoise Derivatives.

Turquoise Derivatives

Existing products (Transferred from EDX)

- IOB Equity Derivatives on Russian, Kazakhstan, Egyptian, South Korean and Indian underlyings.
- FTSE Russia IOB index.
- Norwegian stock and index options and futures.
- Newly launched IOB (Russian) DR Dividend Futures.

New products

- Turquoise Derivatives emerging markets book – an equity derivatives market focused on emerging markets companies traded on the LSE's IOB order book.
- Turquoise Derivatives launched May 2011 with FTSE 100 Index futures to commence trading in June 2011 (subject to obtaining relevant licences).

Technology

- SOLA Trading, TMX Group's market-leading ultra-low-latency derivatives trading technology.
- Also used by the Group's IDEM derivatives market.

Clearing

- CC&G provides risk management, margin calculation, netting and settlement processes.
- Clearing handled by LCH.Clearnet.

Technology Services

Our Group's Technology Services division optimises speed, performance, security and flexibility of trading, and also sells systems to third parties.

Tony Weeresinghe (left)
Director of Global Development and CEO of MillenniumIT

Antoine Shagoury
Chief Information Officer

Strategy:

- *Deploy low cost, high performance and reliable platforms and software across the Group*
- *Provide specialist capital markets technology products to third parties worldwide*

Introduction

Technology Services comprises technology connections and data centre services for clients of London Stock Exchange and Borsa Italiana, and the MillenniumIT software business, based in Sri Lanka, which provides technology for the Group as well as technology and enterprise services sales to third parties worldwide.

In October 2010, we commenced the roll out of the new Millennium Exchange trading platform to our markets, a critical step to increasing competitiveness. This not only enables us to become the fastest trading system in the world, but also gives us a lower cost base and more flexible platform.

MillenniumIT

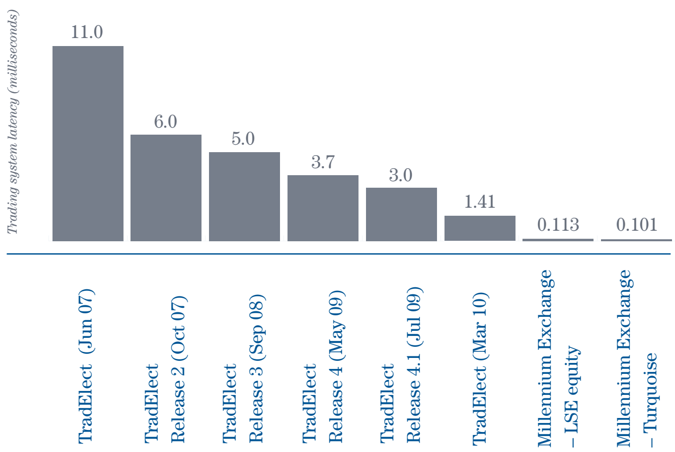
In the past year, we migrated Turquoise and the UK cash equities markets onto the Millennium Exchange trading platform, a highly scalable, multi-asset class trading platform, offering the Group's clients superior technical performance, ultra low-latency and enhanced functionality.

Turquoise migrated to Millennium Exchange in October 2010, delivering average order entry latency of less than 110 microseconds. Additional functionality was designed to further differentiate the mid point ("dark") book through improving the quality of mid point matching. The UK cash equity market successfully migrated in February 2011, with average latency now below 125 microseconds, more than 10 times faster than the previous TradElect platform. Although there were a few initial issues given the scale and speed of the project, feedback from clients on performance has been very positive.

Next on our agenda is the migration of MTA, our Italian cash market, and the MOT fixed income market. MillenniumIT is also developing a "NewClear" platform for our post trade services.

Latency

milliseconds



During the year, MillenniumIT won contracts to supply market surveillance systems to the Egyptian Exchange and trading systems to Tullett Prebon, to further develop their electronic broking capabilities. Africa's largest exchange, Johannesburg Stock Exchange will also switch trading platforms onto Millennium Exchange. London Stock Exchange Group and the Mongolian State Property Committee have signed an exclusive Strategic Partnership Agreement to restructure and develop the Mongolian Stock Exchange, which includes MillenniumIT providing trading, post trade and surveillance infrastructure.

Other Technology Services

The Group offers a suite of technology services for client access and connectivity to a variety of trading and real time market data services.

We have seen good take up of our co-location service, Exchange Hosting, which offers ultra low latency sensitive trading clients the ability to take space in our data centre, significantly reducing network latency and providing high performance trading access.

We have deepened the scope of our offering this year, including a new order routing service via an ultra fast fibre-optic network, allowing hosting clients to route orders to all major European and US execution venues, direct from our data centre. Colt, the telecoms services company, is soon to provide a "proximity hosting" service, where traders can place their servers in Colt's data centre which is in close proximity to, and connected via fibre-optic cable to, our own data centre.

We also opened our market to non-trading market participants, including vendors and service providers, who can take their own cabinets within the hosting facility, paving the way for the creation of a unique community of both trading firms and solution providers in our data centre.

We have continued to expand the scale of our network offering. We introduced 1Gb and 10Gb network connectivity to our markets to provide clients with faster access to Group data.

> "Maintaining leading edge technology capabilities continues to be a core focus. Technology not only enables us to become the fastest market in the world, but gives us the ability to adapt and bring efficiency to markets."

UnaVista

Post Trade Services

Transaction Reporting	Confirmation Portal	Swaps Portal
Providing additional validation above and beyond what is mandated by financial regulators.	Confirming trades. Firms can communicate settlement data for verification and matching, reducing the risk of settlement failure.	Parties can keep track of CFD transactions and communicate through UnaVista.

Other Services

Data Solutions	Reconciliations
A suite of reference and historical data products designed to help firms create a "golden copy" of data.	Functionalities including matching and workflow capabilities meet different needs of reconciliation.

As a trusted, neutral and regulated company, the London Stock Exchange is uniquely positioned to provide solutions that address industry-wide challenges. UnaVista is one such critical commitment to the industry we serve. It is a technologically advanced, hosted platform which offers our clients a range of business solutions including post-trade services, data solutions and reconciliations, and is designed to help our clients' businesses become more efficient and more profitable whilst reducing their risk exposure.

Financial review

The combination of good organic growth, successful acquisitions and continued improvements in operational efficiency resulted in a strong financial performance in the year, with 23 per cent growth in adjusted earnings per share.

Doug Webb
Chief Financial Officer

Highlights:

- *Good growth in Total Income, up seven per cent at £674.9 million (2010: £628.3 million); organic growth at constant currency was six per cent*
- *Operating expenses before amortisation of purchased intangibles and non-recurring items reduced organically, at constant currency, by eight per cent*
- *Adjusted operating profit (before amortisation of purchased intangibles and non-recurring items) increased 22 per cent to £341.1 million (2010: £280.3 million)*
- *Operating profit rose 55 per cent to £283.0 million (2010: £182.3 million)*
- *Adjusted basic earnings per share increased 23 per cent to 73.7 pence (2010: 60.1 pence). Basic earnings per share up 67 per cent to 56.4 pence (2010: 33.8 pence)*
- *Cash generated from operations increased 27 per cent to £381.8 million (2010: £301.2 million)*

Year ended 31 March

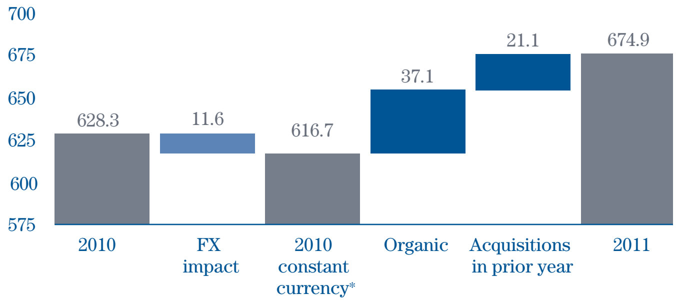
	2011 £m	2010 £m	Variance %	Variance at constant currency %
Revenue				
Capital Markets	281.5	295.3	(5)	(3)
Post Trade Services	99.3	100.0	(1)	3
Information Services	184.7	169.3	9	10
Technology Services	48.6	39.4	23	24
Other	1.8	1.6	13	20
Total revenue	615.9	605.6	2	4
Net treasury income through CCP business	51.3	16.2	217	229
Other income	7.7	6.5	18	18
Total Income	674.9	628.3	7	9
Operating profit before amortisation of purchased intangibles and non-recurring items	341.1	280.3	22	24
Operating profit	283.0	182.3	55	58
Adjusted basic earnings per share	73.7p	60.1p	23	
Basic earnings per share	56.4p	33.8p	67	

Segmental reporting has been restated to reflect the management organisation and reporting of the business lines during the year. Technology Services combines IT Services and MillenniumIT, reflecting the similar nature of their products and services.

As noted in the "Business Review" – Information Services" section of this Annual Report, Turquoise will be reported as part of Capital Markets from 1 April 2011, following changes to the way the business is managed on the merger of EDX into Turquoise to form Turquoise Derivatives.

Total Income *£m*

• *Increase* • *Decrease*



* Comprises 2010 Total Income restated to 2011 foreign exchange rates

Capital Markets

Year ended 31 March

Revenue	2011 £m	2010 £m	Variance %	Variance at constant currency %
Primary Markets				
Annual fees	37.8	35.2	7	9
Admission fees	33.0	34.0	(3)	(2)
	70.8	69.2	2	3
Secondary Markets				
Cash equities: UK	86.4	101.8	(15)	(15)
Cash equities: Italy	30.7	31.7	(3)	1
Derivatives	16.8	19.5	(14)	(12)
Fixed income	32.4	29.3	11	15
	166.3	182.3	(9)	(7)
Other	44.4	43.8	1	5
Total revenue	281.5	295.3	(5)	(3)

Annual fee income increased seven per cent, with market capitalisation at the end of November 2009 (which formed the basis of UK Main Market fees for the year ended 31 March 2011) up 27 per cent compared with the prior year. This was partly offset by a 14 per cent reduction versus the prior year in AIM company numbers as at April 2010 (which formed the basis of AIM fees for the year ended 31 March 2011). In Italy, average market capitalisation for the year ended 31 December 2010 was five per cent higher than the corresponding prior year (fees are set on a calendar half-yearly basis based on average market capitalisation for the prior six months), whilst company numbers were broadly stable at 296.

Admissions to our primary markets increased during the year, with new issues growing 68 per cent to 185, including 50 international companies, and a more than doubling of new companies joining AIM. In revenue terms, these increases were offset by a reduction in further issues, which last year benefited from the high level of secondary fund raising as companies repaired their balance sheets following the credit crisis; money raised from further issues declined 63 per cent to £27.2 billion in the year.

UK equity trading revenues benefited from a two per cent increase in average daily value traded to £4.7 billion, whilst our average share of value traded for the year was 63.5 per cent – up from 61.4 per cent for the month of April 2010. Pricing changes in September 2009 and the pricing pilot initiated in May 2010 resulted in a 17 per cent reduction in average yield on the SETS order book to 0.71 basis points and a 15 per cent reduction in revenue.

Italian equity trading revenues are charged on the basis of the volume of trades completed, which was up two per cent on last year at an average 257,000 per day.

Derivative trading volumes in IDEM increased 13 per cent versus 2010, partly offsetting the very sharp reduction in trading of Scandinavian derivatives on EDX following its change in trading platform in December 2009. Revenues for Q4 were up five per cent on last year.

The fixed income business performed strongly, with value traded in MTS up 51 per cent to €68 trillion for the year. Trading volume on the MOT retail bond market increased 14 per cent.

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

Post Trade Services

Year ended 31 March

Revenue	2011 £m	2010 £m	Variance %	Variance at constant currency %
Clearing	35.9	33.4	7	12
Settlement	18.2	21.1	(14)	(10)
Custody and Other	45.2	45.5	(1)	3
Total revenue	99.3	100.0	(1)	3
Net treasury income through CCP business	51.3	16.2	217	229
Total income	150.6	116.2	30	35

Equity and derivatives volumes cleared rose four and 13 per cent respectively, contributing to the increase in clearing revenues. Net treasury income through the Central Counterparty ("CCP") business grew significantly due to:

- 53 per cent higher average initial margin held, mainly driven by increased fixed income volumes through the CCP as a result of both higher trading volumes and additional fixed income markets guaranteed by the CCP; and
- significant investment in our risk and treasury management functions enabling us to improve the rates achieved on investment of margin funds with Italian banks.

Total Income from the clearing business rose 76 per cent to £87.2 million.

The number of pre-settlement and settlement contracts fell 10 and 22 per cent respectively following a reduction in OTC volumes and increased netting driven by a rise in the number of markets (such as MOT) guaranteed by the CCP. In the Custody business, the value of assets under management increased five per cent to €3.0 trillion. Revenues from Servizio Titoli S.p.A., the shareholder services business, declined slightly to £7.9 million. On 10 May 2011, the sale of Servizio Titoli S.p.A. to Computershare plc was completed for a consideration of €32.4 million.

Information Services

Year ended 31 March

Revenue	2011 £m	2010 £m	Variance %	Variance at constant currency %
Real time data	101.2	103.7	(2)	(1)
Other information services	83.5	65.6	27	28
Total revenue	184.7	169.3	9	10

Professional terminal numbers receiving the Group's UK real time data at 31 March 2011 were little changed over the year at 93,000. Professional terminal numbers taking Italian data were two per cent lower at 139,000, resulting in a small constant currency reduction in revenue.

Non real time data products continued to perform well, with good results across a number of products. In particular, continued growing contributions were generated by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post trade data matching service), royalties from the FTSE indices joint venture and Proquote. The Information Services division also benefited from a full year revenue contribution of £10.0 million (2010: £0.3 million) from Turquoise, which was acquired in February 2010. Turquoise revenues are shown gross of £5.8 million of maker rebates, which are included within costs of sales.

Technology Services

Year ended 31 March

Revenue	2011 £m	2010 £m	Variance %	Variance at constant currency %
MillenniumIT	18.2	6.7	172	168
Technology	30.4	32.7	(7)	(6)
Total revenue	48.6	39.4	23	24

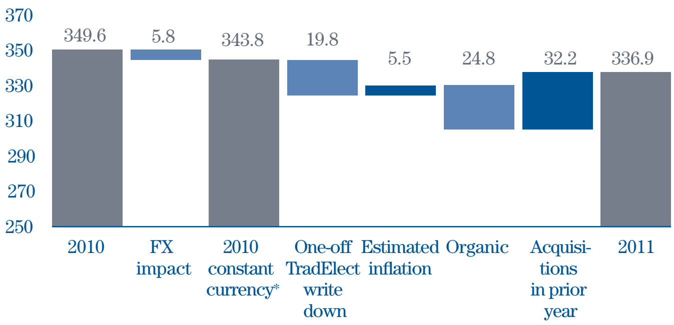
The Group's Technology Services division reflected a full year of revenues from MillenniumIT, acquired in October 2009.

MillenniumIT has performed well, with the principal focus of activity on developing technology for the Group. In the year it has also taken a number of third party customers live, including a commodity exchange in India and smart order routing technology in Canada, and has been awarded contracts including Tullett Prebon, the Chittagong Stock Exchange and a large Indian bank. MillenniumIT will also be a key part of the agreement to restructure and develop the Mongolian Stock Exchange, with whom a contract was signed shortly after the year end.

The Technology Services division benefited from expansion of our UK server co-location offering, which was launched last year, and growth in our Italian ASP business, due to the consolidation of services provided to clients and product diversification to attract new customers. The transfer of supply of our external communications network to a third party from August 2010 resulted in a £4.4 million reduction in revenues, although this was offset by a corresponding reduction in costs.

Operating expenses *£m*

• Increase • Decrease



* Comprises 2010 operating costs restated to 2011 foreign exchange rates

Our operating expenses, before amortisation of purchased intangibles and non-recurring items, were reduced organically by eight per cent, on a constant currency basis. This reflects previously announced headcount and property restructuring and other cost savings, including a net £5.6 million benefit arising from an agreement with HMRC over the methodology used in recovering input VAT and £4.1 million relating to the transfer of supply of our external UK communications network to a third party. The savings were partly offset by an increase in variable staff costs reflecting the improved performance of the Group.

One-off costs relating to the replacement of the TradElect platform amounted to £5.5 million (2010: £25.3 million) and comprised accelerated depreciation and other IT costs. Included within our net organic cost reduction is approximately £6 million early delivery of savings out of the £10 million per annum targeted for the year ending 31 March 2012 from the roll-out of the Millennium Exchange system.

Non-recurring items comprised £15.4 million non-contingent costs associated with the proposed merger with TMX Group Inc., £3.5 million restructuring costs mainly relating to headcount restructuring in May 2010 and £2.1 million of property costs largely comprising an impairment provision on a freehold property now surplus to requirements and held for resale. These costs were partly offset by a £10.0 million accounting gain triggered by the acquisition by our FTSE joint venture of the remaining 50 per cent of the FXI Chinese index business.

Finance income and expense and taxation

Net finance costs increased by £4.1 million mainly as a result of a full year's interest on the 2019 Bond issued in June 2009. Our effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 30.3 per cent (2010: 30.5 per cent). This reflects strong results from Italy taxed at a higher rate than UK profits offset by the benefit of the relative tax treatment between the UK and Sri Lanka, where we currently have a corporate tax holiday, relating to the Millennium

Exchange licence fee for the UK trading system. Given the reduction in UK corporation tax rates and the anticipated mix of Group profits, we expect our underlying effective tax rate to fall marginally next year.

Cash flow and balance sheet

We continued to be strongly cash generative during the year. Cash generated from operations increased 27 per cent to £381.8 million (2010: £301.2 million), whilst our net cash inflow from operating activities was 23 per cent higher than prior year at £264.5 million. Our net cash investment in the business of £48.5 million included £43.0 million of capital expenditure and £5.5 million investment, net of cash acquired, in subsidiary undertakings (comprising the acquisitions of ProMac S.p.A. and MTS France S.A.S. and buying out the non-controlling interests in EDX London Ltd and Servizio Titoli S.p.A.).

The Group had net assets of £1,137.0 million at 31 March 2011 (2010: £1,030.8 million). The central counterparty clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. The gross clearing balances increased year on year primarily as a result of an increase in the volume and average term of the repurchase transactions that remained open.

The surplus on the Group's UK defined benefit pension plan increased to £37.6 million at 31 March 2011 (2010: £4.6 million). On 7 April 2011 the Trustees of the plan signed an agreement with Pension Insurance Corporation Limited to insure for a premium of around £158 million all future payments to scheme members who were pensioners at 31 March 2011. This will eliminate any investment, inflation, and mortality risks associated with these benefits. The actuarial liability of these benefits at 31 March 2011 was £140.5 million, 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 £45 million.

Net debt, facilities and credit rating

	2011 £m	2010 £m
Gross borrowings	499.1	606.7
Cash and cash equivalents	(267.0)	(223.1)
Net derivative financial liabilities	12.5	18.4
Net debt	244.6	402.0
Cash set aside	125.0	125.0
Operating net debt	369.6	527.0

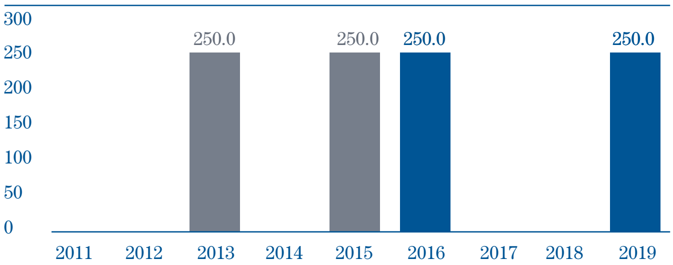
The £125 million of cash set aside is to meet regulatory, clearing and commercial requirements. We are currently in discussions with the FSA about a possible increase in the regulatory capital requirement for our main UK operating company for FY2012, however indications are that the overall cash set aside by the Group will increase by no more than one third above the current £125 million.

In September 2010, the Group cancelled €120 million of interest swaps which were linked to floating rate bank loans. The cost of the swap cancellation was €2.6 million, the majority of which was offset within the financial year against lower financing costs from the simultaneous reduction in gross borrowings. In November 2010, the Group took advantage of improving loan markets to refinance £225 million of its bank lines early by signing a new £250 million, five year, committed revolving credit facility. Committed credit lines available for general Group purposes now total £1 billion, with £750 million extending to 2015 or beyond.

At 31 March 2011, the Group's key financing ratios remained strong with interest cover – the coverage of net finance expense by earnings before interest, taxation, amortisation and non-recurring items – at 8.6 times (2010: 9.2 times) and our net debt to EBITDA at 1.0 times (2010: 1.5 times). We remain well within our bank covenants.

