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ANNUAL REPORT 2008

London STOCK EXCHANGE

THE WORLD'S CAPITAL MARKET

OUR MERGER WITH BORSA ITALIANA HAS CREATED THE LEADING DIVERSIFIED EXCHANGE GROUP IN EUROPE AND A PLATFORM FOR ADDITIONAL GROWTH – THE COMBINED GROUP IS:

- EUROPE'S LEADING EQUITIES BUSINESS WITH 47 PER CENT OF FTSE EUROFIRST 100 BY MARKET CAPITALISATION
- EUROPE'S LEADING MARKET FOR ELECTRONIC TRADING OF ETFS AND SECURITISED DERIVATIVES
- EUROPE'S LEADING ELECTRONIC FIXED INCOME MARKET

CONTENTS

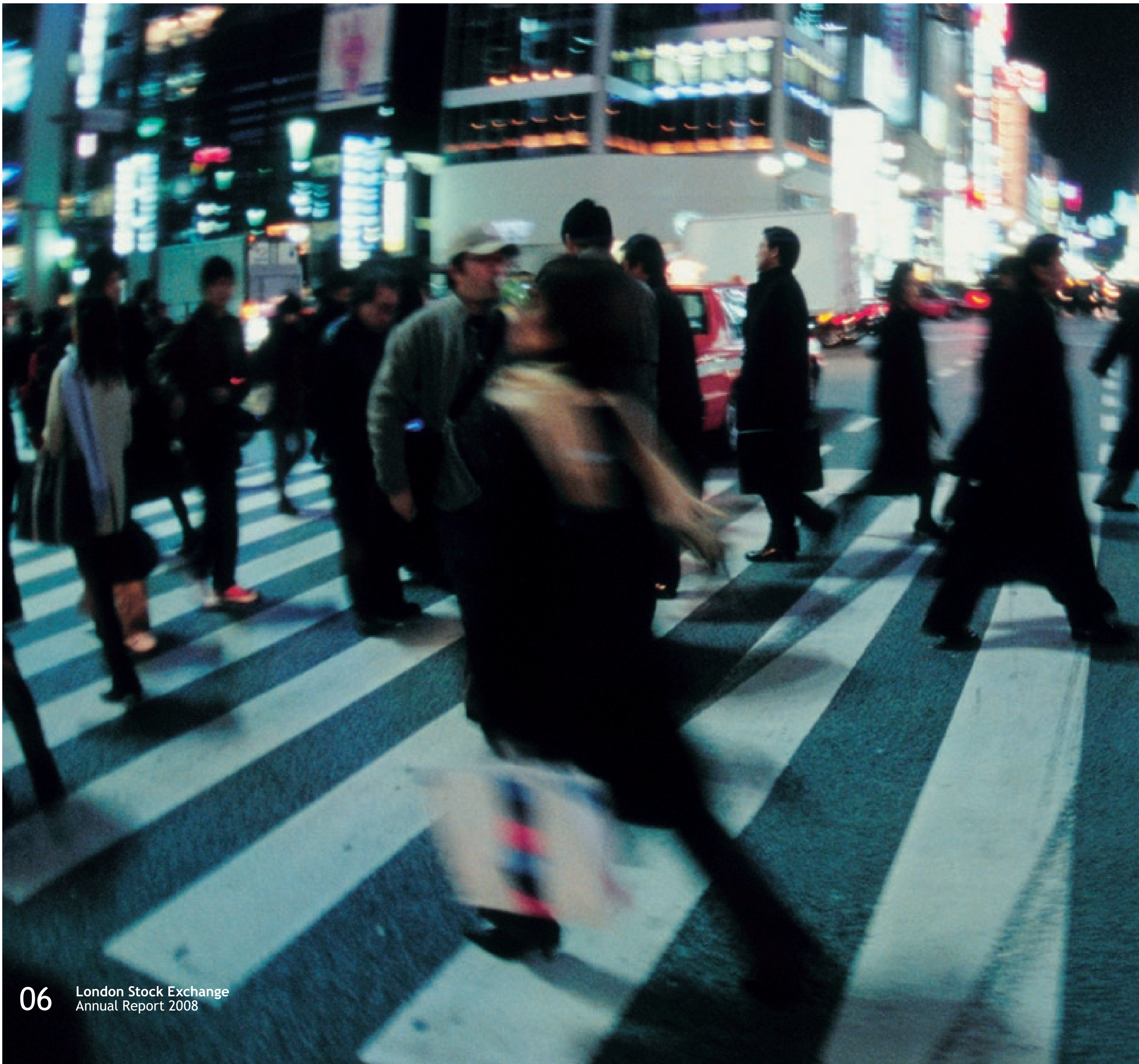



OUR GLOBAL NETWORK IS GROWING – WE ATTRACTED MORE INTERNATIONAL IPOS THAN ANY OTHER MAJOR EXCHANGE

WE CONTINUE TO DIVERSIFY OUR BUSINESS – THE MERGER WITH BORSA ITALIANA HAS CREATED EUROPE'S LEADING DIVERSIFIED EXCHANGE GROUP


LERIA
SOFTERIA

OUR COMMITMENT TO MARKET EFFICIENCY IS ENHANCED BY OUR OWNERSHIP OF CC&G AND MONTE TITOLI, EUROPE'S MOST EFFICIENT PROVIDERS OF CLEARING AND SETTLEMENT SERVICES



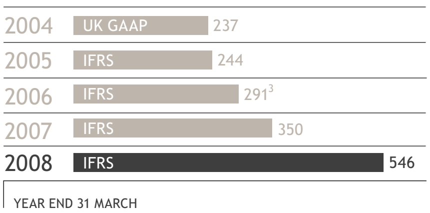
THE LAUNCH OF TRADELECT AND THE MERGER WITH BORSA ITALIANA CREATE NEW PLATFORMS FOR GROWTH

FINANCIAL HIGHLIGHTS[1]

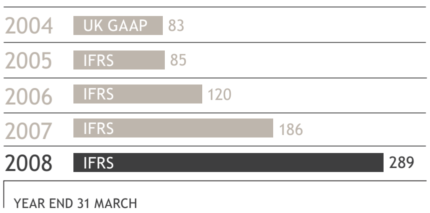
WE USE OUR EXPERTISE IN GLOBAL FINANCIAL MARKETS TO ENABLE ISSUERS TO MAXIMISE THE VALUE OF BEING PUBLICLY QUOTED – THERE ARE OVER 3,500 COMPANIES ON OUR MARKETS WITH A MARKET CAPITALISATION OF £4.4 TRILLION

Year ended 31 March	2008	2007	Growth
Revenue	£546m	£350m	56%
Adjusted operating profit[2]	£289m	£186m	56%
Operating profit	£265m	£174m	52%
Profit before tax	£235m	£162m	45%
Basic earnings per share	73.1p	50.5p	45%
Adjusted basic earnings per share[2]	73.1p	56.2p	30%

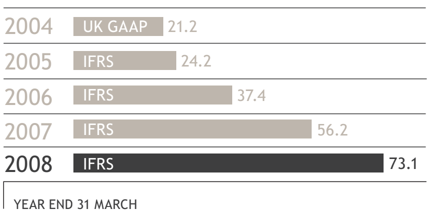
REVENUE (£M)