Debt maturity profile *£m*

• Drawn • Undrawn



As a result of the announcement on 9 February of the proposed merger transaction with TMX Group, both Moody's and Standard & Poor's placed the Group's long term credit ratings (Baa2 and A- respectively) on positive watch. This reflects our robust underlying trading performance and reduction in debt together with the potential strengthening of the business that the merger will bring. We expect the reviews of our ratings to continue until the merger completes.

Foreign exchange

	2011 £m	2010 £m
Spot £/€ rate at 31 March	1.13	1.12
Average £/€ rate for the year	1.18	1.13

Our principal foreign exchange exposure is on the translation of the euro denominated results of our Italian business into sterling. A €5c movement in the average £/€ rate for the year would have changed the Group's operating profit before amortisation of purchased intangibles and non-recurring items by approximately £8 million.

Doug Webb
Chief Financial Officer

Our wider responsibility

Working together with a wide array of stakeholders, corporate responsibility to us means transparency, flexibility and innovation in all that we do. Through a wide range of initiatives, from education to charity and from fund-raising to volunteering, we look to leverage our skills for the benefit of the communities and markets in which we operate.

Our business principles

Integrity and trust are at the core of what we do. As a Group we have always operated under the banner of 'my word is my bond' which is still most relevant to us today as a provider of trusted, reliable, independent and user neutral services.

In line with the growth of our business and increasingly international scale, our approach to corporate responsibility was upgraded this year consistent with our broader geographic presence and as an acknowledgement of the strategic role of corporate responsibility in ensuring the Group acts to provide a positive contribution to the communities in which it operates.

Corporate Responsibility within the Group is organised into four key 'pillars' of activity:

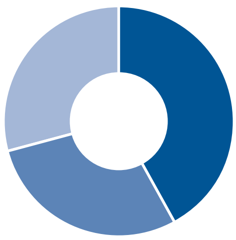
1. Community
2. People
3. Ethics and governance
4. Environment

Each pillar is represented on a Group-wide Corporate Responsibility Committee by one or two skilled representatives. Individual members of the Committee are drawn from across geography, market and discipline and are responsible for leading activities in their respective areas, defining our approach to each pillar of activity and co-ordinating through the Committee our overall corporate responsibility strategy and engagement.

At Board level, Corporate Responsibility is championed by our CEO, Xavier Rolet, with the exception of Environment, which is owned by our CFO, Doug Webb.

Donations – by location of recipients

%



UK	42
Italy	29
Sri Lanka	29

1. Community

This year was marked by the launch of the London Stock Exchange Group Foundation. Established as a corporate charitable trust through the Charities Aid Foundation (CAF), the Foundation provides a single channel and point of focus for the Group's charitable giving, as well as a mechanism for staff involvement.

The Foundation is funded by: donations from the London Stock Exchange Group; fine income, i.e. the money that the Group collects as a result of disciplinary action; and from the fund-raising activities of our staff. The initial endowment to the Foundation was £1 million from fine income, to which the Group contributed an additional £300,000.

In the past year the Foundation has approved donations for a total amount of £526,000 which will be directed towards charities in Italy, Sri Lanka and the UK. Prior to the establishment of the Foundation but during the financial year, the Group donated a further £164,000 directly to charities, of which £80,000 was donated from fine income. Going forward, all charitable giving will be conducted through the Foundation.

Full details of our community programmes can be found on our website at *www.londonstockexchangegroup.com*

2. People

To continue to grow and develop our business in an increasingly complex and competitive market we need people with world-class capabilities across all our key disciplines delivering world-class performance.

We continually review our people strategy and during the year developed and enhanced a number of key initiatives:

- A new graduate programme was launched. This resulted in recruitment of 10 high calibre international graduates who are now being integrated into our Group and receiving extensive training and development. We plan to extend the programme next year. We have also launched a new leadership development framework to ensure that talented employees are identified and given the right training and development opportunities. Our budget for training and development increased by 20 per cent for the year ending 2011 and spend in this area will increase further in future years as the new development initiatives are rolled out across the Group.
- To reflect our increasingly global reach and to ensure that our strategy is executed consistently across all of our businesses, our Group-wide Leadership Team was refreshed and the basis of engagement changed. Made up of over 50 of our most senior managers from each geography and discipline, it will meet twice a year to consider our strategy and developments in our industry and the opportunities and challenges that these present.
- We have enhanced our internal communications efforts, introducing webcasts, business presentations and feedback sessions throughout the year. We have strengthened our performance management process to reinforce the link between our strategy and each employee's responsibilities and performance. Our reward and incentive systems are designed to provide a clear link between performance and reward, 40 per cent of employees in UK and Italy participate in share based reward and savings schemes. We encourage open and honest assessment of employee performance and behaviour through regular performance feedback and annual appraisals.

After a period of stable employee turnover across our UK and Italian businesses with voluntary turnover at eight per cent for the years ending 31 March 2009 and 2010, the rate increased to 13 per cent this year in response to the upturn in the financial services employment market.

We are committed to providing a safe and healthy work environment. This year there were no reportable accidents across the Group.

3. Ethics and governance

As a business that is reliant on its reputation for honesty and fair-dealing, we recognise the importance of operating with the highest levels of integrity, openness and respect at all levels within the organisation. To this effect:

- A Code of Business Principles is in place to set out the behaviours that are expected of everyone within the Group;
- Underlying policies such as Whistleblowing, Gifts and Hospitality and Confidentiality help ensure understanding of, and compliance with, the Code; and
- The Group is committed to supporting the objectives of the new UK Bribery Act and we are implementing procedures worldwide to fully comply with the Act.

4. Environment

We are committed to managing our environmental impact across all the locations in which we operate through a process of review and improvement.

This year, we have invested in improving energy efficiency:

- In our Milan offices, we are currently installing energy-efficient air-conditioning and lighting systems as part of a major refurbishment programme that has brought all Milan-based staff together under one roof in newly-designed surroundings. We also continue to use electricity from renewable sources; and
- In the UK, we have installed new technology to optimise the electricity used by ourselves and our tenants.

The above measures, along with several others adopted across the business, have resulted in a reduction in electricity usage of eight per cent compared with the prior year.

We have a number of initiatives to reduce water consumption throughout the Group including the re-use of rain water in Sri Lanka and the trialling of water management systems in the UK which are targeted to save over 1,000 m^3 of water a year.

We recycle over 44 per cent of our waste and are actively looking for ways to increase this percentage. In the UK, we recently received a gold award from the City of London's Clean City scheme.

We switched from a 'green' to 'brown' energy source for the UK, increasing CO_2 emissions by 69 per cent. This decision was taken due to a lack of green energy in the UK marketplace and associated price rises due to high demand for low emission supplies.

The Group's environmental programme and performance are regularly reviewed by senior management and we are committed to encouraging all our employees to play a role in reducing their environmental impact. Recent initiatives include investment in new audio visual equipment across the Group to limit business travel and implementation of the UK Government's cycle to work scheme.

Full details of our environmental policy, actions and key performance indicators can be found on our website at *www.londonstockexchangegroup.com*

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are described below.

The Group is subject to a variety of foreseeable and unforeseeable 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 these risks are central to the Group's operating framework. The risk management framework is described in the Corporate Governance section on page 44.

In addition to the principal market and operational risks outlined below, the Group is exposed to financial risks that are detailed on pages 73 to 75.

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
	Investment risk

Principal Market Risks

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

Risks	Mitigating factors and additional commentary	Change (from last year)
Clients and competition 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. 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 consequent loss of market share and pressure on fee levels in the Group's existing markets. In our international primary markets business New York remains competitive but there is increasing competition from Asia, particularly Hong Kong, which is seeking to attract high profile international listings.	The Group has implemented a new, structured client engagement programme with senior management sponsorship and named individuals responsible for ensuring effective customer liaison. This, coupled with a focus on cost reduction and new technology deployments, is designed to increase our competitiveness. The early results of these initiatives have seen our share of trading in cash equities stabilise in the past year. We aim to align our commercial activities with the interests of our major clients as demonstrated through our successful partnership with 12 global investment banks to grow the market for pan-European equity and derivatives trading through Turquoise. 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 the stakeholders. The proposed merger with TMX Group is intended, among other objectives, to enhance our leading position in the international listings market.	◀⋯▶ For more information see the Business Review, pages 16 to 25.

Risks	Mitigating factors and additional commentary	Change (from last year)
Changing regulatory environment Following the financial crisis and other market events (eg the "Flash Crash" in the USA), a range of measures intended to reduce risk in financial services have been proposed or are under discussion in the EU, often mirroring similar proposals in other jurisdictions, principally the USA. Driven in part, but not exclusively, by commitments to the G20 objectives by the EU and Member States, these measures will lead to closer and more intrusive regulation of all financial services firms and infrastructure providers. There is also strong political pressure for increased central EU supervision and regulation in reaction to the financial crisis. The key measures directly affecting the Group are likely to be the Review of MiFID, European Market Infrastructure Regulation (EMIR) and Short Selling Regulation. There are also planned measures on capital requirements, central securities depositories, securities law, corporate governance, market abuse, issuer transparency, financial transaction/activity taxes and crisis management. In the UK, the Government is progressing with its plans to replace the FSA with two new regulators, the PRA (micro prudential regulation) and FCA (conduct, markets and consumer protection). The Financial Policy Committee will advise on macro systemic risk. 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. Associated risks include potentially increased capital requirements and higher compliance costs.	Changes in the regulatory environment form a key input into our strategic planning. We continually monitor regulatory developments and have direct engagement with regulatory and Government authorities at a national, EU and international level. We also have relationships with the key political stakeholders at EU and UK level. Potential impacts from regulatory change are assessed and, depending on the impact, opportunities are developed and mitigating actions are planned. As the various proposals take shape, there is greater certainty about the proposed measures. The Group considers that, balancing the negative and positive outcomes, the likelihood of major adverse regulatory development has reduced slightly during the course of the year as the proposals in the MiFID review and EMIR in particular become more certain. Further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment. The Group believes that it should be able to ensure that the Group's capital requirements remain appropriate.	↓ For more information see Market position and outlook, page 9 and Chairman's Statement, page 10.

Risks	Mitigating factors and additional commentary	Change (from last year)
Fiscal regime and political environment Public finances in Europe are under increasing pressure as Governments tighten the fiscal environment, which could reduce activity in capital markets. London's status as a global financial centre could be diminished by a tax regime that is less attractive than alternative global locations and by increasing regulatory pressures, thereby reducing its ability to retain and/or attract investment. This could have a significant impact on the Group's revenues. The reduction in UK corporation tax over the next four years provides some certainty and benefit for the Group. As the Group extends its reach into other geographical regions so its exposure to political risk also increases. With the acquisition of MillenniumIT the Group is now exposed to any increase of political instability in Sri Lanka where MillenniumIT's development centre is located. Changes to the constitution following Presidential and parliamentary elections in 2010 could increase the risk of intrusive political or regulatory action or erode the quality of the current working environment.	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. The Group's revenue base is not wholly dependent on London with approximately half its total annual income being generated from its Italian businesses. 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. 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.	For more information see Market position and outlook, pages 8 to 9 and Risk management, pages 73 to 75.

Principal Operational Risks

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

Risks	Mitigating factors and additional commentary	Change (from last year)
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, a client engagement programme 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, and the projects are not certain to deliver the anticipated synergies and cost benefits. With regard to the capability of the Group's MillenniumIT offering, losing the balance between key growth projects and ongoing product development may undermine the future competitiveness of the Group's technology platforms.	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 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 that 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 IDEM's migration to SOLA and the roll out of Millennium Exchange in the UK.	↓ For more information see Chairman's Statement, pages 10 to 11 and Chief Executive's Review, pages 12 to 13.
Employees The calibre, quality and retention of employees are critical to the success of the Group. 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. 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. This risk likelihood has fluctuated in the current year in the context of increased recruitment activity (particularly in the financial services sector in London) which has resulted in some increase in staff attrition rates but generally the risk remains unchanged.	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. 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. The Group also offers Long Term Incentive Plans for high performers and critical staff, although these have not realised any value in recent years. Staff turnover is monitored and reported to the senior executive quarterly. A centralised training budget, which has been recently increased, allows a co-ordinated approach to development across the Group.	↔ For more information see Our wider responsibility, pages 30 to 31 and Remuneration Report, pages 48 to 57.

Risks	Mitigating factors and additional commentary	Change (from last year)
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. 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. 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.	The Group has well established business continuity and crisis management procedures. The Group take security threats very seriously and has robust security arrangements in place. Extensive information and IT security measures are in place. These include the monitoring of intelligence and close liaison with the police and Government agencies. Security risk has increased, however risk mitigation against both physical and IT threats is long and well established.	
Ongoing operations 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. 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. 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.	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. 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. 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. 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.	For more information see Business Review (Technology Services), pages 24 to 25.

Risks	Mitigating factors and additional commentary	Change (from last year)
Investment risk The Group's clearing provider, CC&G, holds a significant quantum of cash and securities deposited as margin or as default funds by clearing members. There is a risk of a partial loss of the funds should a bank in which funds are deposited default. CC&G guarantees 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 FX risk.	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. The financial risks associated with clearing trades are mitigated by: • 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. Committees overseeing membership, risk and financial risk meet on a regular basis. 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. During the year we have extended the number of counterparties that take CC&G's deposits to diversify this risk and we maintain a close dialogue with Bank of Italy, the regulator of CC&G and its deposit-taking bank counterparties. All deposits are monitored daily and are subject to regular reporting to the Executive Committee.	◄······► For more information see Business Review (Post Trade Services), pages 20 to 21 and Risk management, pages 73 to 75.

Board of Directors

Corporate governance at a glance

Combined Code

London Stock Exchange Group is committed to high standards of corporate governance and business integrity in all its activities. The Company has complied with all provisions of the Combined Code throughout the year ended 31 March 2011.

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	2011	2010
Board	12	8
Supporting committees		
– *Audit*	5	4
– *Remuneration*	2	6
– *Nomination*	2	0

Changes

Board member changes are set out on page 41.

Chris Gibson-Smith (65)[2,3]
Chairman of the Company and the Nomination Committee

Appointed to the Board in May 2003. Also Chairman of The British Land Company plc and Non-Executive Director of Qatar Financial Centre Authority. He is a Trustee of the London Business School. He was previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, Director of Lloyds TSB plc from 1999 to 2005, Group Managing Director of BP plc from 1997 to 2001, and a past Trustee of the Institute of Public Policy Research and the arts charity Arts & Business.

Xavier Rolet (51)
Chief Executive

Appointed to the Board in March 2009 and appointed Chief Executive on 20 May 2009. From 2000 to 2008 he was a senior executive at Lehman Brothers and, most recently, CEO of Lehman in France. Prior to Lehman Brothers, he held senior positions at Dresdner Kleinwort Benson from 1997 to 2000, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994. He was a Non-Executive Director of LCH.Clearnet until July 2010.

Raffaele Jerusalmi (50)
Executive Director, Chief Executive Officer of Borsa Italiana and Director of Capital Markets

Appointed to the Board in June 2010. In addition to his role as Director of Capital Markets, Raffaele was appointed Chief Executive Officer of Borsa Italiana S.p.A. in April 2010. He is also 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 member of the 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.

Doug Webb (50)
Chief Financial Officer

Appointed to the Board in June 2008. Non-Executive Director of SEGRO plc. Member of the FSA Practitioner Panel. At QinetiQ Group plc from 2003 to 2008, became its Chief Financial Officer in 2005. Previously Chief Financial Officer and Chief Operating Officer, North America and then Finance Director, Continental Europe at Logica plc from 1994 to 2003 and at Price Waterhouse from 1982 to 1994. Fellow of the Institute of Chartered Accountants in England and Wales.

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

Paolo Scaroni (64) [2,3]
Non-Executive Deputy Chairman and Senior Independent Director

Appointed to the Board in October 2007. CEO of eni S.p.A. since May 2005. Non-Executive Director of Assicurazioni Generali, Veolia Environnement, Fondazione Teatro alla Scala and Member of the Board of Overseers of Columbia Business School (New York). Previously CEO of Pilkington plc from 1997 to 2002, Director of BAE Systems plc from 2000 to 2004 and of Invensys plc from 2001 to 2002. He was also CEO of Enel from 2002 to 2005, Director from 2002 to 2005 and then Chairman from 2005 to 2006 of Alliance Unichem plc.

Baroness (Janet) Cohen (70) [1,3]
Non-Executive Director

Appointed to the Board in February 2001. A Life Peer. Vice Chairman of Borsa Italiana S.p.A.. President BPP University College and Senior Advisor to BPP Holdings. Previously Non-Executive Director of BPP Holdings plc from 1994 to 2002 and Chairman from 2002 to 2006, 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. Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993. Governor of the BBC from 1994 to 1999.

Sergio Ermotti (51) [2]
Non-Executive Director

Appointed to the Board in October 2007. Chairman and CEO of UBS Group Europe, Middle East and Africa and member of the Group Executive Board from April 2011. Previously Group Deputy CEO of UniCredit Group, Head of Corporate & Investment Banking and Private Banking Strategic Business Area from 2007 to 2010. From January 2006 to July 2007 Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group. With Merrill Lynch & Co. from 1987 until 2004 where he was latterly Senior Vice President, Co-Head of Global Equity Markets and Member of the Operating Committee. From 2002 to 2003 he was a Director of Virt-X Limited and Virt-X Exchange Limited.

Paul Heiden (54) [1]
Non-Executive Director and Chairman of the Audit and Risk Committee

Appointed to the Board in June 2010. Chairman of Talaris Topco Limited. Non-Executive Director of United Utilities Group plc and Meggitt plc. Previously Chief Executive Officer of FKI plc from 2003 to 2008 and Group Finance Director of Rolls-Royce plc from 1999 to 2003. He has had previous 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.

Gay Huey Evans (56) [1,2]
Non-Executive Director

Appointed to the Board in June 2010. Vice Chairman of the Board and Non-Executive Chairman of Europe of The International Swaps and Derivatives Association. Previously, Vice Chairman Investment Banking and Investment Management, 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.

Andrea Munari (48) [1]
Non-Executive Director

Appointed to the Board in October 2007. CEO and Managing Director of Banca IMI (Intesa Sanpaolo Group). Previously, a Managing Director of Morgan Stanley Fixed Income Division, Director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January to September 2007.

Massimo Tononi (46)
Non-Executive Director

Appointed to the Board in September 2010. Non-Executive Director of Borsa Italiana S.p.A., Mittel S.p.A, Sorin S.p.A and Prysmian S.p.A. Previously, Partner and Managing Director in the investment banking division of Goldman Sachs until July 2010. While at Goldman Sachs, he played a senior role in the business development and execution of investment banking transactions throughout Europe. Between 2006 – 2008, he was Treasury Undersecretary at the Italian Ministry of Economy & Finance in Rome.

Robert Webb QC (62) [2,3]
Non-Executive Director and Chairman of the Remuneration Committee

Appointed to the Board in February 2001. Non-Executive Chairman of Autonomy Corporation plc, BBC Worldwide and Sciemus Ltd. Non-Executive Director of the BBC Executive Board, Hakluyt Ltd, Argent Group plc and the Emerging Health Threats Forum. Bencher, Inner Temple. General Counsel of British Airways from September 1998 to April 2009, responsible for law, Government affairs, safety, security and risk management. Formerly Head of Chambers at 5 Bell Yard, London.

Corporate Governance

The Report which follows is intended to give you an understanding of the corporate governance framework of the Group and how we have applied the principles and provisions of the Combined Code in relation to the past year. With effect from 1 April 2011 we will apply the principles of the UK Corporate Governance Code published by the FRC in June 2010.

The effective leadership by the Board of the Group's strategy and its stewardship of risk are key components of good governance. The Board has reviewed its strategic options on a number of occasions throughout the year in discussion with the Executive.

Board changes and the Nominations Committee work

During the year the Nominations Committee met to consider Board and senior management succession planning. As we indicated in 2010, we have continued to refresh the membership of the Board. This is part of an ongoing process following significant change between 2007 – 2009 when five new Board members joined in 2007 following the merger with Borsa Italiana and we appointed a new CEO in 2009. The members of the Nominations Committee also provided advice to me between Board meetings in the negotiations with TMX Group, in particular in relation to governance matters.