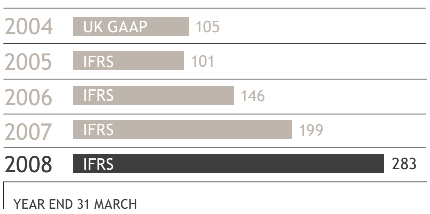
ADJUSTED OPERATING PROFIT[2] (£M)



ADJUSTED BASIC EARNINGS PER SHARE[2] (PENCE)



CASH GENERATED FROM ONGOING ACTIVITIES (£M)



[1] Includes the results of Borsa Italiana from 1 October 2007

[2] Before amortisation of purchased intangibles and exceptional items. Non GAAP

[3] Before exceptional items

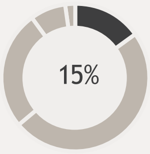
OUR SERVICE OFFERING

WE AIM TO PROVIDE A BETTER AND WIDER RANGE OF PRODUCTS AND SERVICES TO AN INCREASINGLY INTERNATIONAL CUSTOMER BASE, CREATING AN EVER MORE EFFICIENT MARKET

Our services

ISSUER SERVICES

Revenue (£M)



£82m

Customer profile
Companies from around the world come to our markets to raise money for growth

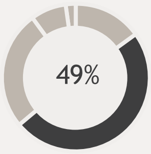
Activity
Companies that join our primary markets gain access to one of the world's deepest and most liquid pools of low-cost capital

Number of companies on our markets

3,579

TRADING SERVICES

Revenue (£M)



£265m

Customer profile
600 members worldwide trade on the London Stock Exchange and Borsa Italiana

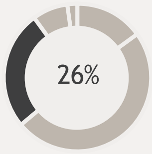
Activity
Our systems provide fast and efficient trading at very low cost, allowing investors and institutions access to equity, bond and derivatives markets

Average number of equity order book bargains per day

937,000

INFORMATION SERVICES

Revenue (£M)



£144m

Customer profile
Member firms, investors and institutions across the world

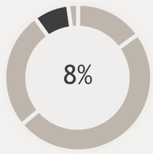
Activity
We supply high-quality, real-time prices and trading data creating the transparency and liquidity that are the hallmarks of our markets

Number of terminals

1,082,000

POST TRADE SERVICES

Revenue (£M)



£43m

Customer profile
Firms trading in equities, derivatives or fixed income products

Activity
We act as a central counterparty (CCP) guaranteeing parties to a trade will be paid and securities will be delivered, as well as a Central Securities Depository (CSD) and securities settlement system, creating netted settlement instructions, making the actual payments and delivering securities. We are also a custodian of securities

Number of contracts cleared

55 million

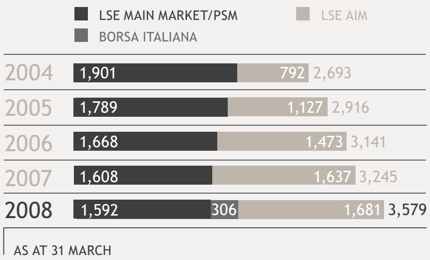
GROUP AT A GLANCE

KEY PERFORMANCE INDICATORS[1]

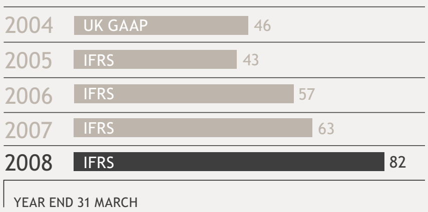
WE ARE EUROPE'S LARGEST STOCK EXCHANGE FACILITATING THE RAISING OF CAPITAL AND THE TRADING OF SHARES. THIS YEAR 388 COMPANIES FROM AROUND THE WORLD JOINED OUR MARKETS

ISSUER SERVICES

TOTAL NUMBER OF COMPANIES



REVENUE (£M)

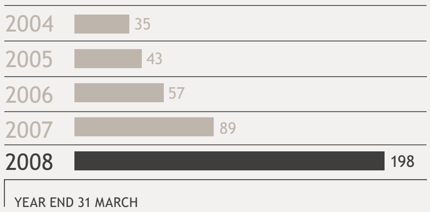


Operational highlights

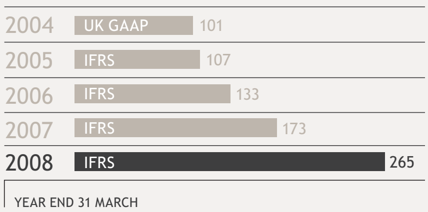
- 388 new issues in London and Milan, including 128 international companies
- London attracted more international IPOs than any other major exchange
- Total money raised in London reached £38 billion

TRADING SERVICES

NUMBER OF EQUITY ORDER BOOK BARGAINS (M)



REVENUE (£M)

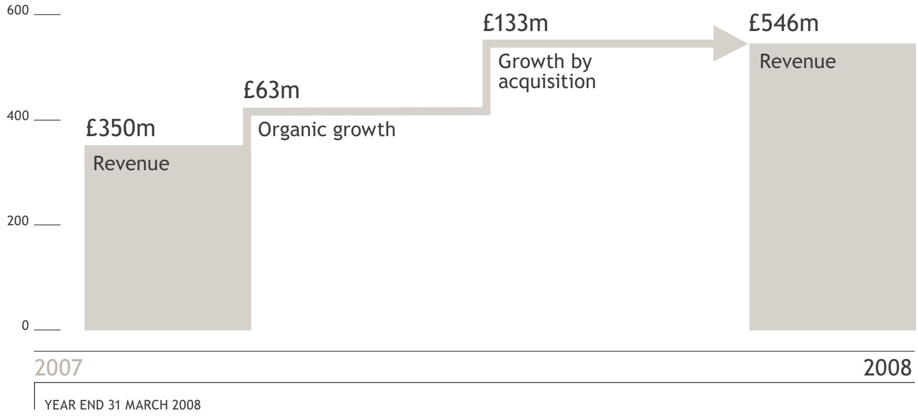


Operational highlights

- 82 per cent increase in average daily SETS bargains to 642,000, accelerated by the introduction in June of our new trading system, TradElect
- 39 per cent increase in average daily SETS value traded to £9.1 billion
- Borsa Italiana's average daily bargains in cash equities were 295,000 and average value traded was €5.5 billion

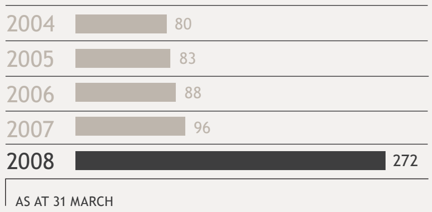
[1] Includes the results of Borsa Italiana from 1 October 2007

GROUP REVENUE (£M)

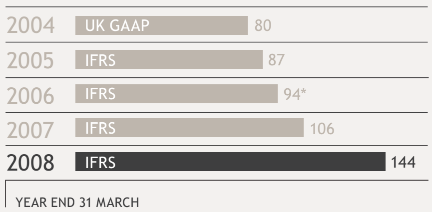


INFORMATION SERVICES

TOTAL NUMBER OF PROFESSIONAL TERMINALS (000)



REVENUE (£M)