During the year ended 31 March 2011 Oscar Fanjul, Nigel Stapleton and Angelo Tantazzi left the Board. In the same period Paul Heiden, Gay Huey Evans and Massimo Tononi joined as Non-Executive Directors and Raffaele Jerusalmi as an Executive Director. In making these appointments, the Board was mindful of the importance of the need for the Board to have the appropriate balance of skills, experience, independence and knowledge of the Company. I consider that these appointments increase the range of business insight and expertise of the Board.

New Non-Executive Directors participated in an induction programme which included meeting with executives from throughout the Group. We facilitate opportunities for all Non-Executive Directors to meet with executives at all levels so that they can continue to develop their understanding of the business.

Review of Risk

In line with developing best practice the Board and Audit and Risk Committee have increased the focus on risk management during the year. The Audit and Risk Committee amended its terms of reference to reflect this. It is imperative that business managers feel ownership and responsibility for risks within their divisions. To this end, business managers regularly present to the Audit and Risk Committee on the risks within their areas. We seek to ensure that assessment of risk remains a key part of significant decisions brought before the Board. More detail on the work of the Audit and Risk Committee in relation to risk can be found in the Audit and Risk Committee report on pages 46 to 47.

Board Effectiveness

Following the annual review of Board Effectiveness, I am satisfied that the Board continues to operate well. The review was carried out internally using a questionnaire completed by all Directors. The Group Company Secretary then prepared a report which was discussed by the Board. Questions raised in the Review included how the key areas of risk and succession could be given greater focus by the Board as a whole as well as in the relevant Committees. We will work over the coming year to ensure that opportunities for improvement are addressed.

Engagement with Shareholders

Engagement and effective communication with investors is critical for the continued success of the Company. This is particularly the case against the backdrop of significant announcements such as the proposed merger with TMX Group. We have an extensive 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. The Senior Independent Director and I are also available to meet with our major shareholders.

C. S. Gibson-Smith.

Chris Gibson-Smith
Chairman

Corporate Governance Report

Complying with the provisions of the Combined Code

London Stock Exchange Group plc and its subsidiaries are committed to high standards of corporate governance and business integrity in all their activities. Throughout the year ended 31 March 2011 the Company has complied with all provisions of the Combined Code.

The Combined Code on Corporate Governance sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Services Authority requires companies listed in the UK to disclose, in relation to Section 1 of the Combined Code, how they have applied its main principles and whether they have complied with its provisions throughout the year. Where the provisions have not been complied with companies must provide an explanation for this. Further information on the Combined Code can be found on the Financial Reporting Council's website, at www.frc.org.uk. This Corporate Governance Report forms part of the Corporate Governance Statement on pages 59 to 61 of the Directors' Report. In June 2010, the FRC issued a new Code, 'The UK Governance Code' in June 2010. This applies to reporting periods which begin on or after 29 June 2010. The Company also intends to comply with this new code. The Company will report against the UK Governance Code in its 2012 Annual Report.

Board of Directors

Changes to the Board

As part of the process of refreshing the Board described in last year's Annual Report, Nigel Stapleton and Oscar Fanjul stepped down from the Board in July 2010 and Angelo Tantazzi left the Board of London Stock Exchange Group in September 2010 but remained a director and chairman of Borsa Italiana, CC&G and Monte Titoli.

Paul Heiden and Gay Huey Evans were appointed to the Board in June 2010 and Massimo Tononi in September 2010. As Massimo Tononi's appointment was made after the AGM confirmation of his appointment will be sought at this year's AGM. In addition, in line with the new UK Governance Code all Directors will be put forward for election on an annual basis.

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

Board Activities in 2011

Matters considered by the Group Board during the year included:

Each meeting	Annually	Throughout the year
Reports from the Chief Executive on performance in each of the business areas, regulatory strategy, public affairs and Italian regulatory matters	Health and safety	Detailed consideration and approval of the proposed merger with TMX Group
Reports from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury, UK Regulatory and HR matters	Off site strategy day	Discussion and approval of Group Strategy; Group Risk Register
Updates from the Board Committee	FSA's risk mitigation programme together with FSA presentation	Approval of significant RNS statements, including Interim Management Statements; Review of Directors Conflicts of Interest
	The results of the Board Effectiveness Review	Updates on changes to laws and regulations such as the Bribery Act 2010 and reports on governance issues
		Group response to various regulatory consultations
		Review of significant acquisitions
		Review of Audit and Risk Committee Terms of Reference
		Full and half year results and dividends

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chairman's other current significant commitments are set out in his biography on page 38. The Group Chief Executive has delegated authority from, and is responsible to, the Board for managing the business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

Board and Committee Meetings 2011

The Board held six scheduled meetings, six ad hoc meetings and one strategy day. The Chairman met Non-Executive Directors without the presence of Executive Directors on a number of occasions throughout the year. 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.

Table of Attendance

	Board and Strategy meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Total number of meetings in the year ended 31 March 2011	13	5	2	2
Chris Gibson-Smith	13		2	2
Xavier Rolet	13			
Doug Webb	13			
Raffaele Jerusalmi[1]	12			
Baroness Janet Cohen	13	5		2
Sergio Ermotti	11		2	
Paul Heiden[1]	12	4		
Gay Huey Evans[1]	12	4	1	
Andrea Munari	13	4		
Paolo Scaroni	13		1	2
Massimo Tononi[2]	10			
Robert Webb	13		2	2
Directors who left the Board during the year				
Oscar Fanjul[3]	0	1	1	0
Nigel Stapleton[3]	2	1		
Angelo Tantazzi[4]	1	1		0

[1] Paul Heiden, Gay Huey Evans and Raffaele Jerusalmi joined the Board on 4 June 2010.
[2] Massimo Tononi joined the Board on 27 September 2010.
[3] Nigel Stapleton and Oscar Fanjul left the Board on 14 July 2010.
[4] Angelo Tantazzi left the Board on 27 September 2010.

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

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. The Company purchased and maintained a directors' and officers' liability insurance policy throughout the year ended 31 March 2011. This policy covers the Directors for any such liabilities in respect of which they are not indemnified by the Company, and the Company, to the extent to which it has indemnified the Directors. This insurance cover will be renewed on 1 June 2011. Neither the Company's indemnity nor insurance provides cover in the event that the Director is proved to have acted fraudulently or dishonestly.

Board Balance and Independence

There is a strong non-executive element on the Board and Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy. The Board comprises 12 Directors: the Chairman (who was independent on appointment), three Executive Directors and eight independent Non-Executive Directors.

The Board considers that the Directors demonstrate a strong range of business experience and the Board has the right mix of skills and experience given the size and geography of the Group. The Board also seeks to balance the continuity of experience and succession.

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

Andrea Munari is employed by Banca IMI and, until 31 March 2011, Sergio Ermotti was employed by Unicredit, both of which are shareholders of the Company and customers of the Company's Italian subsidiaries. Both companies also supply banking services and financial lines to the Group. The Combined Code suggests that such a business relationship may affect independence. However, the Board continues to believe that both are independent given the significance of the customer relationships to the Group as a whole, the fact that neither Mr Munari nor Mr Ermotti is directly involved in decisions relating to the investment in the Company or banking arrangements and both demonstrate behaviours indicating independence. The Board has found their knowledge and experience of financial markets particularly valuable. Neither was appointed under any arrangement with their respective employers.

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

Board Development

A number of Directors joined the Board in 2011. Each of the Directors was provided with an induction programme covering the key areas of business of the Group. Directors were 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 met with executives from throughout the Group to better understand each of the business areas together with the Group's governance, financial and legal framework.

Directors are encouraged to continually update their skills and knowledge of the business. Periodically the Board meets at the Group's Milan office and briefings are also given at Board meetings on particular parts of the business.

Performance Evaluation

The annual performance evaluation of the Board, its Committees and Directors was undertaken in 2011 and was conducted by the Group Company Secretary using a detailed questionnaire. The results of the review were used to highlight areas of strength and weakness, assist in consideration of the future development of the Board and its Committees and further improve their performance. The review also included a separate assessment of the Chairman's performance with feedback provided to the Chairman on an individual basis.

The results were discussed by the Board and actions agreed where appropriate. The evaluation concluded that the Board and its Committees were working effectively. The key areas identified by the Board for further development were that succession planning and risk should be given greater focus at Board level as well as in the relevant committees.

Conflicts of Interest

The Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Company has established a procedure whereby actual and potential conflicts of interest are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new Director or if a new conflict arises. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and in making such decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board believes that during 2011 this procedure operated effectively.

Board Committees

Remuneration Committee

The Committee members as at 31 March 2011 were: Robert Webb (Chairman), Chris Gibson-Smith (who was independent on appointment), Gay Huey Evans, Paolo Scaroni and Sergio Ermotti. All members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in a separate Remuneration Report on pages 48 to 57. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at *www.londonstockexchangegroup.com*

Nomination Committee

The Nomination Committee members as at 31 March 2011 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.londonstockexchangegroup.com*

The Committee met twice in the year. It considered the appointments of Paul Heiden, Gay Huey Evans and Massimo Tononi and also senior management succession planning. The members of the Nomination Committee provided advice to the Chairman and CEO in the negotiations with TMX Group between Board meetings, in particular in relation to governance matters.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Paul Heiden and at 31 March 2011 comprises three other independent Non-Executive Directors – Janet Cohen, Gay Huey Evans and Andrea Munari. The Committee met five times during the year and maintains a formal agenda which ensures that all matters for which the Committee is responsible are addressed at the appropriate time. Recent and relevant financial experience is provided by the Chairman of the Committee who is a chartered accountant and has held a variety of senior finance roles in his career. In addition the Board considers that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively. Its activities are set out in a separate report on pages 46 to 47.

Copies of the Committee's terms of reference are available on the Company's website at *www.londonstockexchangegroup.com* or on request from the Group Company Secretary.

Internal Control

The Board has overall responsibility for the framework of risk governance and for maintaining an adequate system of internal control which meets the Group's particular needs and mitigates the risks to which it is exposed in line with the Board's agreed risk appetite. The Audit and Risk Committee assists the Board in discharging this responsibility by reviewing and assessing the Group's internal controls and risk management process. The system of controls is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

The Board confirms that, through the Audit and Risk Committee, it has periodically reviewed the operation and effectiveness of the Group's system of internal controls and risk management throughout the financial year to which these financial statements apply and up to the date of their approval. No significant failings or weaknesses were identified during this review. However, the Board confirms that any necessary actions would have been taken should any significant failings or weaknesses have been identified. The Board is satisfied that the system of internal controls is in accordance with the guidance in the revised Turnbull guidance (2005).

The principal components of the Group's internal control framework are described below. The framework is amended as appropriate in response to changes in the Group's business and associated risks:

Organisational Structure

The business is managed on a day to day basis by an Executive Committee which is chaired by the Chief Executive Officer. Details of the Committee members and its role are provided on page 15. The Group is organised into a number of divisions, each of which is overseen by a member of the Executive Committee. The Executive Committee is supported by a Leadership Team, comprising 50 Senior Managers from across the business units within each division. Line management are accountable for internal controls and risk management. Clear lines of responsibility and delegation of authority from the Board are in place.

Policies and Procedures

The Group has established a number of policies and procedures which are designed to outline and give effect to the system of internal control. These policies are reviewed and updated to meet changing business needs. For example, a revised corporate gifts and hospitality policy has been introduced in response to the forthcoming introduction of the Bribery Act in the UK. The Group policies are supplemented with a number of local policies where appropriate and are available to all employees via the Group's intranet.

Risk Management System

Risk management is an integral part of management's agenda and business managers are responsible for risk identification, analysis, evaluation, mitigation, monitoring and reporting in their area, within the framework established by the Board. This encompasses a Board-endorsed risk management policy and risk appetite statement. Risk appetite is categorised using a five point scale ranging from zero to high, and limits have been established for each risk type which have been cascaded throughout the organisation via appropriate Group policies, delegated levels of authority and the internal control framework. For example, the Group has a zero tolerance for matters such as fraud or unethical behaviour, although will accept a moderate amount of risk in other regards (where such risk can be adequately quantified and managed) where an opportunity is likely to lead to successful delivery whilst providing an acceptable risk-weighted level of return.

A combined bottom up and top down risk management approach is adopted, with risks identified at a business unit, divisional and group level. The group risk register is presented to the Board for approval at least every six months following a review of the process by the Audit and Risk Committee. On an annual basis, a divisional internal control and risk management self-certification process is also performed.

The principal risks and uncertainties for the Group are detailed on pages 32 to 37.

Financial Reporting Process

A comprehensive business planning and financial reporting and review process using a single system for both internal and external purposes is in place. Monthly reporting of financial and key performance indicators to assess progress against objectives is undertaken. This process provides management with appropriate and relevant financial information on which to base decisions. Clear authorisation levels and appropriate segregation of duties are in place. Clearly defined procedures have been established for planning, approving and monitoring all investment decisions which includes the preparation of budgets, risk evaluation and appraisal and review procedures. Key issues are reported at each Board meeting.

Programme and Project Governance

All projects are performed in accordance with the Group's established and proven project management methodology. A project Board, including Executive Committee representation where appropriate, is accountable for delivery of each project.

Regulatory Monitoring

Separate regulatory teams monitor the regulatory and compliance risks in the UK and Italian markets in which we operate. These regulatory teams are managed independently from the customer-facing business units and work closely with the FSA in the UK and CONSOB and Banca d'Italia in Italy.

Internal Audit

Internal Audit provides independent review of internal controls and risk management procedures and reports its findings to the Executive and Audit and Risk Committees. All audit actions arising are monitored and tracked to completion. The audit plan is aligned to the Group risk register and is approved by the Audit and Risk Committee. Individual reviews are performed using a risk-based approach. Pre-implementation reviews are performed for all major Group projects and where appropriate Internal Audit will be represented at the project Board.

Relations with Shareholders

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

The IR team, which reports to the CFO, has responsibility for organising the IR programme and for day to day contact with the market. The CEO and CFO engage in regular dialogue 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. During the past year, senior management and the IR team held over 380 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 website at *www.londonstockexchangegroup.com* is the primary source of regularly updated information about the Group. Annual and interim reports and accounts, interim management statements, news releases, presentations at investor conferences and other key documents are archived on the website together with a summary of sell-side 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.

The Board receives a report on IR matters at each of its scheduled meetings, including market expectations of financial performance, share register composition and feedback from major investors. The Company also receives advice on shareholder relations and share register analysis from external advisers. The AGM provides the opportunity for shareholders to meet Directors and to put questions to the Board, including the Chairmen of the Audit and Risk, Remuneration and Nomination Committees. The procedures for the AGM are compliant with the Combined Code and the event is normally attended by all Directors. Voting at the AGM is by way of a poll to ensure all shareholders' views are taken into account.

Report of the Audit and Risk Committee

I assumed the role of Chairman of the Audit and Risk Committee (the Committee) in July 2010. As Chairman I am responsible for setting the Committee's annual agenda and reporting to the subsequent meeting of the Board on the Committee's work.

During the year the Committee continued to focus on the Group's control environment and management's work to further refine and improve the updated risk management framework introduced in the prior year. In addition the Committee reviewed changes planned to the Group's core finance systems in response to the changing Group structure and the Group's business continuity arrangements ahead of the launch of our new trading platform.

The Committee will have a number of priorities in the forthcoming year including items related to the TMX Group merger transaction and monitoring compliance with the Bribery Act 2010.

Paul Heiden
Chairman of the Audit and Risk Committee

Responsibilities

The Committee was renamed the Audit and Risk Committee (formerly "Audit Committee") in November 2010 to reflect its increased focus on risk. The Committee's responsibilities and remit are set out in its terms of reference which are approved by the Board and include:

- reviewing the integrity of, and key accounting judgements in, the Group's annual and half-year financial statements;
- reviewing and monitoring the effectiveness of the Group's internal controls and risk management systems, including the process for identifying, assessing and reporting all key risks;
- monitoring and reviewing the effectiveness of the Group's internal audit function; and
- overseeing the Group's relations with the Group's external auditors, including making recommendations to the Board concerning their appointment, retention, removal and remuneration.

By invitation, the Audit and Risk Committee meetings are regularly attended by the Chairman of the Board, Chief Financial Officer, Group Financial Controller, Head of Group Internal Audit, the Risk Management and Business Continuity Manager and the Group's external auditors, PricewaterhouseCoopers LLP. Both the external auditors and Head of Group Internal Audit have direct access to both the Chairman of the Company and the Audit and Risk Committee throughout the year and as a matter of best practice meet privately with the Committee at each meeting in the absence of management.

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.

Activities

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, including the evaluation of goodwill for any impairment and property impairment following rationalisation of our property portfolio in Milan. The Committee paid particular attention to the methodology used by management in undertaking the goodwill impairment review, including consistency with prior years, the assumptions made regarding future growth (based on the Group's three-year business plan) and the assessment of the cost of capital used to discount the cash flows of each cash generating unit;
- the risk management framework including particular focus on the management of risk within the Post Trade Services and Technology Services divisions;
- the documentation requirements and financial content of the communications to shareholders as part of the proposed merger with TMX Group;
- the Group's business continuity arrangements and future development plans in this area;

- reports from the Head of Internal Audit on the effectiveness of the Group's internal control system including key findings from internal audit reviews and actions taken in response by management;
- the remit of Internal Audit, including approval of the audit plan and an assessment of the department's effectiveness;
- the external auditors' report and findings from the half year review and year end audit; and
- incidents of whistleblowing which occurred within the Group and the arrangements by which employees may, in confidence, raise concerns about possible wrongdoing in financial reporting and other matters.

External Audit

PricewaterhouseCoopers LLP have been the Group's auditors for many years, although they were only appointed as auditors of Borsa Italiana in 2008 following our merger. The auditors of regulated entities are appointed for nine years under Italian law. Accordingly, PricewaterhouseCoopers were appointed as auditors of Borsa Italiana until the year ended 31 March 2016. Borsa Italiana may terminate the appointment for just cause at any point during the nine years, although along with the auditors, would have to communicate to CONSOB the reasons why the mandate had been terminated. The auditors must be replaced after nine years and cannot be reappointed within three years.

The Committee recognises that certain work of a non-audit nature can be best undertaken by the external auditors due to their knowledge of the Group. To ensure that any such work would not impair the external auditors' independence and objectivity the Committee has adopted a policy on the provision of non-audit services by the external auditors and monitors compliance with it semi-annually. The policy is consistent with APB Ethical standard 5 "Non Audit Services Provided to Audit Clients". The policy permits specified compatible services, prohibits the provision of selected other non-audit services and requires case by case consideration of non-audit services that are potentially incompatible with independent external audit services. Copies of the policy are available on the Company's website or on request from the Group Company Secretary.

A breakdown of the fees paid and payable to the external auditors for the year ended 31 March 2011 is provided below and in note 36 to the accounts:

	2011 £m	2010 £m
Audit of parent company and consolidated accounts	0.2	0.2
Audit of subsidiary companies	0.8	1.0
Other audit related	0.2	0.1
Other non-audit services		
Taxation	0.3	0.3
Corporate finance	0.3	0.3
Other assurance services	0.4	0.1
Total	2.2	2.0

In the year ended 31 March 2011, the substantial majority of other non-audit services related to services provided by PricewaterhouseCoopers LLP in relation to the proposed merger with TMX Group Inc. The Audit and Risk Committee reviewed these appointments and concluded that there were no conflicts of interest and, given PwC's knowledge of our business and the Group's structure and accounting and tax affairs, the appointment of PricewaterhouseCoopers LLP represented the most effective and efficient way of obtaining the necessary advice and services. In considering the provision of non-audit services the Committee reviews the ratio of audit fees to non-audit fees and the economic importance of our business to the external auditors. The Committee has concluded that the nature and extent of overall and non-audit fees do not compromise the external auditors' independence, and that the fee payable in respect of audit services is appropriate to ensure that an adequate audit can be performed. There are a number of other safeguards in place to ensure the independence of the external auditors is not compromised:

- PricewaterhouseCoopers LLP provide written confirmation to the Committee on a periodic basis of all relationships with the Group, and that in their professional judgement, they are independent of the Group;
- PricewaterhouseCoopers LLP are required to rotate the audit engagement partner every five years as required by their own rules and relevant professional standards. The current audit partner was appointed in 2010; and
- The Group has a policy on the employment of former employees of the external auditor. Any partner 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.

The Committee undertakes an annual evaluation of the independence and objectivity of the external auditors, and the effectiveness of the audit process following completion of the annual audit, taking into account all elements of the framework outlined above. The Committee is satisfied that the independence and objectivity of the external auditors is not impaired, and that the external audit process remains effective. There are no contractual obligations that restrict the Group's choice of external auditors except as highlighted above. Accordingly, resolutions to authorise the Board to re-appoint PricewaterhouseCoopers LLP as auditors of the Group and determine their remuneration will be proposed at the Company's Annual General Meeting (AGM) on 20 July 2011.

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 2010/2011 financial year are set out in the tables within this report. The tables on pages 55 to 57 have been subject to audit.

On behalf of the Board, I am pleased to present the Remuneration Report for the 2010/11 financial year.

As set out elsewhere in our Annual Report, we have achieved much during the year towards delivering on our strategy, improving operational efficiencies and leveraging our assets. This progress, reflected in improved financial performance, has been achieved despite variable market conditions and an increasingly competitive environment. The Remuneration Committee recognises that the high calibre and performance of our people has contributed significantly to these achievements.

As in previous years, the Committee reviewed executive remuneration arrangements to ensure that they remain aligned with the business strategy and shareholders' interests. The Committee concluded that the current framework continued to be effective in achieving these aims and that our incentive design should be retained for 2011/2012 while Executive Director salary increases are restricted to a recognition of Xavier Rolet's particular importance to the Group. Specifically:

- Salaries. To recognise Xavier Rolet's performance since joining the Company and his importance to delivering our strategy the Committee decided to increase his salary by 3.8 per cent to £675,000 per annum with effect from 1 April 2011. This is the first salary increase awarded to Xavier Rolet since his appointment. The salaries for Raffaele Jerusalmi and Doug Webb have not been increased.
- No increase in bonus opportunity. The Committee believes 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 2011 will again be used for awards for the year ending 31 March 2012. It is intended that these awards will be over shares to the value of 200 per cent of salary for Xavier Rolet and around 150 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, meeting with, and writing to, a number of shareholders and other representative bodies over the past 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

Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee meets regularly to consider, on behalf of the Board, executive remuneration including terms and conditions of employment, incentive schemes and retirement benefits. During the year ended 31 March 2011, the Committee met on two occasions. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and the Executive Committee, (the senior managers that head the Group's business segments) including the awards made under the performance-related incentive schemes. The five members of the Committee are:

Robert Webb (Chairman)
Chris Gibson-Smith
Gay Huey Evans
Paolo Scaroni
Sergio Ermotti

The Committee's terms of reference, which are reviewed regularly and approved by the Board, are available on the Company's website at *www.londonstockexchangegroup.com* or on request from the Group Company Secretary.

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

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

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

The Remuneration Committee continues to be mindful of recommendations from key stakeholders, including institutional investor bodies, and the Committee 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 its remuneration policy:

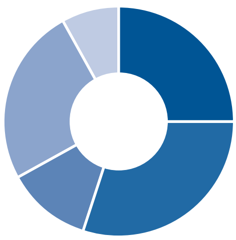
- a commitment to maximising shareholder value;
- the regular recruitment of senior management roles from the international financial sector which requires remuneration packages with a high variable pay component;
- the higher profile of the Group compared with many other quoted companies with similar market capitalisations;
- the Group's intent to comply with best practice as expressed by institutional shareholders and their representative bodies; and
- the expansion of the Group beyond the UK.

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

The Company is proposing a merger with TMX Group later in the year and, assuming it goes forward, a new Remuneration Committee will be appointed. The new Remuneration Committee will determine the executive compensation arrangements that will apply to the enlarged Board for the future, after a comprehensive review of compensation practices and having regard to governance rules and principles in the UK and Canada. It is expected that the executive compensation arrangements will continue to include a mix of base salary, annual bonus and share-based incentives.

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 2011 which remains unchanged since the previous year.

Total Target Remuneration *(%)*
Year end 31 March 2011



Salary	25
Target Bonus	30
LTIP – Matching Shares	12
LTIP – Performance Shares	25
Pension and Benefits	8

The Committee recognises that this is perhaps a more geared remuneration structure than for some FTSE 100 companies, in that it provides for a higher annual bonus potential, although this is significantly less than a City financial institution and is balanced by a below-median base salary.

As in previous years, the Committee reviewed executive remuneration against companies ranked 31-100 in the FTSE. Overall the Committee wishes to position total target remuneration at or around the median of the FTSE 31-100. The Committee considers it appropriate to reward superior performance with upper quartile compensation levels.

Regard is given to pay and conditions elsewhere in the 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 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. Adjustments may be made to reflect changes in responsibilities and to ensure that total remuneration levels are consistent with the Company's remuneration policy. With effect from 1 April 2011, Xavier Rolet's salary has been increased to £675,000 (from £650,000) to appropriately reflect his contribution and performance, and to position him correctly against the market. Doug Webb's salary remains at £330,000 and Raffaele Jerusalmi's salary remains at €380,000.

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 2011, 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 focus for annual bonus plan purposes.

For the year ended 31 March 2011, the maximum bonus opportunities were 225 per cent of salary for the Chief Executive and 200 per cent of salary for other Executive Directors. For the forthcoming year, it is intended that the same maximum opportunities will apply.

For the year ended 31 March 2011, 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. These performance objectives included a number of criteria, for example: achievement of targets attached to our continued focus on costs; expansion of existing businesses in Capital Markets and Information Services into new markets; migration to new trading platforms; maintaining market share; and extending the Company's pan-European and global reach. These objectives also include core business performance against Group and divisional targets.

The Remuneration Committee assessed the Group as having a very successful year, successfully delivering on the Group's strategy. Highlights include a 22 per cent increase in adjusted operating profit; in an increasingly competitive environment the share of trading in UK equities was maintained with a slight increase in the final quarter of the year; new product launches in all our major markets; the migration of UK equities, Turquoise, IDEM and EDX to new platforms. Whilst the migration of four markets in a year is considered a significant achievement the Remuneration Committee did recognise that the trading outages that followed had impacted our customers.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded an annual bonus of £1.3m to Xavier Rolet, £450,000 to Doug Webb and €550,000 to Raffaele Jerusalmi.

Long Term Incentive Plan

The LTIP was approved by shareholders in July 2004 and amended by ordinary resolution at the AGM in July 2008. The LTIP has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of all or some of their annual bonus (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 2011 are illustrated below:

Bonus deferred
Executives may invest all or part of their pre-tax bonus, up to 50 per cent of base salary, into London Stock Exchange Group Shares

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

Matching Shares
The deferred bonus is matched with a performance-related Matching Share award. Maximum match of 2:1 on a pre-tax basis

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

For the year to 31 March 2011, awards of Performance Shares were made with a value of £1,000,000 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 end of the performance period to ensure that any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders.

For awards made in the year to 31 March 2011, the following vesting schedules apply:

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

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

It is intended that the above vesting schedules will also apply for awards made in the year to 31 March 2012.

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

	Awards made in year to 31 March 2010
Comparative TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of comparative TSR element vesting
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%

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

	Awards made in year to 31 March 2009
Comparative TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of TSR element vesting
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%

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

TSR performance was independently verified on behalf of the Committee by Deloitte LLP.

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 Jerusalmi receives benefits in kind, principally health care, life assurance and disability insurance.

Pensions

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

Pension provision takes the form of a non-consolidated allowance. In the year ended 31 March 2011, Xavier Rolet and Doug Webb each received an allowance equivalent to 25 per cent of base salary. This is invested in the defined contribution pension scheme up to HM Revenue & Customs lifetime allowance limits. Where lifetime allowance limits are exceeded, these are paid as a cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Raffaele Jerusalmi 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 base annual salary.

Full details of the interest in shares of the Executive Directors are shown on pages 56 to 57.

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). Shareholders are being asked to approve the adoption of a new Save as You Earn scheme (to replace the SAYE) at the AGM. Under the rules of the SAYE and the new replacement scheme, participants can save up to £250 each month for a period of three or five years. At the end of the saving period, savings plus interest may be used to acquire shares by exercising the related option.

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

There is also an international sharesave plan, mirroring the structure of the SAYE plan, in which Borsa Italiana employees are eligible to participate. It is intended that this scheme will be extended to Sri Lankan employees in the forthcoming year.

In 2009 a HM Revenue & Customs Approved Share Option (ASOP) Plan 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 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. 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 Jerusalmi 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 Jerusalmi entered into a service agreement with Borsa Italiana relating to his position as general manager of that company and head of capital markets and a service agreement with LSEG Holdings (Italy) Limited Italian Branch relating to his position as Institore of that company. Raffaele Jerusalmi 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 Jerusalmi'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 Jerusalmi 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 Jerusalmi resigns, he is required to give three months' notice. On termination of either employment for any reason, Raffaele Jerusalmi 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 Jerusalmi 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 Jerusalmi 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.

In the year ended 31 March 2011 Xavier Rolet served as a director of LCH.Clearnet Group Ltd until he resigned this position with effect from 22 July 2010. He received a fee of £10,166 for this directorship which he donated to charity. 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 to 31 March 2011, the Chairman's and Non-Executive Directors' fees were reviewed against fee levels in FTSE 31–100 companies and it was determined that fee levels for Non-Executive Director roles would be increased from 1 April 2011 as follows:

	To 31 March 2011	To 31 April 2012
Non-Executive Director base fee	£54,000	£60,000
Committee membership	–	£5,000
Audit Committee Chairman	£17,500	£20,000
Remuneration Committee Chairman	£17,500	£20,000

The fee for the Chairman remained unchanged at £370,000. Paolo Scaroni was appointed Deputy Chairman with effect from 27 September 2010 and his fee was increased to £120,0000 with effect from that date to reflect this responsibility.

Following the merger with Borsa Italiana in 2007, Angelo Tantazzi retained the following fees in relation to his directorships of Borsa Italiana S.p.A. and Monte Titoli S.p.A.:

- Chairman of Borsa Italiana S.p.A. €533,000 (£452,846); and
- Chairman, Monte Titoli S.p.A. €173,000 (£146,984).
  (based on a euro: sterling conversion rate of 1.1770)

Angelo Tantazzi is also Chairman of CC&G for which he receives no fee.

Angelo Tantazzi resigned as a director of the Company in September 2010. Prior to his resignation he was Deputy Chairman of the Company. He did not receive any additional fees for these roles. His appointment as Chairman of Borsa Italiana S.p.A. and CC&G are for fixed terms expiring at the AGMs in June 2011 and his appointment as Chairman of Monte Titoli S.p.A. is for a fixed term expiring at the AGM in 2012.

To enable Angelo Tantazzi to perform his duties in Milan, the Company provided him with rented accommodation for which any tax arising is reimbursed. Other than this, and chauffeur costs for Chris Gibson-Smith, Non-Executive Directors receive no 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

Note: Angelo Tantazzi, Oscar Fanjul and Nigel Stapleton ceased to be Non-Executive Directors during the year, their original dates of appointment were 1 October 2007, 1 February 2001 and 1 February 2001 respectively.

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. 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.

Total Shareholder Return (TSR) Performance

The following line graph shows, for the financial year ended 31 March 2011 and for each of the previous five financial years, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated.

The TSR graph represents the value, at 31 March 2011, of £100 invested in London Stock Exchange Group plc on 31 March 2006 compared with the value of £100 invested in the FTSE 100 Index over the same period. The FTSE 100 Index is considered appropriate as London Stock Exchange Group has been ranked in the top 100 companies of the FTSE for a substantial proportion of the period in question.

Value of £100 invested on 31 March 2006

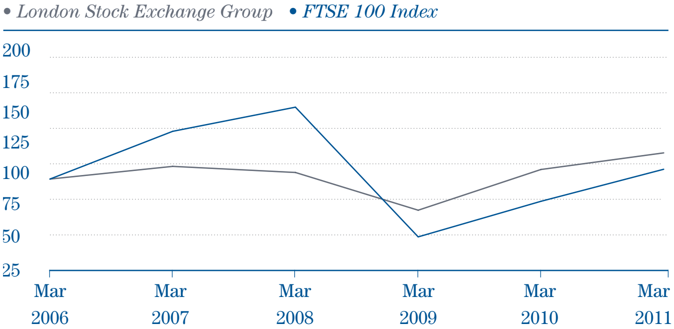


Table A – Directors' Remuneration – Auditable

	2011				2010				2011	2010
	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Salary £000	Performance bonus £000	Benefits £000	Total	Pensions (Note iii) £000	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	370	–	37	407	370	–	–	370	–	–
Chief Executive										
X Rolet	670	1,300	1	1,971	670	1040	1	1,711	163	162
Executive Directors										
D Webb	350	450	1	801	350	350	1	701	83	83
R Jerusalmi (Note iv)	269	486	22	777	–	–	–	–	–	–
Former Directors	–	–	–	–	946	546	143	1,635	–	227
	1,659	2,236	61	3,956	2,336	1,936	145	4,417	246	472

Non-Executive Directors' Fees

	Fees £000	Benefits (Note ii) £000	Total £000	Fees £000	Benefits (Note ii) £000	Total £000	Pensions £000	Pensions £000
A Tantazzi (Note iv)	298	25	323	619	55	674		
Baroness Cohen (Note iv)	76	–	76	77	–	77		
S Ermotti	54	–	54	54	–	54		
O Fanjul	19	–	19	72	–	72		
A Munari	54	–	54	54	–	54		
P Scaroni	88	–	88	54	–	54		
N Stapleton	16	–	16	54	–	54		
R Webb QC	72	–	72	67	–	67		
P Heiden	59	–	59	–	–	–		
G Huey Evans	44	–	44	–	–	–		
M Tononi	39	–	39	–	–	–		
Total Non-Executive Directors' fees (Note v)	819	25	844	1,051	55	1,106		
Total Directors' emoluments			4,800			5,523	246	472

C Furse ceased to be a director of the Company on 15 July 2009 and ceased employment with the Company on 15 July 2010.
M Capuano ceased to be a director of the Company and employment with the Company on 31 March 2010.
R Jerusalmi was appointed as a director of the Company on 4 June 2010.
P Heiden and G Huey Evans were appointed as Non-Executive Directors of the Company on 4 June 2010.
O Fanjul and N Stapleton ceased to be Non-Executive Directors of the Company on 14 July 2010.
M Tononi was appointed as a non-executive director of the Company on 27 September 2010.
P Scaroni was appointed as Deputy Chairman of the Company on 27 September 2010.

Notes

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

ii) Benefits
For C 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.
For R Jerusalmi, benefits represent the cash value of health, disability, life and accident insurance cover, luncheon vouchers and car and fuel benefit.
For A Tantazzi, benefits represent the cash value of provision of accommodation in Milan.

iii) Pensions
The Company contributed £82,500 to the senior executive defined contribution plan for D Webb as shown in the table above.
X Rolet received his pension as a cash supplement.

iv) Executive and Non-Executive Directors
A Tantazzi and R Jerusalmi are paid in euros. Baroness Cohen is a Non-Executive Director of Borsa Italiana S.p.A. for which she receives an annual fee of €26,000 (£22,090). Where their remuneration is presented in sterling in the Remuneration Report a euro: sterling conversion rate of 1.18 has been used for 2011 and 1.13 for 2010.

v) Non-Executive Directors' fees
Fees paid directly to the employer company of two (2010: two) Non-Executive Directors were £108,000 (2010: £108,000).

vi) Waiver of emoluments
None of the Directors waived their emoluments during 2010 and 2011.

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 page 51.

	Number of shares								
Share awards	At start of year	Awarded during the year	Vested during year	At end of year	Price at award date	Price at vesting date	Value at vesting date	Date of award	Final vesting date
X Rolet	290,016	–	–	290,016	4.48	–	–	17/03/09	Prelims 2012
	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
	437,944	234,930	–	672,874					
D Webb	37,016	–	–	37,016	8.92	–	–	09/06/08	09/06/11
	36,104	–	–	36,104	9.14	–	–	10/06/08	10/06/11
	63,137	–	–	63,137	7.84	–	–	23/07/08	23/07/11
	73,964	–	–	73,964	6.76	–	–	16/07/09	16/07/12
	48,349	–	–	48,349	6.83	–	–	28/07/09	28/07/12
	–	71,428	–	71,428	7.00	–	–	14/09/10	14/09/13
	–	46,974	–	46,974	7.03	–	–	27/09/10	27/09/13
	258,570	118,402	–	376,972					
R Jerusalmi	7,047*	–	–	–	18.82	–	–	16/11/07	16/11/10
	10,705*	–	–	–	17.72	–	–	04/12/07	04/12/10
	26,049	–	–	26,049	8.06	–	–	27/06/08	27/06/11
	40,213	–	–	40,213	7.84	–	–	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
	157,978	71,428	–	211,654					

* Awards granted to R Jerusalmi in 2007 were subject to a single performance condition of TSR performance against FTSE 31-150 companies (excluding investment trusts) over a three-year performance period. TSR performance over the period was below the median of this comparator group so none of the award vested.

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

SAYE

Share awards	Number of shares: At start of year	Number of shares: Awarded during the year	Number of shares: Vested during year	Number of shares: At end of year	Price at award date	Date of award	Vesting date	Expiry date
D Webb	1,652	–	–	1,652	5.69	07/08/08	01/09/11	01/03/12

Directors' Interest in Shares

The Directors who held office on 31 March 2011 had the following other beneficial interests in the shares of the Company:

	Ordinary Shares *31 March 2011*	Ordinary Shares *31 March 2010*
C Gibson-Smith	63,757	63,757
X Rolet	23,000	–
D Webb	36,287	24,820
R Jerusalmi	40,100	–
Baroness Cohen	6,616	6,616
S Ermotti	–	–
A Munari	–	–
P Scaroni	–	–
R Webb	1,200	1,200
P Heiden	3,000	–
G Huey Evans	–	–
M Tononi	–	–

There have been no changes in Directors' own shares between 31 March 2011 and 13 May 2011.

Directors' Report

The Directors of the London Stock Exchange Group plc are pleased to present their annual report to shareholders, together with the financial statements for the year ended 31 March 2011.

Principal Activities and Results

The principal activities of the Company and its subsidiaries are the admission of securities to trading, the delivery of trading systems, clearing and settlement of trading in securities, the organisation and regulation of markets in securities and the provision of 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 impairment of goodwill, amortisation of purchased intangible assets and non-recurring items, of £296.3 million (2010: £242.0 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 2011 was £238.2 million (2010: £144.3 million) and profit after taxation was £156.5 million (2010: £91.7 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 14; and
- Business Review (including the Financial Review) pages 15 to 37.

Dividends

The Directors are recommending a final dividend for the year of 18 pence (2010: 16.0 pence) per share which is expected to be paid on 22 August 2011 to shareholders on the register on 29 July 2011. Together with the interim dividend of 8.8 pence (2010: 8.4 pence) per share paid in January 2011, this produces a total dividend of 26.8 pence (2010: 24.4 pence) per share estimated to amount to £72.2 million (2010: £65.4 million). Pursuant to the merger with TMX Group, the Company intends to pay shareholders a dividend equal to the full year dividend declared in respect of the year to 31 March 2011, prorated in respect of the period from 31 March 2011 to the date of completion of the merger in accordance with the Company's existing dividend policy.

Share Capital

As at 31 March 2011 the Company had 271.1 million ordinary shares in issue with a nominal value of 6 $^{79}/_{86}$ pence each, representing 100 per cent of the total issued share capital. 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 he or she holds on a poll. Proxy appointments and voting instructions must be received by the Company's Registrars not less than 48 hours before the time appointed for holding a general meeting or adjourned general meeting if in hard copy or electronic form or, in either case, not less than 24 hours before the time appointed for the taking of a poll where a poll is taken more than 48 hours after it is demanded. Proxy appointments and voting instructions in hard copy form, where a poll is not taken forthwith but is taken not more than 48 hours after it is demanded, may be delivered at the meeting at which the poll was demanded to the Chairman, Secretary or any Director.

Subject to the provisions of the Companies Act 2006: (a) the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board; and (b) the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Insolvency Act 1986: (a) divide among the shareholders in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders; (b) vest the whole or any part of the assets in trustees for the benefit of the shareholders; and (c) determine the scope and terms of those trusts. No shareholder shall be compelled to accept any asset on which there is a liability.

Subject to the provisions of the Companies Act 2006, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of allotment of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either:

(a) with the written consent of the holders of 75 per cent in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares); or
(b) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise.

The Board may, in its absolute discretion, notify a shareholder that they are not entitled to attend or vote at a general meeting or to exercise any other shareholder rights if he or she, or any person with an interest in shares has been sent a notice under section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) and has failed to supply the Company with the requisite information within the prescribed period. In certain circumstances, the direction notice may additionally direct that in respect of the default shares, no dividend is payable and that no transfer of any default shares may be registered. Shareholders' rights to vote may also be restricted where the shares that they hold are not fully paid.