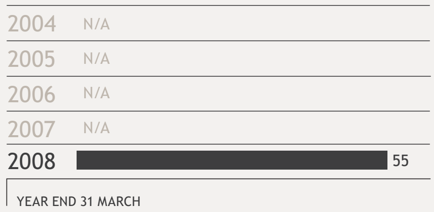
*Before exceptional items

Operational highlights

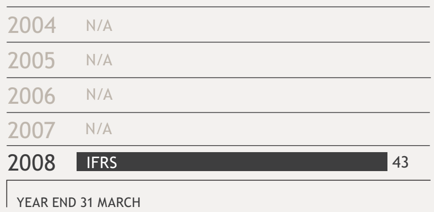
- Total terminals taking London data up 22,000 to a record 138,000, of which terminals attributable to professional users rose 16,000 to 112,000. Number of users outside the UK increased to 71,000
- Professional users of Italian data reached 160,000
- Number of private individuals registering for Italian data increased to 784,000

POST TRADE SERVICES

TOTAL NUMBER OF CONTRACTS CLEARED (M)



REVENUE (£M)



Operational highlights

- Number of pre-settlement instructions reached 182 million over 6 months to 31 March
- Average value of assets under custody rose to €2.8 trillion

CHAIRMAN'S STATEMENT

OUR STRATEGY FOR INTERNATIONAL GROWTH CONTINUES TO DELIVER REAL VALUE TO OUR CUSTOMERS AND SHAREHOLDERS

CHRIS GIBSON-SMITH

"I would like to thank all our employees for their hard work and dedication which delivered another year of major achievement, in particular the merger with Borsa Italiana which adds significant new opportunities for growth."

DIVIDEND

8.0 pence
Interim dividend per share

16.0 pence
Final dividend per share

It has been a remarkable year in the financial sector, with market conditions becoming more difficult during the period. Nevertheless, we made good operational, financial and strategic progress. We set new records in trading, information and post trade services, achieved higher earnings per share, and completed the merger with Borsa Italiana. Reflecting this performance and its confidence in the future, the Board is proposing a final dividend of 16 pence per share, making a total of 24 pence for the year, an increase of 33 per cent.

The enlarged Group delivered strong revenue growth for the year, up 56 per cent to £546 million and up 15 per cent on a pro forma basis[1]. Adjusted basic earnings per share for the year, excluding exceptional items and amortisation of purchased intangibles, was 73.1 pence. This was a 30 per cent increase over last year.

We continued to return capital to shareholders through our share buyback programmes. In the last year we returned £139 million, bringing the total returned since 2004 to over £910 million.

Our merger with Borsa Italiana, completed on 1 October 2007, brought together two highly efficient and complementary businesses. As a result, your Company has extended its position as Europe's leading equities business, and diversified its product offering, in particular through the ownership of Europe's most efficient providers of clearing and settlement services – Cassa di Compensazione e Garanzia (CC&G) and Monte Titoli.

Despite the uncertainty caused by current global financial conditions, trading on our markets has proved very resilient, setting new records at a time of limited liquidity in many OTC markets. This highlights the value and importance of trusted, well regulated exchanges that provide quality price formation and certainty of execution.

The continuing globalisation of capital markets underpins our international strategy. We are developing our business organically as well as through cooperation and consolidation. In October we announced a joint venture with the Tokyo Stock Exchange to establish a growth market for early stage companies from Japan and elsewhere in Asia. In January, I was delighted that, after the expeditious handling of our application by the Chinese authorities, the UK Prime Minister opened our new office in Beijing.

I am grateful for the continued support we have received from HM Government and the City of London in pursuing our international growth strategy.

In the last year your Company consolidated its unique strategic position and strengthened its prospects for growth. Reflecting strong organic growth and the merger, the Group became a member of the FTSE 100 index in December 2007.

Despite challenging times for the financial sector and the prospect of increasing competition in Europe and beyond, we approach the future with confidence. Our merger brings greater diversification of revenues and further opportunities for growth. Your Company continues to maintain its global leadership in international IPOs, to invest in ever faster and more efficient technology to meet the increasing demand for neutral, highly liquid execution services, and to develop its suite of data products – the lifeblood of an efficient market.

A new Group Board structure was put in place in October 2007. I would like to welcome Angelo Tantazzi as Deputy Chairman and Massimo Capuano as Deputy Chief Executive together with Paolo Scaroni, Andrea Munari and Sergio Ermotti as Non-Executive Directors. Jonathan Howell, Gary Allen and Peter Meinertzhagen have stepped down from the Board and I would like to thank them for their valuable contribution. Jonathan Howell is succeeded as Chief Financial Officer by Doug Webb.

I would like to thank all our employees for their hard work and dedication which delivered another year of major achievement, in particular the merger with Borsa Italiana which adds significant new opportunities for growth.

C. S. Gibson-Smith.

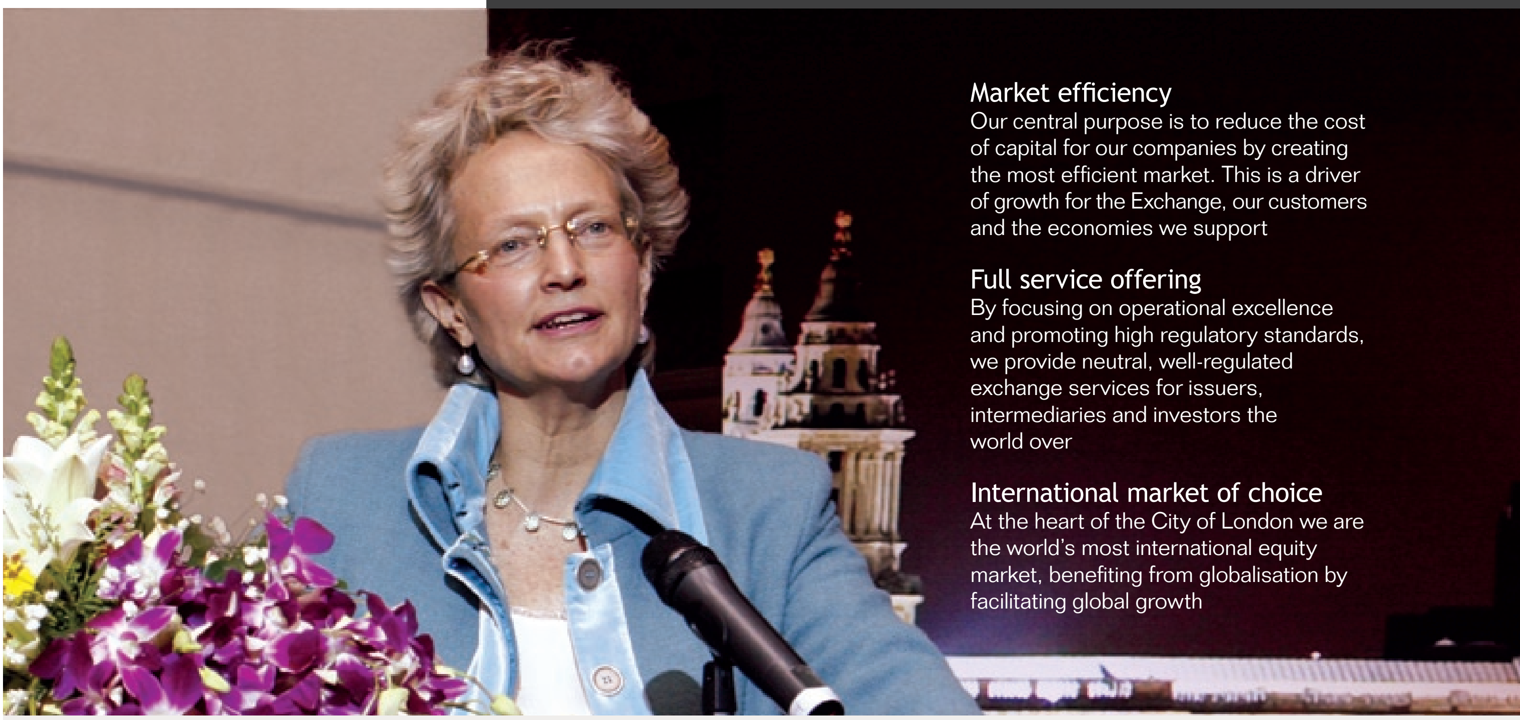
Chris Gibson-Smith
CHAIRMAN

[1] Pro forma figures are presented for the full year and the prior comparative year as if Borsa Italiana had been acquired on 1 April 2006, with translation of prior year using the same average exchange rate as the year ended 31 March 2008

CHIEF EXECUTIVE'S REVIEW

A YEAR OF MAJOR ACHIEVEMENT WITH THE LAUNCH OF TRADELECT, THE MERGER WITH BORSA ITALIANA AND CONTINUING STRONG ORGANIC GROWTH

CLARA FURSE



Market efficiency
Our central purpose is to reduce the cost of capital for our companies by creating the most efficient market. This is a driver of growth for the Exchange, our customers and the economies we support

Full service offering
By focusing on operational excellence and promoting high regulatory standards, we provide neutral, well-regulated exchange services for issuers, intermediaries and investors the world over

International market of choice
At the heart of the City of London we are the world's most international equity market, benefiting from globalisation by facilitating global growth

"In the last year we have made significant further progress towards fulfilling our vision to be the world's capital market. By focusing on bringing the world to London, completing the merger with Borsa Italiana, improving market efficiency and creating new opportunities for our widening network of customers, we have delivered record results."

In the last year we have made significant further progress towards fulfilling our vision to be the world's capital market. By focusing on bringing the world to London, completing the merger with Borsa Italiana, improving market efficiency and creating new opportunities for our widening network of customers, we have delivered record results. Operating profit, excluding exceptional items and amortisation of purchased intangibles, increased 56 per cent to £289 million. These results are a testament to the quality of our product offering, the breadth and character of our international customer base and the commitment and energy of our staff.

We successfully launched our new trade execution engine, TradElect, as planned on 18 June 2007. This completed a four-year investment programme which has revolutionised the speed and capacity of our technology infrastructure. This has driven record trading volumes as high frequency electronic trading has shown exponential growth. Since the launch of TradElect we have seen 98 of the 100 busiest days ever on the SETS order book. For the full year, SETS achieved very strong growth in trading with the average daily number of SETS trades up 82 per cent to 642,000 and average daily value traded up 39 per cent to more than £9 billion.

Our investment in technology continues apace. In October 2007, an upgrade to TradElect increased trading capacity by a further 70 per cent and reduced overall end-to-end latency by 40 per cent. In the year ahead, more enhancements are planned to make our markets ever more attractive to increasing numbers of customers.

Our merger with Borsa Italiana, which was overwhelmingly supported by shareholders, has created Europe's leading diversified exchange group and gives us new platforms for growth. The combination brings together the strengths of Borsa Italiana in Italian cash equities, derivatives, Exchange Traded Funds, securitised derivatives, fixed income products through MTS as well as highly efficient post trade services, with those of the London Stock Exchange in UK and international equity markets and information products. The combined group is Europe's leading equities business with nearly 50 per cent of the FTSEurofirst 100 by market capitalisation and Europe's most liquid order book by value and volume traded.

The integration of our businesses is on track to deliver significant cost and revenue synergies. Trading in Italian equities will migrate to TradElect before the end of 2008, creating Europe's largest liquidity pool and generating new trading opportunities for the larger network of Borsa Italiana and London Stock Exchange customers via cross-access services.

London continues to be the market of choice for international issuers. In October we welcomed Grupo Clarín, Argentina's largest media group, and more recently in March, BHK Inc, a Korean household goods company, joined AIM. Across the Group, there were 84 international IPOs from 25 countries which raised a total of £12.8 billion. At the end of the year there were over 700 international companies from 70 different countries on our markets.

AIM continues to consolidate its position as the world's leading market for smaller growth companies and in the last year there was a record £9 billion in further issues. Building on the global success of AIM and the strength of the secondary market in Italy for smaller companies, we intend to launch AIM Italia in the second half of 2008 – providing another route to capital for Italy's dynamic smaller company sector and completing the next phase in our strategy for AIM Europe. As companies on AIM fulfil their potential, there is a growing pipeline of AIM companies moving to the Main Market, with a record 13 companies transferring last year.

We continue to innovate to deliver new products and services to our customers and extend our international reach. Our joint venture with the Tokyo Stock Exchange and the opening of our office in Beijing will help to ensure that we are able to offer the City's unique range of equity market services to Asia's global growth companies. In 2009 we will significantly enhance our cash equity trading service with the launch of a combined equity and Contracts for Difference order book. This will provide customers with a new, innovative way of trading CFDs, adding participants and increased liquidity, thereby enhancing market efficiency.

Our relentless focus on market efficiency, our growing global network and our independent, full service exchange offering at the heart of the City of London, provide a unique and strong foundation for an exciting future.

Clara Furse
CHIEF EXECUTIVE

MARKET CONDITIONS HAVE HIGHLIGHTED THE IMPORTANCE OF TRUSTED, WELL REGULATED EXCHANGES THAT PROVIDE QUALITY PRICE FORMATION AND CERTAINTY OF EXECUTION

Technology, efficiency and the structural change in trading

The nature of order flow in equity markets is undergoing rapid change and driving growth in trading. The significant increase in automated trading continues to become more widespread, in particular among traditional asset managers.

High velocity trading strategies demand speed, capacity and certainty of execution. The introduction of TradElect in June 2007 set new benchmarks in terms of system capacity and performance. The London Stock Exchange has had 98 of its busiest 100 trading days since its launch.

Continuing globalisation

Globalisation continues apace and emerging economies are powering ahead.

The Russian and Chinese economies, both important markets for the Group, grew eight per cent and 11 per cent in 2007. London continues to benefit from this robust economic performance. In FY 2008, London's markets attracted 84 international IPOs by companies from 25 countries. Between them they raised £12.8 billion. This was more than the number of international IPOs on NYSE Euronext, Deutsche Börse and Nasdaq combined.

The London Stock Exchange attracts international companies because of the depth of its capital pool and its unique strategic position as the natural centre of the world's equity flows. A recent IPREO study found that London has more international equities under management than any other financial centre. London manages international equities worth $1.9 trillion, compared with $1.45 trillion in New York. This represents 45.9 per cent of all London's equity assets, compared with 25.1 per cent in New York.

Quality price formation and certainty of execution

The current global credit crisis has created uncertainty and volatility in the broader financial markets. Despite these challenges, trading for the Group has proved resilient with volumes increasing at a time of limited liquidity in many OTC markets.

The Group's strong trading performance underlines the importance of trusted, well regulated exchanges that provide quality price formation and certainty of execution.