Transfers of Shares

The Board may refuse to register the transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer: (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (b) is in respect of only one class of shares; and (c) is in favour of not more than four transferees. Transfers of uncertificated shares must be carried out using the relevant system and the Board may refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of the relevant system and in accordance with applicable statute.

There are no other limitations on the holding of ordinary shares in the Company and the Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

Corporate Governance Statement

The Company's Corporate Governance Report is set out on pages 40 to 45 and is, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 9 July 2008 in order to implement changes permitted under the Companies Act 2006) may only be amended by special resolution at a general meeting of the shareholders.

Substantial shareholding

As at 13 May 2011 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	15.08%
Unicredito Italiano S.p.A.	5.95%
Intesa Sanpaolo S.p.A.	5.33%
FIL Limited	5.02%
Legal & General Group plc	4.99%

Directors

Details of the Directors are set out on pages 38 to 39.

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 £6,500,000 (representing approximately 33.3 per cent of the issued share capital of the Company as at the date of the Notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of £12,500,000 (representing approximately 66.6 per cent of the issued share capital of the Company as at the date of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

Authority to Purchase Shares

The authority for the Company to purchase in the market up to 27 million of its ordinary shares, representing approximately 10 per cent of the issued ordinary share capital of the Company, as at the date of the notice of the Company's last AGM, granted at the AGM held on 14 July 2010, expires at the end of the forthcoming AGM, at which shareholders will be asked to give a similar authority to repurchase shares.

At a separate general meeting of the Company to be held in connection with the merger, it is contemplated that shareholders will be asked to give similar authorities in relation to the authorities to allot and purchase shares, set out above, with effect from completion of the merger, by reference to the issued share capital of the Company as enlarged by the merger. Conditional upon completion of the merger, this authority will replace any authority granted at the forthcoming AGM.

Directors' Interests

Directors' interests in the shares of the Company as at 31 March 2011 according to the register maintained under the Companies Act 2006 are set out in the Directors' Remuneration Report on pages 48 to 57. 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 31. 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 £384,000 (2010: £506,000) to charitable organisations, with a further £1,080,000 of London Stock Exchange Fine Income donated to charity. £1,300,000 (2010: £100,000) from LSEG of these combined donations were made to the London Stock Exchange Group Foundation. Details of the Group's Charitable giving is contained in the Wider Responsibility report on pages 30 to 31.

Political Donations and expenditure

The Group made no political donations and incurred no political expenditure during the year. The Board is proposing that shareholders pass a resolution at the forthcoming AGM in the same form as last year to authorise the Company to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006) in amounts not exceeding £100,000 in individual or aggregate, until the end of the Company's AGM in 2012. It is the Company's policy not to make political donations or incur political expenditure and the Board has no intention of using this authority for that purpose. However, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and this authority is sought to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities.

Supplier Payment Policy

It is the Group's ongoing policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods and services have been satisfactorily supplied. 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 2011 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 24 days (2010: 16 days).

Significant Contracts

The Company (as borrower) has entered into:

(i) a revolving facility agreement with, among others, Barclays Capital, The Royal Bank of Scotland plc, HSBC Bank plc, the Bank of Tokyo-Mitsubishi UFJ Ltd, Intesa Sanpaolo S.p.A., Lloyds TSB Bank plc and Unicredit Bank AG, London Branch, dated 17 November 2010; and

(ii) a revolving facility agreement with, among others, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, and Intesa Sanpaolo S.p.A., dated 24 July 2008.

Both these Agreements contain a change of control provision which, if triggered, allows 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.

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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 on the Notes.

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

The Merger Agreement between TMX Group and the Company was entered into on 9 February 2011 and is governed by the laws of the Province of Ontario and the laws of Canada applicable thereon.

Pursuant to the terms of the Merger Agreement, the parties have entered into certain non-solicitation covenants in respect of potential third party approaches, including approaches that may give rise to a change of control. In addition, a termination fee of 39,000,000 Canadian dollars will be payable either from the Company to TMX Group or from TMX Group to the Company in certain circumstances.

In particular, either party may receive payment of the termination fee in circumstances (inter alia) where:

(i) the other party breaches its non-solicitation covenants in any material respect and the harmed party terminates the Merger Agreement, or
(ii) the other party terminates the Merger Agreement for the purpose of entering into a binding written agreement with respect to a superior proposal relating to that other party.

In addition, if either party terminates the Merger Agreement because (i) there was a delay in the merger becoming effective beyond the time agreed in the Merger Agreement, or (ii) either party's shareholder approval had not been obtained, a termination fee will be payable if:

(a) prior to such termination, a bona fide acquisition proposal (which includes an acquisition of 50 per cent or more of the shares in the relevant party) is made by a third party for a party, and
(b) within 12 months following the date of such termination that party enters into a definitive agreement in respect of such acquisition proposal which is subsequently completed.

In such circumstances, the termination fee will be payable by the party the subject of the subsequent acquisition proposal (less the amount of any expense fee previously paid under the terms of the Merger Agreement in connection with the termination).

Employee Benefit Trust

As at 31 March 2011 the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 1.9 million shares (2010: 3.0 million) under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share schemes. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Contractual Arrangements Essential to the Company

Under the UK Companies Act 2006 we are required to provide information about persons with whom the company has contractual or other arrangements which are essential to the business. The Group has contractual arrangements with LCH. Clearnet for clearing services to London Stock Exchange members and with SIA-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 32 to 37 of this report, and in the notes to the Financial Statements on pages 73 to 75.

Audit Information

In accordance with Section 418(2) of the Companies Act 2006, the Directors confirm, in the case of each Director in office at the date the Directors' Report is approved, that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(ii) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

By Order of the Board

Lisa Condron
Group Company Secretary
13 May 2011

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Introduction, Market Positon and Outlook and Business Review on pages 1 to 37. In particular, the current economic conditions have created a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 32 to 37.

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 72 to 75. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed funding at 31 March 2011 increased to £1,000 million (2010: £975 million) all of which is committed until July 2013 or beyond (2010: £950 million committed until February 2012), described further in the Financial Review on pages 26 to 29.

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

Directors' Responsibility Statement

Each of the Directors, whose names and functions are set out on pages 38 to 39 of this Annual Report, confirm that, to the best of their knowledge and belief:

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

By order of the Board

Lisa Condron
Group Company Secretary
13 May 2011

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 2011 which the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Balance Sheets, the Statements of Changes in Equity, the Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 62, 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 2011 and of the Group's profit and group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the 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 40 to 45 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 62, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; 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
13 May 2011

Consolidated income statement

Year ended 31 March 2011

		2011			2010		
		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
Continuing operations	*Notes*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Revenue	4	615.9	–	615.9	605.6	–	605.6
Net treasury income through CCP business	4	51.3	–	51.3	16.2	–	16.2
Other income		7.7	–	7.7	6.5	–	6.5
Total income		674.9	–	674.9	628.3	–	628.3
Expenses							
Operating expenses	5,7	(336.9)	(68.1)	(405.0)	(349.6)	(98.0)	(447.6)
Share of profit after tax of joint ventures/associates	14,15	3.1	10.0	13.1	1.6	–	1.6
Operating profit/(loss)		341.1	(58.1)	283.0	280.3	(98.0)	182.3
Finance income		16.1	–	16.1	15.2	–	15.2
Finance expense		(60.9)	–	(60.9)	(55.9)	–	(55.9)
Net finance expense	8	(44.8)	–	(44.8)	(40.7)	–	(40.7)
Profit on disposal of shares in subsidiary/associates	7,9	–	–	–	2.4	0.3	2.7
Profit/(loss) before taxation		296.3	(58.1)	238.2	242.0	(97.7)	144.3
Taxation	9	(89.8)	8.1	(81.7)	(73.9)	21.3	(52.6)
Profit/(loss) for the financial year		206.5	(50.0)	156.5	168.1	(76.4)	91.7
Profit/(loss) attributable to non-controlling interests		8.6	(3.7)	4.9	7.3	(6.0)	1.3
Profit/(loss) attributable to equity holders		197.9	(46.3)	151.6	160.8	(70.4)	90.4
		206.5	(50.0)	156.5	168.1	(76.4)	91.7
Basic earnings per share	10			56.4p			33.8p
Diluted earnings per share	10			55.9p			33.5p
Adjusted basic earnings per share	10			73.7p			60.1p
Adjusted diluted earnings per share	10			72.9p			59.6p
Dividend per share in respect of financial year							
Dividend per share paid during the year	11			24.8p			24.4p
Dividend per share declared for the year	11			26.8p			24.4p

Consolidated statement of comprehensive income

Year ended 31 March 2011

		Group	
		2011	2010
	Notes	*£m*	*£m*
Profit for the financial year		156.5	91.7
Defined benefit pension scheme actuarial gain/(loss)	19	32.4	(1.8)
Cash flow hedge		2.8	(0.9)
Net investment hedge		6.5	(9.9)
Exchange loss on translation of foreign operations		(13.0)	(56.8)
Tax related to items not recognised on income statement	9	(6.5)	1.5
		22.2	(67.9)
Total comprehensive income for the financial year		178.7	23.8
Attributable to non-controlling interest		5.9	(2.2)
Attributable to equity holders		172.8	26.0
		178.7	23.8

Balance Sheets

31 March 2011

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Assets					
Non-current assets					
Property, plant and equipment	12	62.4	74.9	–	–
Intangible assets	13	1,394.4	1,484.1	–	–
Investment in joint ventures	14	17.3	7.1	–	–
Investments in associates	15	0.6	1.5	–	–
Investments in subsidiary undertakings	16	–	–	3,759.7	3,744.6
Deferred tax assets	17	12.2	6.2	–	–
Available for sale investments	18	0.4	0.4	–	–
Retirement benefit asset	19	37.6	4.6	–	–
Other non-current assets		0.5	0.7	–	–
		1,525.4	1,579.5	3,759.7	3,744.6
Current assets					
Inventories	20	1.4	2.2	–	–
Trade and other receivables	21	126.8	132.2	155.0	161.4
Derivative financial instruments	22	0.7	0.6	0.4	0.6
CCP financial assets		110,177.9	79,669.3	–	–
CCP cash and cash equivalents (restricted)		5,929.3	4,580.7	–	–
CCP clearing business assets	22	116,107.2	84,250.0	–	–
Current tax		21.2	–	8.3	45.9
Assets held at fair value	22	8.6	9.5	–	–
Cash and cash equivalents	23	267.0	223.1	0.8	0.1
		116,532.9	84,617.6	164.5	208.0
Assets held for sale	24	36.9	–	–	–
Total assets		118,095.2	86,197.1	3,924.2	3,952.6
Liabilities					
Current liabilities					
Trade and other payables	25	156.5	137.1	210.9	203.3
Derivative financial instruments	22	0.3	2.7	–	2.7
CCP clearing business liabilities	22	116,104.5	84,257.5	–	–
Current tax		49.9	10.5	–	–
Borrowings	26	0.1	0.9	–	–
Provisions	28	3.7	3.7	–	–
		116,315.0	84,412.4	210.9	206.0
Non-current liabilities					
Borrowings	26	499.0	605.8	499.0	605.8
Derivative financial instruments	22	12.9	16.3	12.9	16.3
Deferred tax liabilities	17	92.3	94.3	–	–
Retirement benefit obligation	19	6.4	7.3	–	–
Provisions	28	27.8	30.2	–	–
		638.4	753.9	511.9	622.1
Liabilities held for sale	24	4.8	–	–	–
Total liabilities		116,958.2	85,166.3	722.8	828.1
Net assets		1,137.0	1,030.8	3,201.4	3,124.5
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	29	18.8	18.8	18.8	18.8
Retained (loss)/earnings		(662.9)	(775.7)	1,364.1	1,289.9
Other reserves		1,681.0	1,684.8	1,818.5	1,815.8
		1,036.9	927.9	3,201.4	3,124.5
Non-controlling interests		100.1	102.9	–	–
Total equity		1,137.0	1,030.8	3,201.4	3,124.5

The financial statements on pages 64 to 100 were approved by the Board on 13 May 2011 and signed on its behalf by:

Xavier Rolet
Chief Executive

Doug Webb
Chief Financial Officer

Cash flow statements

Year ended 31 March 2011

		Group		Company	
		2011	2010	2011	2010
	Notes	*£m*	*£m*	*£m*	*£m*
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	30	381.8	301.2	(9.9)	(3.5)
Interest received		1.4	2.1	46.6	7.2
Interest paid		(44.9)	(31.0)	(44.6)	(42.6)
Corporation tax paid		(54.3)	(48.1)	–	–
Group relief received		–	–	48.2	–
Withholding tax paid		(19.5)	(9.0)	–	–
Net cash inflow/(outflow) from operating activities		264.5	215.2	40.3	(38.9)
Cash flow from investing activities					
Purchase of property, plant and equipment		(16.9)	(12.3)	–	–
Sale of property, plant and equipment		0.4	–	–	–
Purchase of intangible assets		(26.1)	(29.9)	–	–
Investment in joint ventures		–	(6.1)	–	–
Investment in subsidiaries		(10.3)	(16.3)	(10.8)	(7.0)
Net cash inflow from acquisitions		4.8	5.2	–	–
Dividends received		4.3	2.5	168.8	154.9
Proceeds from sale of non-controlling interest in subsidiary		–	7.4	–	–
Net cash (outflow)/inflow from investing activities		(43.8)	(49.5)	158.0	147.9
Cash flow from financing activities					
Dividends paid to shareholders		(66.6)	(65.2)	(66.6)	(65.2)
Dividends paid to non-controlling interests		(6.1)	(8.7)	–	–
Redemption of B shares		–	(2.3)	–	(2.3)
Repayment of loan to ESOP trust		–	–	3.3	1.4
Loans to subsidiary companies		–	–	(30.5)	(33.8)
Proceeds from own shares on exercise of employee share options		3.3	1.4	–	–
Proceeds from borrowings		–	305.4	–	303.9
Repayment of borrowings		(104.6)	(313.8)	(103.8)	(312.9)
Net cash outflow from financing activities		(174.0)	(83.2)	(197.6)	(108.9)
Increase in cash and cash equivalents		46.7	82.5	0.7	0.1
Cash and cash equivalents at beginning of year		223.1	143.7	0.1	–
Exchange loss on cash and cash equivalents		(0.9)	(3.1)	–	–
Transfer to assets held for sale		(1.9)	–	–	–
Cash and cash equivalents at end of year	23	267.0	223.1	0.8	0.1

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

Statement of changes in equity

Group	Attributable to equity holders of the Company									
			Other reserves							
	Ordinary share capital	Retained loss	Capital redemption reserve	Reverse acquisition reserve	Foreign exchange translation reserve	Merger reserve	Hedging reserve	Total attributable to equity holders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2009	18.7	(803.2)	511.9	(512.5)	476.1	1,299.2	(33.3)	956.9	96.3	1,053.2
Issue of shares	0.1	–	–	–	–	5.1	–	5.2	–	5.2
Total comprehensive income for the financial year	–	90.0	–	–	(53.2)	–	(10.8)	26.0	(2.2)	23.8
Final dividend relating to the year ended 31 March 2009	–	(42.7)	–	–	–	–	–	(42.7)	–	(42.7)
Interim dividend relating to the year ended 31 March 2010	–	(22.5)	–	–	–	–	–	(22.5)	–	(22.5)
Dividend payment to non-controlling interests	–	–	–	–	–	–	–	–	(8.3)	(8.3)
Employee share schemes expenses	–	5.0	–	–	–	–	–	5.0		5.0
Redemption of B shares	–	(2.3)	2.3	–	–	–	–	–	–	–
Disposal of subsidiary	–	–	–	–	–	–	–	–	17.1	17.1
31 March 2010	18.8	(775.7)	514.2	(512.5)	422.9	1,304.3	(44.1)	927.9	102.9	1,030.8
Total comprehensive income for the financial year	–	176.6	–	–	(13.1)	–	9.3	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 payment to non-controlling interests	–	–	–	–	–	–	–	–	(7.2)	(7.2)
Employee share schemes expenses	–	8.3	–	–	–	–	–	8.3	–	8.3
Purchases of non-controlling interests	–	(5.5)	–	–	–	–	–	(5.5)	(1.5)	(7.0)
31 March 2011	18.8	(662.9)	514.2	(512.5)	409.8	1,304.3	(34.8)	1,036.9	100.1	1,137.0

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

Company	Attributable to equity holders of the Company					
			Other reserves			
	Ordinary share capital	Retained earnings	Capital redemption reserve	Merger reserve	Hedging reserve	Total attributable to equity holders
	£m	£m	£m	£m	£m	£m
1 April 2009	18.7	1,284.3	511.9	1,299.2	(1.5)	3,112.6
Issue of shares	0.1	–	–	5.1	–	5.2
Total comprehensive income for the financial year	–	69.7	–	–	(1.2)	68.5
Final dividend relating to the year ended 31 March 2009	–	(42.7)	–	–	–	(42.7)
Interim dividend relating to the year ended 31 March 2010	–	(22.5)	–	–	–	(22.5)
Employee share schemes expenses	–	3.4	–	–	–	3.4
Redemption of B shares	–	(2.3)	2.3	–	–	–
31 March 2010	18.8	1,289.9	514.2	1,304.3	(2.7)	3,124.5
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 schemes expenses	–	5.0	–	–	–	5.0
31 March 2011	18.8	1,364.1	514.2	1,304.3	–	3,201.4

The notes on pages 68 to 100 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The Group uses a columnar format for the presentation of its Consolidated Income Statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangibles 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 cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the Income Statement.

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

Recent accounting developments

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

IFRS 3 (revised) 'Business Combinations' – Comprehensive revision to applying the acquisition method, has been adopted and applied to all acquisitions from 1 April 2010. The revised standard maintains the acquisition method for business combinations, but has made significant changes in other areas when compared to IFRS 3 such as all payments on the purchase of a business are recognised at their fair value as at the acquisition date. In addition any contingent consideration is classified as a debt with any subsequent remeasurement taken through the income statement and all acquisition costs are expensed in the period that they are incurred. The £4.8m acquisition of ProMac S.p.A. and £1m acquisition of MTS France S.A.S. were the only significant acquisitions during the period.

IAS 27 (revised) 'Consolidated and Separate Financial Statements' has been adopted and will apply to all acquisitions from 1 April 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the current period the remaining 19.9 per cent in EDX Limited and 10 per cent of Servizio Titoli S.p.A. not controlled by the Group were acquired resulting in a £5.5m adjustment to retained earnings.

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

IFRS 2 'Share-based Payments' – Amendments relating to group cash-settled share-based payment transactions and vesting conditions;
IAS 28 'Investments in Associates' – Consequential amendments arising from amendments to IFRS 3;
IAS 31 'Interests in Joint Ventures' – Consequential amendments arising from amendments to IFRS 3;
IAS 39 'Financial Instruments: Recognition and Measurement' – Amendments for eligible hedged items;
IFRIC 17 'Distributions of Non-cash Assets';
IFRIC 18 'Transfers of Assets from Customers'; and
IFRS various Annual improvements 2010.

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

	Effective date for periods beginning on or after
IFRS 9 'Financial Instruments';	1 January 2013
IAS 24 'Related Party Disclosures';	1 January 2011
IFRIC 14 'Prepayments of a Minimum Funding Requirement';	1 January 2011
IFRIC 18 'Transfers of Assets from Customers'; and	1 July 2010
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.	1 July 2010

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

Accounting policies

Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates and joint ventures. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. As permitted by Section 408 of the Companies Act 2006, the Company's Income Statement and Statement of Comprehensive Income has not been included in these financial statements. The Company's comprehensive 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 accounted for in the Company's financial statements at cost less accumulated impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

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 customers achieve incremental volume targets.

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.

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 as an indirect measure of the value of employee services received by the Group and recognised over the relevant vesting period.

Foreign currencies
The consolidated financial statements are presented in sterling, which is the Group and Company's presentation and Company's 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 shareholder's 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 expenses
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 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.

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.

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

Financial assets and liabilities of the central counterparty (CCP) clearing business
Assets and liabilities of the CCP clearing service relate to CC&G, the subsidiary that performs the CCP clearing business. CC&G clears 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 derivatives market in which CC&G operates as CCP, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions
These represent repurchase transactions ("repos") by clearing members in the bond market using CC&G's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. 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 recognised in the income statement.

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

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

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

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

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

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements on floating rate borrowings associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

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

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

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

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

Trade receivables
Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

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

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

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

Share capital
The Company's own shares held by the 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.

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

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

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

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

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

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

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.