An industry restructuring

There has been a wave of restructuring and consolidation in the exchange sector. Mergers can deliver major benefits including: increased liquidity and reduced cost of capital for issuers, synergies and diversification into new geographies and new asset classes. Our merger with Borsa Italiana creates Europe's leading diversified exchange group accounting for almost half of the FTSEurofirst 100 index of Europe's largest companies. The merger also gives the Group additional expertise in bonds through its interest in MTS, Exchange Traded Funds, derivatives and access to Europe's most efficient post trade services providers in CC&G and Monte Titoli.

New opportunities

A number of international trends and developments promise new opportunities for equity markets.

The rise of Sovereign Wealth Funds promises to bring additional liquidity to world markets. According to latest estimates their assets under management could reach $10 trillion by 2015.

There has been renewed focus on the importance of governance for listed companies. Recent research from the Association of British Insurers shows that companies with the best corporate governance records have produced returns 18 per cent higher than those with poor governance. According to the latest GMI survey, UK companies continue to rank ahead of those in Europe and the US for their standards of governance. The UK approach to governance and market regulation is a major attraction to international companies and for the third time running London leads the way in the Global Financial Centres Index.

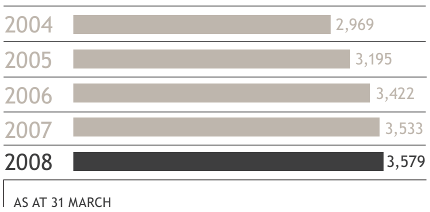
MASSIMO CAPUANO, DEPUTY CHIEF EXECUTIVE, IS LEADING THE INTEGRATION OF BORSA ITALIANA AND LONDON STOCK EXCHANGE

- The merger has created Europe's leading diversified exchange group. It was overwhelmingly approved by shareholders and completed as planned on 1 October 2007
- The combined group creates new growth opportunities for our customers, diversifies revenues and strengthens our position as the world's capital market
- We are on track to deliver at least £20 million of cost synergies in FY 2010 and £20 million of revenue synergies in FY 2011 as expected, and continue to investigate opportunities to deliver additional synergies. One-off implementation costs are expected to be no more than £40 million
- Trading in Italian equities will migrate to TradElect before the end of 2008, stimulating growth by attracting new technology-driven participants
- Customers will benefit from a single point of access to market data in the first half of 2009. The new platform will be based on Infolect – our world-leading information service
- Building on the global success of AIM, we intend to launch AIM Italia in the second half of 2008 – providing another route to capital for Italy's dynamic smaller company sector and completing the next phase in our strategy for AIM Europe

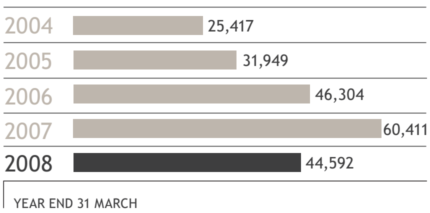
WE ARE EXTENDING OUR GLOBAL REACH AND REALISING OUR VISION TO BE THE WORLD'S CAPITAL MARKET – THIS YEAR MORE INTERNATIONAL IPOS CAME TO LONDON THAN TO ANY OTHER MAJOR EXCHANGE

Today we are Europe's largest exchange business with 3,579 companies quoted on the London Stock Exchange and Borsa Italiana and with 47 per cent of the market capitalisation of the FTSEurofirst 100. At the end of the year there were 711 international companies from 70 different countries on our markets in London.

TOTAL NUMBER OF COMPANIES[1]



TOTAL MONEY RAISED (£M)[1]



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

Highlights

London attracted 378 new companies across the Main Market, AIM and the Professional Securities Market (PSM). Across the Group a total of £24.5 billion was raised through new admissions and an additional £20.1 billion through further issues.

Once again, London attracted more international IPOs than any other major exchange, with a total of 84 during the year, more than NYSE Euronext, Deutsche Börse and Nasdaq combined.

AIM has established itself as the world's leading market for young, growing companies. A key trend this year has been the high number of further issues, providing companies with a record £9 billion to fund their continued growth. Such sums reflect investors' confidence in AIM companies and in the market structure. Meanwhile, a record 13 AIM companies moved to the Main Market.

Building on this success, we intend to launch AIM Italia in the second half of 2008, leveraging Borsa Italiana's knowledge and experience of the Italian SME market.

As an incremental step to build on the quality and integrity of AIM, the introduction of the new AIM rulebook for Nomads has been broadly welcomed by the market, while a new rule now requires all AIM companies to establish websites for investors.

RNS, London's company news service, had another record year with a 20 per cent increase in announcement volumes primarily due to further growth in the number of companies using the service.

In November we opened the Specialist Fund Market (SFM), our new market for investment funds targeting sophisticated investors. SFM provides an alternative venue for vehicles such as private equity and hedge funds, infrastructure and specialist property funds.

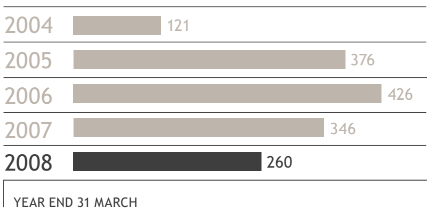
Expanding into new regions

We continue to expand into new regions and attracted our first listings from Vietnam, Bahrain and Nigeria. We are now actively marketing in Latin America, looking to become the international market of choice for companies in the region seeking overseas capital.

In Latin America and other regions we often work in partnership with local exchanges, making our international offering complementary to the domestic market. During the year we established Memoranda of Understanding (MOUs) with key exchanges including the São Paulo Stock Exchange (BOVESPA), the Vietnamese stock exchanges in Ho Chi Minh City and Hanoi, and the Bahrain Stock Exchange.

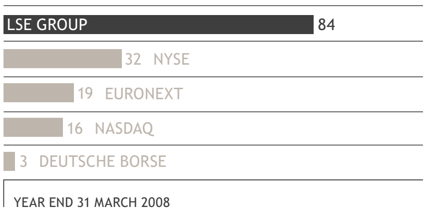
Through a joint venture with the Tokyo Stock Exchange (TSE) we are working towards the creation, in Japan, of an AIM-style growth capital market which we hope to launch by the end of 2008. The new market will combine TSE's knowledge of the region and our growth market expertise to provide a new funding option for smaller companies.

IPOS (NUMBER OF COMPANIES)[1]



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

NUMBER OF INTERNATIONAL IPOS



BEIJING OFFICE OPENING

We opened our Beijing Office in January with a launch event co-hosted by the Prime Minister, Gordon Brown, Vice Chairman of the China Securities Regulatory Commission, Yao Gang, Secretary of State for Business, Enterprise and Regulatory Reform, John Hutton, and Clara Furse. Dedicated resource in China to liaise with government, regulators, advisers and companies will improve our potential to attract companies from China to list and be traded in London.

STAR BORSA ITALIANA

STAR is a market segment created by Borsa Italiana to promote international recognition of small and mid cap companies that adhere to specific requirements including minimum free float of 35 per cent, minimum number of independent directors and provision of accounting information in English.

MARIELLA BURANI FASHION GROUP

brembo

Poltrona Frau
Fondata nel 1912

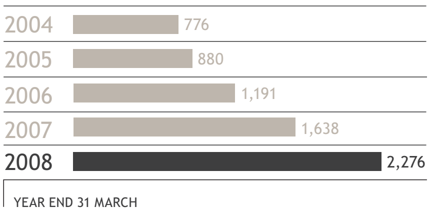
AEFFE

DAMIANI

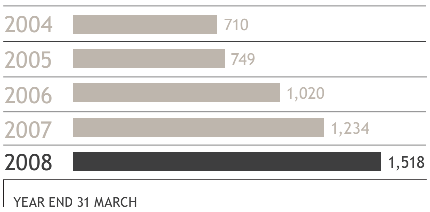
EXAMPLES OF STAR COMPANIES

SETS TRADING CONTINUED TO BREAK NEW RECORDS DURING THE YEAR. SINCE THE INTRODUCTION OF TRADELECT, OUR NEW TRADING PLATFORM, SETS HAS HAD 98 OF ITS 100 BUSIEST TRADING DAYS EVER. BORSA ITALIANA ALSO RECORDED ITS BEST YEAR FOR TRADING VOLUMES ON CASH AND DERIVATIVES MARKETS

EQUITY ORDER BOOK VALUE TRADED - LONDON (£BN)



EQUITY ORDER BOOK VALUE TRADED - ITALY (€BN)



We are now number one in Europe:

- by value and volume of equity order book trades;
- by volume of order book trading of ETFs;
- by value of order book trading of securitised derivatives; and
- in wholesale and retail electronic bond trading.

Highlights

2008 was an excellent year for electronic trading volumes in particular for equities traded in London following the introduction of TradElect in June:

- on 9 August the daily volume exceeded one million trades for the first time;
- there were over one million trades on 9 days during the year and a new record of 1,428,000 trades in a single day; and
- average daily SETS bargains of 642,000, up 82 per cent.

Despite the uncertainty caused by current global financial conditions, trading has proved very resilient during this period of volatility and the underlying drivers of growth remain robust.

Our volume discount scheme ensures that customers benefit from the growth in trading. 72 per cent of trades on SETS now qualify for lower fees and eight out of 10 of our largest customers have reached the 50 per cent discount threshold.

Borsa Italiana's average daily bargains in cash equities rose 20 per cent during the year to 290,000.

We are now the largest exchange in Europe by trading volume for Exchange Traded Funds (ETFs). In Italy we attracted 134 ETF issues during the year and in the UK the removal of stamp duty on overseas ETFs is helping to attract new funds. ETFs and Exchange Traded Commodities (ETCs) across Group markets now number 641.

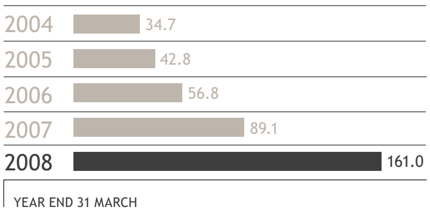
We are now the third largest market in Europe by notional turnover for derivatives and growth remains strong. 37 million IDEM contracts were traded, up 12 per cent over the previous year. Trading of Russian contracts on EDX grew sevenfold while Scandinavian contracts grew 29 per cent.

Opportunities for growth in the year ahead

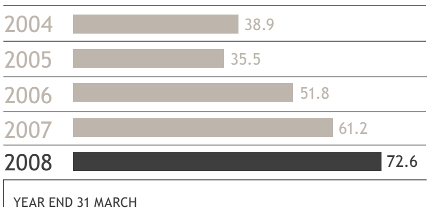
We plan to launch a number of new trading products and services in the year ahead, working in close partnership with our customers:

- Exchange traded contracts for difference – scheduled to be the world's first combined equity/CFD order book, this should boost overall levels of trading and further improve the quality and efficiency of the order book, benefiting all market users;
- Netting – will enable firms to net same-day, same-security trades at exchange level potentially saving the market over 25 per cent of post trade costs;
- IOB Clearing – the introduction of a central counterparty (CCP) service for the International Order Book will help firms to mitigate counterparty risk, improve liquidity and lower operational costs; and
- TradElect – future upgrades will double capacity and latency will be halved to our next target of three milliseconds.

NUMBER OF EQUITY ORDER BOOK BARGAINS – LONDON (M)



NUMBER OF EQUITY ORDER BOOK BARGAINS – ITALY (M)



MTS GROUP

MTS is Europe's largest wholesale electronic government bond market. MTS also offers BondVision, a web-based government bond market for banks and central banks and other investors including insurance companies, asset managers and hedge funds. Over the past ten years MTS has exported its market model to key markets in Europe and today MTS and EuroMTS are actively providing wholesale and retail market facilities in a range of countries across Europe including: the UK, Italy, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, the Netherlands, Portugal and Spain. During the year, the average daily nominal value traded across MTS's cash and repo markets exceeded €80 billion.

MTS continues to innovate and expand globally. In June 2007 it launched an order-driven market for swaps trading and over the next year MTS will complete the migration of its markets onto TradeImpact, increasing the efficiency of the market. Recently, MTS expanded into Israel, Slovenia and Poland, and is now pursuing growth opportunities in other markets around the world. For example, MTS recently reached an agreement with the Brazilian government to list and trade sovereign debt denominated in local currency.

TRADELECT

TradElect, launched in June last year and upgraded in October, increased trading capacity more than ninefold and cut average end-to-end latency to six milliseconds. TradElect has facilitated the huge increase in trading volumes this year. Further enhancements are planned that will allow us to stay ahead of the market.

Italian cash equities will be migrated onto TradElect before the end of this year. Integrating the Italian, UK and international equities markets on a single platform will deliver substantial cost synergies, create Europe's largest liquidity pool and reduce the cost of capital for issuers.

TERMINAL NUMBERS HIT NEW RECORDS WITH STRONG INTERNATIONAL GROWTH. OUR DATA IS PRICE-FORMING, CREATING VALUE FOR OUR CUSTOMERS

INFOLECT WILL BECOME THE SINGLE INFORMATION DELIVERY MECHANISM FOR BORSA ITALIANA AND LONDON STOCK EXCHANGE MARKET DATA. MEMBERS OF BOTH EXCHANGES WILL BENEFIT FROM ACCESS TO MULTIPLE MARKETS THROUGH A SINGLE INTERFACE

Highlights

Terminals taking real-time London Stock Exchange data rose by 22,000 to a record 138,000 with international users rising by over 12,000. By offering access through Network Service Providers we are making our market data ever more widely available to an international audience and driving further strong growth in terminals in the US.

Terminals taking real-time Borsa Italiana data rose 56,000 during the year to 944,000. In July 2007 a new information service DDM Plus with enriched functionality was launched and has encouraged the growth of international users.

Proquote, an integrated trading and market data system, increased terminals by 600 to 4,400 with international terminals now comprising almost half of this total. During the year Proquote launched a package of MiFID compliant products, such as best execution services, and extended the range of data available on the system.

Borsa Italiana's equivalent product is Market Connect which now has 20,000 own screens and 63,000 third party screens.

SEDOL, our database of global securities identifiers, now covers 2.4 million securities and continues to grow. A new SEDOL system will be launched next year using UnaVista technology, which will deliver enhanced functionality and integrate the Group's Italian reference data.

Growth in the year ahead

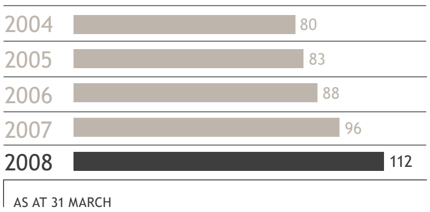
Following migration of the Italian markets onto TradElect, Infolect will become the single information delivery mechanism for Borsa Italiana and London Stock Exchange market data. We will offer our products through one feed and promote them to a wider audience. Members of both exchanges will benefit through access to multiple markets via a single interface.