2. Financial risk management
The Group's financial risk management programme seeks to minimise potential adverse effects on its financial performance from its exposure to capital risk, credit risk, market risk (including foreign exchange, fair value and cash flow interest rate risks) and liquidity risk.

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 locally, where operating units manage regulatory and operational risks. The Treasury Committee, chaired by the Chief Financial Officer, meets at regular intervals to oversee capital management and to review the management of foreign exchange, interest rate and credit risks, and the investment of excess liquidity.

The treasury function, the Treasury Committee and, as appropriate, the operating units work within Group Board approved policies and procedures.

Capital risk

Risk description	Risk management approach
– The Group considers that a scarcity of debt or equity (driven by its own performance or financial market conditions) and an increase in regulatory requirements are the principal risks to managing its capital. – 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 26.	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. 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. The Group has the strategic objective of maintaining an investment grade credit rating. To maintain the financial strength to access new capital at reasonable cost, the Group monitors capital in a number of ways, including reviewing its leverage ratio, Net debt to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items). This ratio calculates total current and non-current borrowings less the cash and cash equivalents that are not set aside to meet regulatory requirements and compares this with its adjusted EBITDA. Net debt to adjusted EBITDA at 31 March 2011 was 1.0 times (2010: 1.5 times). The Group also has two bank facility covenants that have a bearing on its capital structure, a net leverage covenant and a debt service ratio. Performance against these covenants is comfortable and they should not inhibit the Group's operations or financing plans. As at 31 March 2011 approximately £125 million cash and cash equivalents was set aside to cover regulatory and operational requirements. This amount is subject to ongoing review with regulators in the UK and Italy. In particular, discussions continue with the FSA following their proposal to amend the basis on which the regulatory capital is calculated for LSE plc. Indications are that this could increase the total amount set aside by up to one third.

Credit risk

Risk description	Risk management approach
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. As a consequence of its risk management approach (described below), CC&G invests significant amounts of margin and default fund cash with Italian banks and faces the risk of direct loss from a deterioration or failure of one or more deposit counterparties. More broadly, credit risk relates to the Group's customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: – customer receivables – repayment of cash and cash equivalents including bank deposits – settlement of derivative financial instruments	CC&G 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. 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, for periods of up to 12 months. CC&G liaises closely with the Bank of Italy regarding the Italian banking institutions with whom these funds are deposited. Group Credit risk is controlled through policies developed at a Group level. Group companies make a judgement on the credit quality of their customers based upon the customer's financial position and past experience. Management assesses customer credit quality as high based upon 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. Credit risk of cash and cash equivalents is managed by limiting the exposure to £25 million with counterparties who have a minimum long term rating of Aa3 (per Moody's). Derivative transactions are undertaken with well-capitalised counterparties, authorised by policy, to limit the credit risk underlying these transactions. The Group recognises that sovereign and geo-political risk assessment plays a part in its criteria for counterparty selection.

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group operates predominantly in the UK, Italy and Sri Lanka. With the exception of MillenniumIT, which invoices some contracts in US dollars (regarded as reasonably correlated to the Sri Lankan Rupee) and the Indian Rupee, 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 euro earnings, assets and liabilities into its reporting currency, sterling, and from large intercompany transactions. The Group faces less significant foreign exchange exposures from transaction risk on export earnings, occasional strategic investments made in currencies other than the currency of the investing operation and dividends that are remitted in currencies other than the currency of the recipient operation.	The Group seeks, where it can, to match the currency of its assets with the currency of its liabilities. Subject to its approach to capital management, the Group aims to balance the currency of its debt liabilities with its EBITDA generation in the same currency. The Group applies this methodology to its net asset exposure, in particular to movements between sterling and the euro, by regularly distributing its euro cash earnings in dividends and by absorbing euro cash earnings through interest payments on debt re-denominated in euros through the use of cross-currency swaps. At 31 March 2011 £265.1m (2010: £284.0m) of the Group's debt was swapped into euros and designated as a hedge of the net investment in the Italian Group and a gain of £6.5m for the financial year (2010: loss of £9.9m) on foreign currency borrowings was recognised in equity. The hedge was fully effective. 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 £1m or equivalent per annum should be hedged. Hedge accounting is considered in each case and applied to certain transactions, following review at Treasury Committee, where material levels of income statement volatility might result. The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2011 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 2011, 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 £0.8m higher/£0.6m lower (2010: £1.8m higher/£1.5m lower); however, equity would have been £10.8m lower (2010: £16.4m lower)/£8.8m higher (2010: £13.4m 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.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
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.	To provide a degree of income statement stability, and reflecting material levels of cash and cash equivalents held for short periods, the Group seeks to maintain a proportion of its net debt at fixed rates of interest over the medium term. Substantially all of the Group's borrowings have been issued at fixed rates of interest with only a proportion, £100 million (2010: £100 million), swapped to floating rates. Given the cash generative nature of the Group's businesses, net debt has fallen and floating rate borrowings have been repaid using free cash generated during the year. As a result fixed rate borrowings are greater than 100 per cent of net debt. Opportunities to swap further fixed rate borrowings to floating rate have been evaluated during the year but not executed. This is due in part to unfavourable economics and in part to the Group's preference to increase floating rate borrowings naturally as strategic investments are undertaken. 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 2011, if interest rates on sterling-denominated and euro-denominated cash and borrowings (including floating rate swap obligations) had been two percentage points higher with all other variables held constant, post-tax profit for the year would have been £2.2m higher (2009: £1.7m higher) mainly as a result of higher interest income on floating rate cash and cash equivalents.

Liquidity risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. 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.	Group businesses are profitable and generate strong free cash flow. 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. The Group maintains headroom through undrawn committed borrowing facilities to supplement its cash flow. Management monitors forecasts of the Group's liquidity, prepared to reflect expected cash flow, and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy 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 five year £250 million committed revolving credit facility was arranged, replacing shorter dated facilities and broadening the funding support from the Group's syndicate of banks. At 31 March 2011 £500m of the Group's facilities were unutilised (2010: £368.4m), with committed lines of credit (including bond issues) having an average life to maturity of over five years. CC&G 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 (see note 22). In addition, the Group maintains operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2011	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
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

At 31 March 2010	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	0.9	–	106.2	500.0
Trade and other payables	137.1	–	–	–
CCP liabilities	84,257.5	–	–	–
Derivative financial instruments	–	2.7	–	16.3
	84,395.5	2.7	106.2	516.3

3. Significant judgements and estimates

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

a) Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by shareholders to determine an appropriate discount rate. Sensitivity analysis is provided in note 13;
b) The determination of the defined benefit pension asset or liability is based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 19;
c) Purchased intangible assets are valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised. Sensitivity analysis is provided in note 13;
d) The property provision is determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers;
e) Estimates are required in determining the provision for corporation taxes. The Group recognises liabilities for the estimated tax charge at the period end and where the final tax liability is different from that estimate, such differences are reflected in the period in which such determination is made; and
f) The determination in the financial statements of the Company of the value of subsidiary companies for the purpose of impairment testing is based on their forecast cash flows and an appropriate discount rate. The basis of such values cannot be precise and is subject to market variations in both cases.

4. Segmental information

Segmental disclosures for the year ended 31 March 2011 are shown below:

	Capital Markets £m	Post Trade Services £m	Information Services £m	Technology Services £m	Other £m	Group £m
Revenue	281.5	99.3	184.7	82.1	1.8	649.4
Inter-segmental revenue	–	–	–	(33.5)	–	(33.5)
Revenue from external customers	281.5	99.3	184.7	48.6	1.8	615.9
Net treasury income through CCP business	–	51.3	–	–	–	51.3
Other Income	–	–	–	–	7.7	7.7
Total income	281.5	150.6	184.7	48.6	9.5	674.9
Expenses						
Depreciation and software amortisation	(32.3)	(5.5)	(10.4)	(1.3)	–	(49.5)
Other recurring expenses	(104.6)	(54.3)	(72.4)	(52.3)	(3.8)	(287.4)
Share of profit/(loss) after tax of joint ventures/associates	(1.9)	–	5.0	–	–	3.1
Operating profit/(loss) before amortisation of purchased intangible assets and non-recurring items	142.7	90.8	106.9	(5.0)	5.7	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

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.

Comparative segmental disclosures for the year ended 31 March 2010 (restated) are as follows:

	Capital Markets £m	Post Trade Services £m	Information Services £m	Technology Services £m	Other £m	Group £m
Revenue	295.3	100.0	169.3	39.9	1.6	606.1
Inter-segmental revenue	–	–	–	(0.5)	–	(0.5)
Revenue from external customers	295.3	100.0	169.3	39.4	1.6	605.6
Net treasury income through CCP business	–	16.2	–	–	–	16.2
Other Income	–	–	–	–	6.5	6.5
Total income	295.3	116.2	169.3	39.4	8.1	628.3
Expenses						
Depreciation and software amortisation	(45.7)	(4.8)	(10.9)	(0.8)	(0.6)	(62.8)
Other recurring expenses	(116.7)	(51.9)	(55.8)	(51.8)	(10.6)	(286.8)
Share of profit/(loss) after tax of joint ventures/associates	(1.9)	–	3.5	–	–	1.6
Operating profit/(loss) before amortisation of purchased intangible assets and non-recurring items	131.0	59.5	106.1	(13.2)	(3.1)	280.3
Amortisation of purchased intangible assets						(54.3)
Non-recurring items						(43.7)
Operating profit						182.3
Net finance expense						(40.7)
Profit on disposal of shares in subsidiaries						2.7
Profit before taxation						144.3

Net treasury income through CCP business of £16.2m comprises gross interest income of £498.3m less gross interest expense of £482.1m. Included within both gross interest income and gross interest expense is £462.9m relating to repo transactions; net of repo transactions gross interest income was £35.4m and gross interest expense was £19.2m.

The segmental reporting has been restated to show Information Services and Technology Services as separate segments. This reflects the management re-organisation of the chief operating decision maker, which is the Executive Committee, and associated changes in the reporting of the business lines. Technology Services combines IT Services with MillenniumIT reflecting the similar nature of their products and services. There have been no changes to the profit for the year and accordingly no third Balance Sheet has been presented.

Inter-segmental revenue represent sales of software from MillenniumIT to other segments.

Geographical disclosure

	2011 £m	2010 £m
Revenue		
UK	305.9	292.5
Italy	168.8	163.0
Other	141.2	150.1
Total	615.9	605.6

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

	2011 £m	2010 £m
Total assets		
UK	850.2	315.2
Italy	117,208.8	85,861.1
Other	18.3	12.2
Total	118,077.3	86,188.5
Joint ventures – UK	13.7	2.3
Joint ventures – Japan	3.6	4.8
Associates – Italy	0.6	1.5
Total	118,095.2	86,197.1

5. Expenses by nature

Expenses comprise the following:

	Notes	2011 £m	2010 £m
Cost of sales		37.0	27.7
Employee costs	6	117.4	111.0
Depreciation and non-acquisition software amortisation		49.5	62.8
Amortisation of purchased intangibles assets and non-recurring costs	7	68.1	98.0
IT costs		65.7	72.5
Other costs		67.3	75.6
Total expenses		405.0	447.6

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

6. Employee costs

Employee costs comprise the following:	Notes	2011 £m	2010 £m
Salaries and other short term benefits		92.0	84.5
Social security costs		15.2	15.5
Pension costs	19	5.2	7.5
Share based compensation	35	5.0	3.5
Total		117.4	111.0

	2011		2010	
The number of employees in the Group was:	Average	Year end	Average	Year end
UK	497	492	568	539
Italy	455	456	496	458
Sri Lanka	534	587	453[1]	461
Other	29	28	28	30
	1,515	1,563	1,545	1,488

The Company has no employees.

[1] Average from date of acquisition.

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

	Notes	2011 £m	2010 £m
Amortisation of purchased intangible assets	13	(47.1)	(54.3)
Merger costs		(15.4)	–
Restructuring costs		(3.5)	(30.1)
Property costs		(2.1)	–
Integration costs		–	(13.6)
Revaluation on acquisition within joint venture		10.0	–
Total affecting operating profit		(58.1)	(98.0)
Profit on disposal of shares in subsidiary		–	0.3
Total affecting profit before tax		(58.1)	(97.7)
Tax effect on items affecting profit before tax and tax non-recurring items:			
Deferred tax on amortisation of purchased intangible assets		6.4	9.4
Tax effect on other items affecting profit before tax		1.7	11.9
Total tax effect on items affecting profit before tax and tax non-recurring items		8.1	21.3
Total charge to income statement		(50.0)	(76.4)

Merger costs comprise costs incurred and committed to date associated with the proposed merger with TMX Group Inc. and primarily comprise non-contingent advisers' fees. Restructuring costs mainly comprise headcount restructuring costs arising from the cost saving programmes announced in July 2009 and May 2010. 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, and the consequent upward revaluation of FTSE's existing interest in that company.

8. Net finance expense

	Notes	2011 £m	2010 £m
Finance income			
Bank deposit and other interest income		1.3	2.5
Expected return on defined benefit pension scheme assets	19	14.5	11.8
Fair value gains on financial instruments		–	0.6
Investment income		0.3	0.3
		16.1	15.2
Finance expense			
Interest payable on bank and other borrowings		(42.8)	(38.9)
Fair value losses on financial instruments		(0.1)	–
Other finance fees		(1.8)	(1.2)
Interest on discounted provision for leasehold properties		(1.5)	(1.2)
Defined benefit pension scheme interest cost	19	(14.7)	(14.6)
		(60.9)	(55.9)
Net finance expense		(44.8)	(40.7)

9. Taxation

Taxation charged to the income statement	2011 £m	2010 £m
Current tax:		
UK corporation tax for the year at 28%	38.1	27.8
Overseas tax for the year	55.3	37.4
Adjustments in respect of previous years	1.0	(6.9)
	94.4	58.3
Deferred tax (see note 17):		
Deferred tax for the current year	(10.4)	2.1
Adjustments in respect of previous years	4.1	1.6
Deferred tax on amortisation of purchased intangible assets	(6.4)	(9.4)
Taxation charge	81.7	52.6

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

Taxation on items not (credited)/charged to income statement	2011 £m	2010 £m
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	(1.3)	(0.4)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial gain/(losses)	9.0	(0.5)
Tax allowance on share options/awards less than expense recognised	(0.5)	(0.6)
Adjustments relating to change in UK tax rate	(0.7)	–
	6.5	(1.5)

Factors affecting the tax charge for the year

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

	2011 £m	2010 £m
Profit before taxation	238.2	144.3
Profit multiplied by the UK rate of corporation tax at 28%	66.7	40.4
Expenses not deductible/income not taxable	1.6	2.6
Share of joint venture and associates consolidated at profit after tax	(3.8)	(0.5)
Deferred tax arising on consolidation	(7.5)	–
Overseas earnings taxed at higher rate	13.2	9.7
Adjustments in respect of previous years	5.1	(5.3)
Amortisation of purchased intangible assets	6.4	5.7
Taxation charge	81.7	52.6

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.

	2011	2010
Basic earnings per share	56.4p	33.8p
Diluted earnings per share	55.9p	33.5p
Adjusted basic earnings per share	73.7p	60.1p
Adjusted diluted earnings per share	72.9p	59.6p

	£m	£m
Profit for the financial year attributable to equity holders	151.6	90.4
Adjustments:		
Amortisation of purchased intangible assets	47.1	54.3
Merger costs	15.4	–
Restructuring costs	3.5	30.1
Property costs	2.1	–
Integration costs	–	13.6
Acquisition revaluations	(10.0)	–
Non-recurring profit on disposal of shares in subsidiary	–	(0.3)
Tax effect of amortisation and non-recurring items	(8.1)	(21.3)
Non-recurring items, amortisation and taxation attributable to non-controlling interests	(3.7)	(6.0)
Adjusted profit for the financial year attributable to equity holders	197.9	160.8
Weighted average number of shares – million	268.6	267.6
Effect of dilutive share options and awards – million	2.8	2.4
Diluted weighted average number of shares – million	271.4	270.0

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

11. Dividends

	2011 £m	2010 £m
Final dividend for 2010 paid 16 August 2010: 16.0p per Ordinary share (2009: 16.0p)	42.9	42.7
Interim dividend for 2011 paid 5 January 2011: 8.8p per Ordinary share (2010: 8.4p)	23.7	22.5
	66.6	65.2

The Board has proposed a final dividend in respect of the year ended 31 March 2011 of 18.0p per share, which is estimated to amount to £48.5m, to be paid on 22 August 2011.

12. Property, plant & equipment

	Land and buildings		Plant and equipment	Total
	Freehold	Leasehold		
Group	£m	£m	£m	£m
Cost:				
1 April 2009	60.0	46.6	53.0	159.6
Additions	–	–	12.1	12.1
Foreign exchange	(0.3)	–	–	(0.3)
Disposals	–	(5.6)	–	(5.6)
Acquisition of subsidiaries	2.0	–	1.6	3.6
31 March 2010	61.7	41.0	66.7	169.4
Additions	–	0.1	16.4	16.5
Foreign exchange	(0.5)	–	(0.1)	(0.6)
Disposals	–	–	(3.7)	(3.7)
Reclassification as held for sale	(14.3)	–	(1.4)	(15.7)
31 March 2011	46.9	41.1	77.9	165.9
Depreciation:				
1 April 2009	27.5	25.0	27.2	79.7
Charge for the year	1.2	6.8	12.2	20.2
Foreign exchange	–	–	0.2	0.2
Disposals	–	(5.6)	–	(5.6)
31 March 2010	28.7	26.2	39.6	94.5
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
Reclassification as held for sale	(4.8)	–	(1.3)	(6.1)
31 March 2011	27.4	29.2	46.9	103.5
Net book values:				
31 March 2011	19.5	11.9	31.0	62.4
31 March 2010	33.0	14.8	27.1	74.9

The Company has no property, plant and equipment.

13. Intangible assets

		Purchased intangible assets				
	Goodwill	Customer and supplier relationships	Brands	Software, licences and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
1 April 2009	1,253.3	721.6	11.2	113.1	165.3	2,264.5
Additions	–	–	–	–	30.3	30.3
Acquisitions of subsidiaries	10.2	4.1	0.3	12.9	2.0	29.5
Disposals	(0.7)	–	–	–	–	(0.7)
Foreign exchange	(45.0)	(26.4)	(0.4)	(2.8)	(0.5)	(75.1)
31 March 2010	1,217.8	699.3	11.1	123.2	197.1	2,248.5
Additions	–	–	–	–	29.2	29.2
Acquisitions of subsidiaries	–	0.3	–	–	–	0.3
Disposals	(1.1)	–	–	–	(1.0)	(2.1)
Transfers to held for sale assets	(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
Amortisation and accumulated impairment:						
1 April 2009	505.1	49.2	1.7	31.2	92.4	679.6
Amortisation charge for the year	–	31.3	1.1	21.9	50.6	104.9
Foreign exchange	(17.5)	(1.0)	–	(1.4)	(0.2)	(20.1)
31 March 2010	487.6	79.5	2.8	51.7	142.8	764.4
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 assets	(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
Net book values:						
31 March 2011	716.3	565.4	7.1	55.3	50.3	1,394.4
31 March 2010	730.2	619.8	8.3	71.5	54.3	1,484.1

The fair values of purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill primarily represents the growth potential and assembled workforces of the Italian Group, MillenniumIT and Turquoise. The Company has no intangible assets.