Performance channels, to be launched in London in 2008, will increase the rate at which data can be sent out to the market. In addition, hosting will allow customers to locate their trading hardware alongside our trading system.

UnaVista, our global integration, validation, matching and reconciliation service, will shortly be piloting a new central matching service for prime brokers, executing brokers and hedge funds. The automation of largely manual processes will increase settlement efficiency and reduce settlement risk.

Forthcoming Proquote developments will include the launch of an order-routing facility, which will offer customers the ability to route orders to other brokers and provide a link to the FIX Gateway. In addition, we will introduce a Direct Market Access (DMA) service for retail brokers to put orders directly onto the SETS order book. Post trade compliance products will be expanded to cover all major European exchanges and Multilateral Trading Facilities (MTFs), enabling brokers to measure and monitor best execution across Europe.

NUMBER OF PROFESSIONAL TERMINALS – LONDON STOCK EXCHANGE (000)



NUMBER OF PROFESSIONAL TERMINALS – BORSA ITALIANA (000)

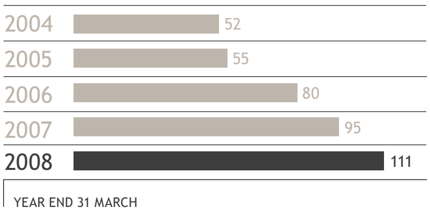
MARKET CONNECT

Market Connect offers a suite of information services that meets the needs of a diverse customer base including corporate and smaller professional users. Last year Market Connect launched a set of MiFID compliant products including best execution services, enabling customers to verify the quality of their execution, and an order-routing facility. Market Connect now has over 20,000 own screens and 63,000 third party screens via data feeds, and as part of a larger group, there should be extended international growth opportunities ahead.

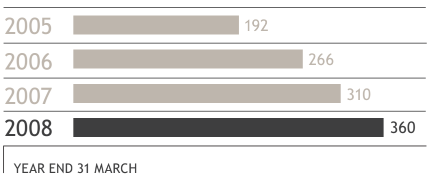
Borsa Italiana Headquarters, Milan, Italy

WE DELIVER EUROPE'S MOST EFFICIENT POST TRADE SERVICES. AS WELL AS DIVERSIFYING GROUP REVENUE, THESE PRESENT A PLATFORM FOR EXPANSION INTO NEW MARKETS

CC&G CONTRACTS CLEARED (M)



NUMBER OF PRE-SETTLEMENT INSTRUCTIONS (M)[1]



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

Clearing

Cassa di Compensazione e Garanzia (CC&G) acts as a central counterparty (CCP) eliminating counterparty risk on trades in Italian cash equities, derivatives and government bonds. Outside the Group, CC&G provides CCP services to BrokerTec for Italian government bonds. CC&G's 133 members comprise banks and investment firms.

Settlement

Monte Titoli has a successful track record in providing routing, netting and settlement services.

X-TRM, a pre-settlement facility, provides routing and netting services transforming raw transaction data into netted settlement instructions. X-TRM serves competing trading platforms, CCPs and settlement venues.

EXPRESS II, the settlement system also operated by Monte Titoli, provides straight-through-processing settlement for guaranteed and non-guaranteed trades dealt on any execution venue or OTC across a comprehensive set of financial instruments.

Custody

Monte Titoli also provides custody services for all the financial instruments it holds, whether dematerialised or in paper form.

Highlights

- CC&G – began coverage of Exchange Traded Commodities during the year. Growth in Exchange Traded Funds and Commodities drove a 44 per cent increase in cash equity instruments eligible for clearing, while the number of derivative instruments eligible for clearing rose 24 per cent.
- During the year total contracts cleared rose 19 per cent to 74 million in cash equities and 12 per cent to 37 million in derivatives.
- EXPRESS II – handled €160 billion of contracts on a daily basis with a settlement rate of 99.7 per cent. (The Bank for International Settlement considers a securities settlement system to be functioning properly when settlement rates are 95 per cent or above.)
- X-TRM – during the year the number of pre-settlement instructions rose 16 per cent to 360 million.
- Custody – during the year average assets under custody rose 4 per cent to nearly €2.8 trillion.

A platform for expansion

We are now reviewing opportunities to offer CC&G's and Monte Titoli's open infrastructure to other markets around Europe.

MONTE TITOLI PROVIDES AN OPEN ARCHITECTURE MODEL THAT IS **EFFICIENT AND COST-EFFECTIVE**

MONTE TITOLI

In March 2007 EXPRESS II was recognised as the lowest cost provider in the eurozone in a benchmarking study by the European Central Bank on the feasibility of its proposals for Target 2 Securities.

In July 2007 Monte Titoli was awarded a public Centralised Securities Depository (CSD) rating of 'AA' by Thomas Murray, the same rating as the US Federal Reserve. Monte Titoli is the first operator in Europe to obtain this rating.

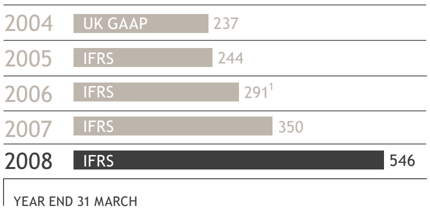
As Europe's most efficient provider of post trade services we are now assessing opportunities for expansion into new markets.

MERGER WITH BORSA ITALIANA COMPLETED, DIVERSIFYING AND INCREASING REVENUES AND PROFIT. EXCELLENT FINANCIAL PERFORMANCE REFLECTING THE COMBINATION OF BENEFITS OF THE MERGER AND STRONG ORGANIC GROWTH

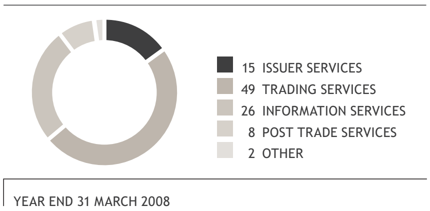
HIGHLIGHTS

- Merger with Borsa Italiana completed on 1 October 2007, valuing the Italian business at £1,308 million
- Revenue at £546.4 million up 56 per cent (2007: £349.6 million)
- Operating profit, before exceptional items and amortisation of purchased intangibles, increased 56 per cent to £289.0 million (2007: £185.6 million). Operating profit increased 52 per cent to £265.2 million (2007: £174.2 million)
- Adjusted basic earnings per share, before exceptional items and amortisation of purchased intangible assets, increased 30 per cent to 73.1 pence (2007: 56.2 pence). Basic earnings per share were 73.1 pence (2007: 50.5 pence)
- Cash generated from ongoing operating activities increased to £282.7 million (2007: £198.6 million)
- Total dividend per share growth of 33 per cent to 24.0 pence (2007: 18.0 pence)
- Share buyback programmes made on-market purchases of 10.1 million shares at a combined cost of £139.3 million
- On a pro forma basis, revenues up 15 per cent to £666.8 million, operating profit, excluding exceptional items and amortisation of purchased intangibles, up 27 per cent to £343.0 million and adjusted basic EPS up 29 per cent to 72.9 pence

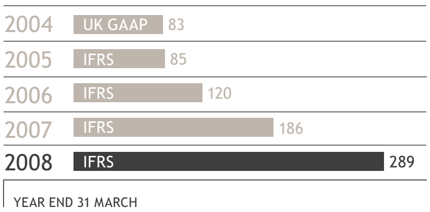
REVENUE (£M)



REVENUE (%)



ADJUSTED OPERATING PROFIT [2] (£M)



[1] Before exceptional items

[2] Before exceptional items and amortisation of purchased intangibles

Borsa Italiana merger

On 1 October 2007 the merger with Borsa Italiana was completed, with 79.4 million shares issued, valuing the Italian business at £1,308 million. The financial results include results of Borsa Italiana for the six months from the date of the merger which contributed revenues of £133.2 million and operating profit, before exceptional items and amortisation of purchased intangibles, of £57.5 million. Reflecting in part the transaction, the Group reports net assets of £1,268 million as at 31 March 2008 (2007: net liabilities of £349.9 million).