During the 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 10 cash generating units (CGUs). The composition of the Group's Italian operations' six CGUs as at 31 March 2010 was reallocated on 1 April 2010 to reflect the impact of the restructuring of the Group's segments, as set out in note 4. Consequently, the Group's Italian operations now comprise seven CGUs, with goodwill previously associated with its Information & Technology Services CGU now allocated to its Information Services CGU and Technology Services CGUs. MillenniumIT comprises two CGUs (Software and Enterprise Service Provider), and Turquoise constitutes 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 2016. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

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

	Net book value of goodwill						
Cash generating unit	31 March 2010 £m	Impact of restructuring of segments £m	Disposals £m	Transfers to held for sale assets £m	Foreign exchange £m	31 March 2011 £m	Pre-tax discount rate used in value in use calculations
Italian group:							
Issuer	19.5	–	–	–	(0.1)	19.4	13.2%
Equities Trading	66.0	–	–	–	(0.6)	65.4	13.2%
Derivatives Trading	29.6	–	–	–	(0.3)	29.3	13.2%
Fixed Income Trading	74.6	–	–	–	(0.7)	73.9	13.0%
Information & Technology Services	136.7	(136.7)	–	–	–	–	N/A
Information Services	–	122.2	–	–	(1.0)	121.2	13.4%
Technology Services	–	14.5	–	–	(0.2)	14.3	13.2%
Post Trade Services	393.6	–	–	(5.4)	(4.5)	383.7	13.5%
MillenniumIT:							
Software	0.9	–	–	–	–	0.9	17.3%
Enterprise Service Provider	0.8	–	–	–	–	0.8	15.1%
Turquoise	8.5	–	(1.1)	–	–	7.4	15.5%
	730.2	–	(1.1)	(5.4)	(7.4)	716.3	

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

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

Long term growth rates (assumed to be 2.3 per cent for each of the Italian CGUs, 3.0 and 13.5 per cent for MillenniumIT's Software and Enterprise Service Provider CGUs respectively, and 3.4 per cent for Turquoise) represent management's internal forecasts based on external estimates of GDP and inflation for the 10 year period 1 January 2006 to 31 December 2015, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

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

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

		Impact on value in use of:			
Cash generating unit	Excess of value in use over carrying value £m	5% reduction in revenues £m	5% increase in costs £m	0.5% reduction in long-term growth rate £m	0.5% increase in pre-tax discount rate £m
Italian group:					
Issuer	8.5	9.3	5.3	3.9	5.1
Equities Trading	35.7	20.3	9.9	10.4	13.7
Derivatives Trading	62.8	10.1	4.8	5.1	6.7
Fixed Income Trading	58.3	32.2	17.1	14.7	19.3
Information Services	60.4	22.1	9.4	11.9	15.7
Technology Services	13.4	6.9	4.7	1.3	1.6
Post Trade Services	514.3	78.2	22.4	48.7	64.0

Management believes goodwill allocated to 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 2011. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

14. Investment in joint ventures

The Group owns 50 per cent of the 1,000 £1 issued equity shares in FTSE International Ltd (“FTSE”), a company incorporated in Great Britain which provides financial indices to international clients.

FTSE is a joint venture with The Financial Times Ltd, a subsidiary of Pearson plc. The Group’s investment of £13.7m at 31 March 2011 represents the Group’s share of the joint venture’s net assets as at 31 December 2010, FTSE’s accounting reference date, adjusted for subsequent dividends received.

The following amounts represent the Group’s 50 per cent share of the revenue and expenses and assets and liabilities of FTSE for the years ended 31 December 2009 and 2010.

	December 2010 £m	December 2009 £m
Revenue	51.2	43.9
Expenses, including tax	(36.2)	(40.4)
Profit after tax	15.0	3.5
Non-current assets	29.8	7.7
Current assets	31.0	21.1
Total assets	60.8	28.8
Current liabilities	(36.5)	(23.9)
Non-current liabilities	(8.1)	(1.1)
Total liabilities	(44.6)	(25.0)
Net assets	16.2	3.8

The Group has a 49 per cent interest in TOKYO AIM, a company incorporated in Japan to provide secondary market listings in Tokyo. TOKYO AIM is a joint venture with Tokyo Stock Exchange Group, a company incorporated in Japan, and the Group has recognised its £1.6m (2010: £2.0m) share of TOKYO AIM’s loss in the income statement.

	2011 £m	2010 £m
Share of net assets of FTSE at 31 December	16.2	3.8
Dividend paid by FTSE in March	(2.5)	(1.5)
Share of net assets of TOKYO AIM as at 31 March	3.6	4.8
Investment in joint ventures at 31 March	17.3	7.1

The Group is entitled, under a shareholders’ agreement, to receive royalties from FTSE. The amount receivable by the Group from FTSE for the year ended 31 March 2011 was £11.3m (2010: £9.6m).

During the year the Group received dividends of £3.7m (2010: £2.3m) from FTSE. The final dividend for 2010, of which the Group’s share is £2.5m (2009: £1.5m), was approved by the shareholders and paid after the publication of FTSE’s 31 December 2010 results.

The Company had no investment in joint ventures.

15. Investment in associates

	2011 £m	2010 £m
1 April	1.5	1.9
Share of profit after tax	0.1	0.1
Share of capital decrease and dividend distribution	(0.2)	–
Disposal	(0.8)	(0.3)
Foreign exchange	–	(0.2)
31 March	0.6	1.5

The Group’s share of the results of its principal associates, all of which are unlisted and have a reporting date of 31 December 2010, and its aggregated assets and liabilities are as follows:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit £m	% interest held
MTS Associated Markets	Belgium	2.8	1.4	2.1	0.1	20.0
MTS Portugal SA	Portugal	2.2	0.3	0.8	0.1	15.0

16. Investments in subsidiary undertakings

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

Based on the results of the impairment tests performed in respect of the Italian group and London Stock Exchange plc, no impairment of the carrying value of the goodwill referred to in note 13, or the Company's investment in subsidiary undertakings was considered necessary.

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
London Stock Exchange Group Holdings (Italy) Ltd	Holding company	UK	UK	100
London Stock Exchange Group Holdings Ltd	Holding company	UK	UK	100
London Stock Exchange Group Holdings (R) Ltd	Holding company	UK	UK	100
Held indirectly by the Company				
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.96
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	86.36
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Servizio Titoli S.p.A.	Corporate secretary advisory	Italy	Italy	99.99
ProMac S.p.A.	Trading platform	Italy	Italy	99.60
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
MTS France S.A.S.	Wholesale fixed income bonds	Italy	Italy	58.78
EuroMTS Ltd	Wholesale fixed income bonds	UK	UK	60.37
MTSNext Ltd	Wholesale fixed income bonds	UK	UK	60.37
EDX London Ltd	Derivatives exchange	UK	UK	100
Proquote Ltd	Market data provider	UK	UK	100
Turquoise Global Holdings Ltd	Holding company	UK	UK	51
Turquoise Services Ltd	Trading facility	UK	UK	51
Millennium Information Technologies Ltd	Holding company	Sri Lanka	Sri Lanka	100
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100

The Group acquired in the year 94.4 per cent of the share capital of ProMac S.p.A., 77.5 per cent of MTS France S.A.S., 10 per cent of Servizio Titoli S.p.A., and the 19.9 per cent of EDX that it did not already own.

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

17. Deferred taxation

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

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

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 £54m (2010: £39m). 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.

18. Available for sale investments

Available for sale financial investments of £0.4m (2010: £0.4m) represent the cost of the Group's 0.6 per cent interest in the unlisted ordinary shares of Euroclear plc. The fair value of these shares cannot be reliably measured because they are unquoted.

19. Retirement benefit asset/obligation

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

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 around £158m all future payments to scheme members who were pensioners at 31 March 2011. 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.

Defined benefit schemes

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

The TFR operated by 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. For the TFR, 6.91 per cent of pensionable pay is provided.

Amounts recognised in the income statement are as follows:

	2011		2010	
	UK Pension	Italian plan	UK Pension	Italian plan
	£m	£m	£m	£m
Defined contribution schemes	(2.2)	(1.3)	(4.3)	(2.4)
Defined benefit scheme – current service cost	(0.7)	(1.0)	(0.7)	(0.1)
Total pension charge included in employee costs (see note 6)	(2.9)	(2.3)	(5.0)	(2.5)
Finance income and expense				
Interest cost	(14.3)	(0.4)	(14.3)	(0.3)
Expected return on assets	14.5	–	11.8	–
Net finance income/(expense)	0.2	(0.4)	(2.5)	(0.3)
Total recognised in the income statement	(2.7)	(2.7)	(7.5)	(2.8)

Defined benefit assets/(obligations) for UK pension scheme

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of assets:					
Equities	39.3	37.2	25.1	33.2	35.7
Bonds	219.5	218.5	202.6	190.9	185.2
Property	23.3	13.3	7.1	8.8	3.7
Total fair value of assets	282.1	269.0	234.8	232.9	224.6
Present value of funded obligations	(244.5)	(264.4)	(229.8)	(221.1)	(239.6)
Surplus/(deficit)	37.6	4.6	5.0	11.8	(15.0)

The main actuarial assumptions are set out below:

	2011		2010	
	UK Pension	Italian plan	UK Pension	Italian plan
Inflation rate – CPI	2.5%	–	–	–
Inflation rate – RPI	3.5%	2.0%	3.7%	2.0%
Rate of increase in salaries	5.0%	3.5%	5.2%	3.5%
Rate of increase in pensions in payment	3.7%	3.0%	4.0%	3.0%
Discount rate	5.6%	4.1%	5.5%	4.1%
Expected return on assets as at the start of the year:				
– equities	7.6%	–	7.6%	–
– bonds	4.8%	–	5.2%	–
– property	6.8%	–	6.7%	–
Life expectancy from age 60 (Years):				
– Non retired male member	27.8	–	27.7	–
– Non retired female member	30.6	–	30.5	–
– Retired male member	26.2	–	26.1	–
– Retired female member	29.1	–	29.0	–

In July 2010, the Government announced that in the future it will use the Consumer Prices Index (CPI) in place of the Retail Prices Index (RPI) in its determination of the statutory minimum pension increases that apply to deferred pension increases within the UK defined benefits scheme. The change in assumption has resulted in an additional £7.3m actuarial gain in the current year, which is credited to reserves. Increases in pensions in payment continue to reference RPI under the terms of the scheme.

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 S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. 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 £4.3m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £14.8m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £19.3m
Mortality rate	Increase by 1 year	Increase by £6.9m

Movement in defined benefit obligation during the year

	2011		2010	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
1 April	264.4	7.3	229.8	8.3
Obligations arising from acquisition	–	–	–	0.6
Reclassification to other payables	–	–	–	0.6
Current service cost	0.7	1.0	0.7	0.1
Interest expense	14.3	0.4	14.3	0.3
Benefits paid	(8.1)	(1.8)	(7.0)	(2.5)
Actuarial (gain)/loss	(26.8)	(0.3)	27.4	–
Curtailment gain	–	–	(0.8)	–
Foreign exchange	–	(0.2)	–	(0.1)
31 March	244.5	6.4	264.4	7.3

Movement in fair value of UK plan assets during the year

	2011 £m	2010 £m
1 April	269.0	234.8
Expected return on assets	14.5	11.8
Contributions received	1.4	3.8
Benefits paid	(8.1)	(7.0)
Actuarial gain	5.3	25.6
31 March	282.1	269.0

The actual return on plan assets was £19.8m (2010: £37.4m).

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:

	2011		2010	
	UK Pension £m	Italian plan £m	UK Pension £m	Italian plan £m
Recognised up to 1 April	2.7	(1.3)	4.5	(1.3)
Net actuarial gain/(loss) recognised in the year	32.1	0.3	(1.8)	–
Cumulative amount recognised at 31 March	34.8	(1.0)	2.7	(1.3)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2009 by an independent qualified actuary. Following the valuation, ordinary contributions were increased from 36 per cent to 41 per cent of pensionable salaries. The Group expects to contribute approximately £1.3m to the defined benefit scheme during the year to 31 March 2012. The next actuarial valuation as at 31 March 2012 may result in an adjustment to future contribution levels.

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

History of experience gains and losses for UK scheme	2011	2010	2009	2008	2007
Experience adjustments arising on scheme assets:					
Gain/(loss) (£m)	5.3	25.6	(11.2)	(3.7)	(10.7)
Percentage of scheme assets	1.9%	9.5%	(4.8%)	(1.6%)	(4.8%)
Experience adjustments arising on scheme liabilities:					
Experience gain/(loss) (£m)	1.5	7.5	1.3	0.7	(0.4)
Impact of changes in assumptions (£m)	25.3	(34.9)	(1.1)	24.8	11.4
Total (£m)	26.8	(27.4)	0.2	25.5	11.0
Percentage of scheme liabilities					
Experience gain/(loss)	0.6%	2.8%	0.6%	0.3%	(0.2%)
Impact of changes in assumptions	10.3%	(13.2%)	(0.5%)	11.2%	4.8%
Total	10.9%	(10.4%)	0.1%	11.5%	4.6%

20. Inventories

	2011 £m	2010 £m
Work in progress	0.9	1.5
Finished goods	0.5	0.7
	1.4	2.2

The Company has no inventories.

21. Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade receivables	82.4	84.8	–	–
Less: provision for impairment of receivables	(7.3)	(6.8)	–	–
Trade receivables – net	75.1	78.0	–	–
Amounts due from Group undertakings	–	–	154.5	161.4
Other receivables	3.6	5.7	–	–
Prepayments and accrued income	48.1	48.5	0.5	–
	126.8	132.2	155.0	161.4

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

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

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

	2011		2010	
	Impaired £m	Not impaired £m	Impaired £m	Not impaired £m
0 to 3 months past due	–	24.8	–	15.3
Greater than 3 months past due	7.3	5.2	6.8	4.1
	7.3	30.0	6.8	19.4

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

	2011 £m	2010 £m
Sterling	58.3	56.0
Euro	61.8	70.9
Other Currencies	6.7	5.3
	126.8	132.2

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

	2011 £m	2010 £m
At 1 April	6.8	6.6
Acquisition of subsidiaries	–	0.1
Provision for receivables impairment	0.8	0.7
Receivables written off during the year as uncollectible	(0.3)	(0.2)
Provisions no longer required	(0.1)	(0.1)
Foreign exchange	0.1	(0.3)
At 31 March	7.3	6.8

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

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

22. Financial instruments by category

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

	Group				Company		
31 March 2011	Loans and receivables £m	Available for sale £m	Assets at fair value through profit or loss £m	Total £m	Loans and receivables £m	Assets at fair value through profit or loss £m	Total £m
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	155.0	–	155.0
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	116,462.6	155.8	0.4	156.2

	Group			Company		
	Derivatives used for hedging £m	Other financial liabilities £m	Total £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	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

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.

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

During the period, the Group executed two cross-currency swaps, of €50m each, to exchange a proportion of its sterling bond obligations (swapping €100m sterling equivalent of the 2016 £250m bond) into euros. The two new swaps were in addition to four existing cross-currency swaps, also of €50m each, which effectively exchanged 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 2011, the Group recognised the £3.4m movement in mark to market value of these derivatives in reserves (2010 : £16.3m).

In September 2010, the Group cancelled four interest rate contracts of €30m each that swapped drawn bank borrowings from floating into fixed rates of interest. Upon cancellation, €2.6m of accelerated interest was charged to the income statement. These hedges had been accounted for as cashflow hedges.

The Group continued to hold four interest rate contracts of £25m each, which swapped a proportion of the 2016 sterling bond issue obligation from fixed interest rates into floating interest rates. These swaps were arranged for a period of two years from January 2010, were accounted for as fair value hedges, and were effective hedges. For the financial year ended 31 March 2011 the Group recognised the movement in mark to market value of these derivatives (£0.1m) in the income statement (2010: £0.6m). The interest rate swaps are used to manage exposure to movements in interest rates.

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 CCP clearing business assets and liabilities comprise:

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

b) Receivables for/liabilities under repurchase transactions (Repos)
The value of repo transactions executed by participants in the MTS market who use the central counterparty guarantee service provided by CC&G refers to the value of transactions for which the spot part has been settled while the forward part has still to be settled.

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

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

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

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

As at 31 March 2011, there were no provisions for impairment in relation to any of the CCP financial assets (2010: nil) and none of these assets were past due (2010: nil).

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

	Group				Company		
31 March 2010	Loans and receivables £m	Available for sale £m	Assets at fair value through profit or loss £m	Total £m	Loans and receivables £m	Assets at fair value through profit or loss £m	Total £m
Assets as per balance sheet							
Financial assets of the CCP clearing business							
– CCP trading assets	–	–	5,467.9	5,467.9	–	–	–
– Receivables for repurchase transactions	72,687.0	–	–	72,687.0	–	–	–
– Other receivables from clearing members	1,489.8	–	–	1,489.8	–	–	–
– Financial assets held at fair value	–	–	24.6	24.6	–	–	–
– Cash and cash equivalents of clearing members	4,580.7	–	–	4,580.7	–	–	–
Financial assets of the CCP clearing business	78,757.5	–	5,492.5	84,250.0	–	–	–
Assets held at fair value	–	–	9.5	9.5	–	–	–
Total financial assets for CCP clearing	78,757.5	–	5,502.0	84,259.5	–	–	–
				–	–		–
Trade and other receivables	83.7	–	–	83.7	199.5	–	199.5
Cash and cash equivalents	223.1	–	–	223.1	–	–	–
Available for sale financial assets	–	0.4	–	0.4	–	–	–
Interest rate swaps	–	–	0.6	0.6	–	0.6	0.6
Total	79,064.3	0.4	5,502.6	84,567.3	199.5	0.6	200.1

	Group			Company		
	Derivatives used for hedging £m	Other financial liabilities £m	Total £m	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business						
– CCP trading liabilities	–	5,467.9	5,467.9	–	–	–
– Liabilities under repurchase transactions	–	72,687.0	72,687.0	–	–	–
– Other payables to clearing members	–	6,078.3	6,078.3	–	–	–
– Financial liabilities held at fair value	–	24.3	24.3	–	–	–
Financial liabilities of the CCP clearing business	–	84,257.5	84,257.5	–	–	–
Trade and other payables	–	137.1	137.1	–	203.3	203.3
Provisions	–	33.9	33.9	–	–	–
Borrowings	–	606.7	606.7	–	606.7	606.7
Interest rate swaps	2.7	–	2.7	2.7	–	2.7
Cross currency interest rate swap	16.3	–	16.3	16.3	–	16.3
Total	19.0	85,035.2	85,054.2	19.0	810.0	829.0

The comparatives for financial instruments have been updated to exclude prepayment and accrued income which is not considered a financial asset and to include provisions as a financial liability.

23. Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank	152.1	123.8	0.8	0.1
Short term deposits	114.9	99.3	–	–
	267.0	223.1	0.8	0.1

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

Cash and cash equivalents does not include amounts held by CC&G on behalf of its clearing members, the use of which is restricted to the operation of CC&G as manager of the clearing and guarantee system (see note 22). Cash and cash equivalents does include amounts held by regulated entities for regulatory and operational purposes. At 31 March 2011, the Group set aside £125.0m (2010: £125m), for such purposes, with the amount subject to regular review with regulators in the UK and Italy.

24. Assets held for sale

The assets and liabilities related to Servizio Titoli S.p.A. are presented as held for sale at 31 March 2011 as the Group was in the process of selling the company. A sale agreement was signed in April 2011 and completion occurred on 10 May 2011. Total consideration for the sale was €32.4m. During the year the Group decided to put up for sale a freehold property, which resulted in this asset being classified as held for sale at 31 March 2011.

Assets classified as held for sale

	2011 £m	2010 £m
Property, plant and equipment	9.6	–
Intangible assets	22.4	–
Other current assets	4.9	–
	36.9	–

Liabilities classified as held for sale

	2011 £m	2010 £m
Trade and other payables	1.4	–
Other current liabilities	3.4	–
	4.8	–

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.

25. Trade and other payables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade payables	19.0	15.1	–	–
Amounts owed to Group undertakings (note 35)	–	–	179.8	184.6
Social security and other taxes	11.3	20.1	0.7	–
Other payables	24.7	25.4	3.8	3.8
Accruals and deferred income	101.5	76.5	26.6	14.9
	156.5	137.1	210.9	203.3

26. Borrowings

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Current				
Bank borrowings and trade finance loans	0.1	0.9	–	–
	0.1	0.9	–	–
Non-current				
Bond	499.5	499.6	499.5	499.6
(Deferred arrangement fees)/bank borrowings	(0.5)	106.2	(0.5)	106.2
	499.0	605.8	499.0	605.8

The Group has the following unsecured bank facilities:

Type	*Expiry date*	Facility *£m*	Carrying value at 31 March 2011 *£m*	Interest rate percentage at 31 March 2011
Multi-currency revolving credit facility	July 2013	250.0	–	LIBOR + 0.8
Multi-currency revolving credit facility	November 2015	250.0	–	LIBOR + 1.0
Total bank facilities		500.0	–	
Notes issued July 2006	July 2016	250.0	252.0	6.125
Notes issued June 2009	October 2019	250.0	247.5	9.125
Total Bonds		500.0	499.5	
Total Debt		1,000.0	499.5	

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements of €1.2 billion. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian Government bonds. CC&G also has available to it €200m of committed facilities with banks, available 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 repaid outstanding drawings from its unsecured committed revolving facilities and signed a new £250m five year unsecured committed revolving facility which allowed the Company to cancel two shorter-dated facilities of £200m and £25m. All capitalised arrangement fees associated with the new and cancelled committed facilities were expensed during the year.

Fair values

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

Group	Carrying value 2011 *£m*	Fair value 2011 *£m*	Carrying value 2010 *£m*	Fair value 2010 *£m*
Borrowings				
– within one year	0.1	0.1	0.9	0.9
– after more than one year	499.0	573.0	605.8	664.0
	499.1	573.1	606.7	664.9

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

Company	Carrying value 2011 *£m*	Fair value 2011 *£m*	Carrying value 2010 *£m*	Fair value 2010 *£m*
Borrowings				
– after more than one year	499.0	573.0	605.8	664.0
	499.0	573.0	605.8	664.0

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:

	2011			2010		
Currency	Drawn *£m*	Swapped *£m*	Effective *£m*	Drawn *£m*	Swapped *£m*	Effective *£m*
Sterling	499.0	(265.0)	234.0	498.7	(176.7)	322.0
Euro	–	265.0	265.0	107.1	176.7	283.8
Sri Lankan Rupees	0.1	–	0.1	0.9	–	0.9
Total	499.1	–	499.1	606.7	–	606.7

27. Analysis of net debt

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Due within one year				
Cash and cash equivalents	267.0	223.1	0.8	0.1
Bank borrowings	(0.1)	(0.9)	–	–
Derivative financial assets	0.7	0.6	0.4	0.6
Derivative financial liabilities	(0.3)	(2.7)	–	(2.7)
	267.3	220.1	1.2	(2.0)
Due after one year				
(Deferred arrangement fees)/bank borrowings	0.5	(106.2)	–	(106.2)
Bonds	(499.5)	(499.6)	(499.5)	(499.6)
Derivative financial liabilities	(12.9)	(16.3)	(12.9)	(16.3)
Total net debt	(244.6)	(402.0)	(511.2)	(624.1)

Reconciliation of net cash flow to movement in net debt

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Increase in cash in the year	46.7	82.5	0.7	0.1
Bond issue – notes due 2019	–	(248.9)	–	(248.9)
Bank loan repayments less new drawings	104.6	257.3	103.8	257.9
B share redemptions	–	2.3	–	2.3
Reduction in net debt resulting from cash flows	151.3	93.2	104.5	11.4
Foreign exchange movements	0.1	3.2	2.4	6.6
Movement on derivative financial assets and liabilities	5.9	(16.8)	5.9	(18.4)
Bond valuation adjustment	0.1	0.5	0.1	0.5
Other non-cash movements	–	0.6	–	0.6
Net debt at start of year	(402.0)	(482.7)	(624.1)	(624.8)
Net debt at end of year	(244.6)	(402.0)	(511.2)	(624.1)

28. Provisions

Group	Property £m
1 April 2009	26.7
Non-recurring charges during the year	9.2
Utilised during the year	(3.2)
Interest on discounted provision	1.2
31 March 2010	33.9
Utilised during the year	(3.9)
Interest on discounted provision	1.5
31 March 2011	31.5
Current	3.7
Non-current	27.8
31 March 2011	31.5

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 three and 17 years to expiry.

The Company has no provisions.

29. Ordinary share capital

	2011		2010	
Authorised	*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 58 and 61.

30. Net cash flow generated from operations

	Group		Company	
	2011	2010	2011	2010
	£m	*£m*	*£m*	*£m*
Profit before taxation	238.2	144.3	123.9	80.4
Depreciation and amortisation	96.7	123.0	–	–
Property impairment	2.5	–	–	–
(Gain)/loss on disposal of property, plant and equipment	(0.4)	2.3	–	–
Profit on disposal of shares in subsidiary	–	(2.7)	–	–
Net finance expense	44.8	40.7	(140.5)	(135.7)
Share of profit after tax of joint ventures	(13.1)	(1.6)	–	–
Decrease/(increase) in inventories	0.7	(1.1)	–	–
Decrease/(increase) in trade and other receivables	5.2	(15.5)	3.7	38.1
Increase/(decrease) in trade and other payables	13.9	8.7	(0.4)	(0.6)
Increase in CCP financial assets	(30,334.8)	(49,495.8)	–	–
Increase in CCP liabilities	30,325.1	49,498.8	–	–
Defined benefit pension obligation – contributions in excess of expenses charged	(0.9)	(4.9)	–	–
Provisions utilised during the year	(3.9)	(3.2)	–	–
Provisions created during the year	–	9.2	–	–
Decrease/(increase) in assets held at fair value from operating activities	0.7	(4.6)	–	–
Share scheme expense	5.0	3.5	–	–
Foreign exchange gains/(losses) on operating activities	2.1	0.1	3.4	14.3
Cash generated from/(absorbed by) operations	381.8	301.2	(9.9)	(3.5)
Comprising:				
Ongoing operating activities	394.4	325.0	(7.5)	(3.5)
Non-recurring items	(12.6)	(23.8)	(2.4)	–
	381.8	301.2	(9.9)	(3.5)

31. Commitments and contingent liabilities

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £2.5m (2010: £2.0m) and £23.8m (2010: £3.1m) respectively, of which £0.2m (2010: nil) related to commitments of joint ventures. £23.8m other commitments relates to professional and other fees, the majority of which are conditional on the successful completion of the proposed merger with TMX Group, Inc.

The Group has committed to fully fund the cash needs of Turquoise within an agreed framework for the 24 months from 17 February 2010, the date of acquisition.

32. Business combinations

Acquisitions in the year to 31 March 2011

In the year to 31 March 2011 the Group made two acquisitions involving the acquisition of an additional 94.4 per cent and 77.5 per cent of the issued share capital of ProMac S.p.A. and MTS France S.A.S. respectively.

Company acquired	Date acquired	Consideration £m	Goodwill £m	Fair value of assets acquired £m	Contribution post-acquisition: Revenue £m	Contribution post-acquisition: Operating profit/(loss) £m
ProMac S.p.A.	9 September 2010	4.7	–	4.7	0.1	(0.4)
MTS France S.A.S.	4 November 2010	1.3	–	1.4	1.1	0.8
Total		6.0	–	6.1	1.2	0.4

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

	Promac S.p.A.		MTS France S.A.S.		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current assets:						
Intangible assets	–	0.3	–	–	–	0.3
Property, plant and equipment	–	–	–	–	–	–
Other non-current assets	0.2	0.2	–	–	0.2	0.2
Current assets:						
Cash and cash equivalents	2.6	2.6	2.2	2.2	4.8	4.8
Other current assets	1.8	1.8	0.5	0.5	2.3	2.3
Current liabilities:						
Other current liabilities	(0.2)	(0.2)	(0.7)	(1.3)	(0.9)	(1.5)
Net assets	4.4	4.7	2.0	1.4	6.4	6.1
Fair value adjustments to investment in original holdings						(0.1)
Total consideration						6.0
Satisfied by:						
Cash						6.0

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

Acquisitions in prior year

There were no adjustments to the fair value of assets acquired for MillenniumIT. The fair value of assets acquired for Turquoise was adjusted during the year resulting in a reduction of goodwill by £1.3m.

33. Leases

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

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

	Property 2011 £m	Property 2010 £m	Equipment 2011 £m	Equipment 2010 £m
Less than one year	21.0	17.0	3.1	1.0
More than one year and less than five years	78.4	70.4	3.4	2.1
More than five years	112.4	119.6	–	–
	211.8	207.0	6.5	3.1

Operating lease payments of £19.0m (2010: £15.6m) were charged to the income statement in the year in relation to property and £3.9m (2010: nil) 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 2011 £m	Group 2010 £m
Less than one year	4.4	4.4
More than one year and less than five years	18.1	18.9
More than five years	14.7	18.2
	37.2	41.5

The Company has no lease commitments.

34. 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 48 to 57.

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 1,867,465 (2010: 2,874,538) 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 Number	Share options Weighted average exercise price	SAYE Scheme Number	SAYE Scheme Weighted average exercise price	LTIP Number	LTIP Weighted average exercise price
At 1 April 2009	1,602,674	3.33	624,211	5.53	3,629,342	–
Granted	64,960	3.45	–	–	2,649,045	–
Exercised	(333,299)	3.37	(80,656)	3.50	(340,267)	–
Forfeited	(5,838)	3.45	(98,584)	6.06	(1,286,488)	–
At 31 March 2010	1,328,497	3.32	444,971	5.79	4,651,632	–
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	–
Exercisable at:						
31 March 2011	299,422	2.43	–	–	–	–
31 March 2010	1,269,105	3.17	9,425	10.26	–	–

The weighted average share price during the year was £7.36 (2010: £7.40).

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

	2011		2010	
Exercise price range	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Up to £3	–	–	312,250	0.2
Between £3 and £4	353,246	2.6	952,837	2.1
Above £4	92,106	2.0	63,410	0.1
SAYE				
Between £5 and £6	331,956	0.4	435,546	1.4
Above £10	–	–	9,425	0.1
LTIP				
Nil	5,616,934	1.6	4,651,632	1.7
Total	6,394,242	1.7	6,425,100	1.8

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	
	Matching Performance Shares 15 Feb 2011	Matching Shares 27 Sep 2010	Performance Shares 14 Sep 2010	Restricted Shares 14 Sep 2010	Market Value Options 14 Sep 2010
Grant date share price	£9.000	£7.065	£6.890	£6.890	£6.890
Exercise price	n.a	n.a	n.a	n.a	£7.000
Volatility	53%	55%	54%	54%	54%
Expected life	3 years	3 years	3 years	3 years	3.5 years
Dividend yield	2.80%	3.50%	3.60%	3.60%	3.60%
Fair value TSR	£4.37	£3.56	£3.42	£3.42	£1.96
Fair value EPS	£8.27	£6.33	£6.16	£6.16	£2.26

The volatility assumption is based on a statistical analysis of weekly share prices since the London Stock Exchange's flotation in July 2001. The fair value for the Performance and Matching Shares granted during the year is based on a Total Shareholder Return (TSR) pricing model which takes account of the TSR vesting condition. The fair value of all other shares granted is based on a Black-Scholes model. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

35. Transactions with related parties

FTSE International Ltd

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

Key management compensation

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

	2011 £m	2010 £m
Salaries and other short term benefits	8.6	7.1
Pensions	0.4	0.5
Share based payments	0.7	–
	9.7	7.6

Inter-company transactions with subsidiary undertakings

The Company has loan agreements with some subsidiary undertakings. Details as at 31 March 2011 are shown in the table below:

Loan counterparty	Amount in millions due from/(owed to) as at 31 March 2011	2010	Term	Interest rate as at 31 March 2011	Interest in millions credit/(charge) 2011	2010
LSE plc	£(183.5)m	£(178.5)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	£(8.3)m	£(6.7)m
London Stock Exchange Employee Benefit Trust	£15.6m	£21.0m	Repayable on demand.	Non-interest bearing	nil	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	€450m	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum	€21.8m	€26.6m
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	€120.5m	€89.5m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	€2.7m	€1.2m
Borsa Italiana S.p.A.	nil	nil	Agreement assigned from LSEG plc to London Stock Exchange Group Holdings (italy) Limited – Italian Branch during FY2010.	EURIBOR plus 1.2% per annum	nil	€1.2m
London Stock Exchange Group Holdings Limited	£28.6m	£33.8m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	£1.7m	£0.5m

During the year the Company charged in respect of employee share schemes £3.1m (2010: £2.1m) to the London Stock Exchange plc, £1.7m (2010: £1.1m) to London Stock Exchange Group Holdings (Italy) Ltd and £0.3m (2010: £0.1m) to Millennium Information Technologies Ltd. The Company received dividends of £123.3m (2010: £109.0m) and €55.0m (2010: €51.1m) respectively from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

36. Other statutory information

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

	2011 £m	2010 £m
Audit of parent company and consolidated accounts	0.2	0.2
Audit of subsidiary companies	0.8	1.0
Other audit related	0.2	0.1
Other fees:		
– Taxation	0.3	0.3
– Corporate finance	0.3	0.3
– Other assurance services	0.4	0.1
	2.2	2.0

Further details of the services provided by PwC are given in the Report of the Audit and Risk Committee on page 47.

Directors' emoluments comprise the following:

	2011 £m	2010 £m
Salary and fees	2.6	3.8
Performance bonus	2.2	1.9
Benefits	0.1	0.2
	4.9	5.9
Contributions to defined contribution pension schemes	0.1	0.1
	5.0	6.0

During the year two Directors (2010: two) had retirement benefits accruing under defined contribution schemes and no Director (2010: none) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 48 to 57.

Financial record

Income statement	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue					
– Capital Markets	281.5	295.3	341.5	346.0	236.3
– Post Trade Services	99.3	100.0	91.6	41.5	–
– Information Services	184.7	169.3	184.7	131.7	92.4
– Technology Services	48.6	39.4	22.8	14.1	13.5
– Other	1.8	1.6	4.1	0.3	–
Total revenue	615.9	605.6	644.7	533.6	342.2
Net treasury income through CCP business	51.3	16.2	20.8	4.6	–
Other income	7.7	6.5	5.9	8.2	7.4
Total income	674.9	628.3	671.4	546.4	349.6
Operating expenses					
– operating expenses before goodwill impairment, amortisation of purchased intangibles and non-recurring items*	(336.9)	(349.6)	(332.8)	(257.4)	(164.0)
– goodwill impairment, amortisation of purchased intangibles and non-recurring items	(58.1)	(98.0)	(548.6)	(23.8)	(11.4)
Adjusted operating profit*	341.1	280.3	340.7	291.2	187.5
Adjusted profit before taxation*	296.3	242.0	304.7	258.5	172.9
Profit/(loss) before taxation	238.2	144.3	(250.8)	227.0	161.5
Profit/(loss) for the financial year	156.5	91.7	(332.8)	173.0	110.6
Basic earnings per share	56.4p	33.8p	(126.1p)	70.8p	50.5p
Diluted earnings per share	55.9p	33.5p	(126.1p)	69.7p	49.4p
Adjusted basic earnings per share*	73.7p	60.1p	74.2p	73.1p	56.2p
Adjusted diluted earnings per share*	72.9p	59.6p	73.6p	71.9p	55.0p
Balance sheet					
Non-current assets	1,525.4	1,579.5	1,679.9	1,921.5	132.8
Current assets	116,532.9	84,617.6	35,937.7	17,642.7	134.3
Net assets held for sale	32.1	–	–	–	–
Current liabilities	(116,315.0)	(84,412.4)	(35,807.4)	(17,918.7)	(329.4)
Non-current liabilities	(638.4)	(753.9)	(757.0)	(382.6)	(287.6)
Net assets/(liabilities)	1,137.0	1,030.8	1,053.2	1,262.9	(349.9)
Cash flow					
Net cash flow from operating activities before non-recurring items	394.4	325.0	378.9	295.4	198.6
Other information					
Adjusted operating margin*	50.5%	44.6%	50.7%	53.3%	53.6%
Share price – high	£9.33	£9.41	£13.83	£19.79	£13.50
Share price – low	£5.44	£5.51	£3.70	£11.25	£10.00
Total dividend per share declared in respect of financial year	26.8p	24.4p	24.4p	24.0p	18.0p

Financial information for the years ended from 31 March 2008 includes information for the Italian group and its subsidiaries beginning from the date of the merger, 1 October 2007.

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators. Adjusted Earnings per Share, Adjusted Operating Profit and Adjusted Profit before Taxation all exclude the effect of impairment of goodwill, amortisation of purchased intangible assets and non-recurring items. Adjusted operating margin is adjusted operating profit as a percentage of total income.

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

Market structures

To understand all the services offered by a diversified exchange business, it is important to recognise both the process of trading financial instruments, and the various trading platforms available within the EU. With an effective date of introduction of November 2007, the EU's 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
	Electronic trading	Computerised systems for matching buy and sell orders of financial instruments, such as equities, bonds and derivatives.	• Equities – London and Italian trading platforms and Turquoise pan-European trading • ETFs, ETCs – London and Italian trading platforms • Bonds – MTS, MOT and ORB • Derivatives – EDX, IDEM and IDEX
Post Trade	Clearing	After a trade has been matched, usually by a trading system, it is cleared. At this stage, a central counterparty (CCP) stands between the buyer and seller. By simultaneously buying from the seller, and selling to the buyer, the CCP reduces the counterparty risk to both parties. This is because if one party defaults, the CCP will 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 clearing processing functions for London Stock Exchange equities and Turquoise derivatives.
Post Trade	Settlement	Settlement is the process of delivering title to the financial instrument to the buyer against payment to the seller. For equities, this normally takes place three days after the trade. Netted settlement reduces a large number of positions to a single position/payment. 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.
	Custody	A custodian or Central Securities Depositary (CSD) undertakes the safekeeping and administration of securities on behalf of issuers and investors.	Monte Titoli provides Italian custody services for 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 certificates.

Trading under MiFID

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

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

Glossary

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

BIt
Borsa Italiana, the Group's Italian exchange business

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

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

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

Company
London Stock Exchange Group plc or LSEG

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

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 thereby creating a secure environment in which to execute larger trades

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

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

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

European Market Infrastructure Regulation (EMIR)
European draft legislative proposal on regulation on post trade processing of derivatives and the operation and governance of CCPs and trade repositories

ESOP
Employee Share Option Plan

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

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

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

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

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

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

FTSEurofirst 100 index
The index of leading European quoted companies

Group
The Company and its group undertakings

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

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

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

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

Overview
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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

Merger
Means the proposed merger of TMX Group and LSEG under Section 182 of the Business Corporations Act (Ontario, Canada) announced by TMX Group and LSEG on 9 February 2011 on the terms and subject to the conditions set out in the Plan of Arrangement and the Merger Agreement

Merger Agreement
Means the merger agreement entered into on 9 February 2011 between TMX Group and LSEG, providing for, among other things, the terms and conditions on which the parties agree to complete the Merger, as may be amended from time to time in accordance with its terms

MIC
The interbank collaterised 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

MillenniumIT
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

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

Plan of Arrangement
Means the plan of arrangement of TMX Group as may be amended from time to time in accordance with its terms

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

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

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

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

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

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

SOLA®
Derivatives trading platform used by EDX 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

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

TMX Group
TMX Group Inc., our proposed merger partner based in Cananda

TradElect
The Group's 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	20 July 2011
Q1 Interim Management Statement (revenues only)	20 July 2011
Ex-dividend date for final dividend	27 July 2011
Final dividend record date	29 July 2011
Final dividend payment	22 August 2011
Half year end	30 September 2011
Interim Results	November 2011
Q3 Interim Management Statement (revenues only)	January 2012
Financial year end	31 March 2012
Preliminary Results	May 2012

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

Please refer to our website *www.londonstockexchangegroup.com* and click on the shareholders services section for up-to-date details.

The Group's AGM for the year ended 31 March 2011 will be held on 20 July 2011 at Plaisterers' Hall, One London Wall, London EC2Y 7JU, starting at 12:00 noon.

Investor relations

Shareholder services

Equiniti registrars shareview service

Shareview is a free service provided by our registrars, Equiniti. It may be accessed through the internet at www.shareview.co.uk. By creating a Shareview portfolio, you will gain online access to information about your Exchange shares and other investments including:

- Direct access to information held for you on the share register including share movements;
- A daily indicative valuation of all investments held in your portfolio; and
- A range of information and practical help for shareholders.

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you.

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

Group's share price service

To obtain share price information for London Stock Exchange Group plc, please see our website at: *www.londonstockexchangegroup.com*

By clicking on the Investor Relations tab you will find the Exchange's share price, historical closing prices and volumes and an interactive share price graph.

Alerting service

To receive email alerts when financial reports, news releases and webcasts are posted on our Investor Relations website, register at: *www.londonstockexchangegroup.com* and follow the link in the section on financial performance – reports and key documents.

Substantial Shareholders

As at 13 May 2011 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	15.08%
Unicredito Italiano S.p.A.	5.95%
Intesa Sanpaolo S.p.A.	5.33%
FIL Limited	5.02%
Legal & General Group plc	4.99%

Investor relations contacts

Mailing address
Attn: Investor Relations
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

For enquiries relating to shareholdings in London Stock Exchange Group plc:

Shareholder helpline: +44 (0)20 7797 3322
Visit the investor relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts *www.londonstockexchangegroup.com*

Registered office
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Registered company number
London Stock Exchange Group plc: 5369106

Registration information
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

T 0871 384 2544 or +44 (0)121 415 7047
www.shareview.co.uk

Reporting accountants and independent auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Corporate brokers
JPMorgan Cazenove Limited
125 London Wall
London EC2Y 5AJ

T +44 (0)20 7588 2828
www.jpmorgancazenove.com

Nomura International plc
One Angel Lane
London EC4R 3AB

T +44 (0)20 7102 1000
www.nomura.com

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London
Stock Exchange Group

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS
Telephone +44 (0)20 7797 1000

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