INTEGRATION WITH BORSA ITALIANA

Good progress has been made with integration of the two exchanges since the merger was completed. The Group is on track to deliver its synergy targets and we expect cost synergies of at least £20 million per annum by FY 2010 and revenue synergies totalling £20 million per annum by FY 2011. Total costs for achieving these synergies are expected to be no more than £40 million, of which approximately £6 million was incurred in the current financial year, with most of the remaining £34 million expected in FY 2009.

Revenue

Revenue was up 56 per cent to £546.4 million (2007: £349.6 million). Following the merger with Borsa Italiana the operations of the enlarged Group are now reported under the following segments: Issuer Services, Trading Services, Information Services, Post Trade Services and Other Income.

ISSUER SERVICES

Issuer Services' revenue increased 30 per cent to £82.4 million (2007: £63.2 million) in part reflecting the inclusion of Borsa Italiana revenues. The performance also reflects a strong first half for new issues in the UK, with the second half of the year seeing a reduction in activity levels due to market conditions.

On the London markets, total equity raised was £38.1 billion (2007: £53.7 billion), with average market capitalisation of a Main Market new issue up nine per cent to £677 million (2007: £619 million). The number of Main Market and PSM new issues increased to 116 (2007: 108), while AIM new issues remained good at 262 raising £6 billion (2007: 395; £9 billion). In Italy, new issue activity was good with 10 new listed companies from 1 October 2007 to 31 March 2008. At 31 March 2008 the total number of companies on all of our markets was 3,579 (2007: 3,245), of which 1,681 were on AIM (2007: 1,637) and 306 on the Italian market.

RNS performed strongly with a 20 per cent increase in the number of company announcements during the year. Issuer Services revenues also include those of Servizio Titoli, which provides corporate secretarial services in Italy.

TRADING SERVICES

Revenue in Trading Services increased 53 per cent to £264.7 million (2007: £173.1 million), reflecting very strong growth in trading on SETS, the UK electronic order book, as well as the impact of the merger.

In cash equities, average trades per day on SETS increased 82 per cent to 642,000 (2007: 353,000), with value traded for the year at £2,276 billion (2007: £1,638 billion), a 39 per cent increase from 2007. This growth has been facilitated by the launch of TradElect in June 2007. In Italy, average daily bargains for the six months to 31 March 2008 were 295,000 with total value traded at €685 billion.

On the fixed income markets, trading conditions were more challenging as a consequence of credit market liquidity events. In the six months to 31 March 2008, MTS, the leading wholesale market in Europe for electronic trading of bonds, traded a nominal value of €9.3 trillion and on MOT, Borsa Italiana's retail Electronic Bond and Government Securities Market, value traded was €78 billion.

Derivatives grew strongly, with 55 per cent growth in EDX London contracts traded to 48.6 million (2007: 31.4 million). The Italian derivatives market, IDEM, traded 17.6 million contracts following the merger.

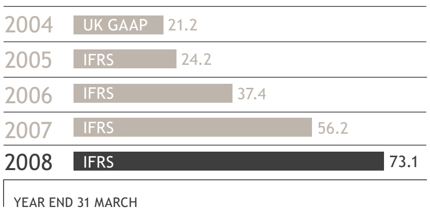
INFORMATION SERVICES

Information Services contributed £143.6 million to revenue, an increase of 36 per cent (2007: £105.9 million), following strong demand for real time price and trading data and the contribution from Borsa Italiana.

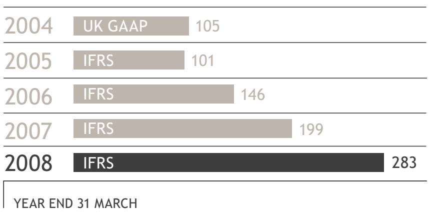
The total number of terminals receiving real-time LSE data increased 19 per cent to 138,000 (2007: 116,000), with professional users accounting for 112,000 terminals (2007: 96,000). Good progress was also made in Italy, where at 31 March 2008 there were 160,000 professional terminals and 784,000 private terminals receiving real-time Italian market data.

FINANCIAL REVIEW

ADJUSTED BASIC EARNINGS PER SHARE[1] (PENCE)



CASH GENERATED FROM ONGOING ACTIVITIES (£M)



[1] Before exceptional items and amortisation of purchased intangibles

POST TRADE SERVICES

The merger has diversified Group revenues to include clearing, settlement and custody services, with combined revenues of £42.8 million during the second half of the year. Strong performance was achieved in the CC&G clearing business with 37.3 million equity contracts and 17.6 million derivative contracts cleared in the six month period. Good progress was also made in the Monte Titoli settlement and custody business with average assets under custody of €2.8 trillion and 24.8 million settlement instructions during the period.

OTHER INCOME

Other income grew 74 per cent to £12.9 million (2007: £7.4 million), primarily due to the revenues from Borsa Italiana's IT consulting services to third parties and income from its congress and training centre.

Expenditure

Administrative expenses, excluding exceptional items and amortisation of purchased intangible assets, increased to £257.4 million (2007: £164.0 million), primarily due to the addition of six months of Borsa Italiana expenses. The second half of the year saw an increase in staff costs following the inclusion of Borsa Italiana and the in-sourcing of IT maintenance services by the London Stock Exchange on 1 October 2007. Amortisation of purchased intangible assets resulting from the merger was £21.5m.

Exceptional items

Pre-tax exceptional items amounted to £2.3 million (2007: £11.4 million) which related to integration activities. The £24.1 million tax credit relating to amortisation and exceptional items (2007: £0.6 million tax charge), principally includes a £19.7 million release from deferred tax liabilities due to a reduction in Italian tax rates post transaction.

Profit for the year

Increased profit for the year resulted from the merger with Borsa Italiana and strong growth in UK operations. Profit before taxation showed a 45 per cent improvement at £234.7 million (2007: £161.5 million). Net finance costs increased to £32.7 million (2007: £14.6 million) primarily as a result of the impact of the share buyback programmes and the debt brought to the Group with Borsa Italiana. The taxation charge of £56.2 million included exceptional tax credit items of £24.1 million. The effective tax rate was 31 per cent (excluding exceptional items), in part reflecting the higher tax rates in Italy. Profit attributable to equity holders for the year, after tax and minority interests, was £173.8 million (2007: £109.6 million).

Earnings per share

Adjusted basic earnings per share, excluding exceptional items and amortisation of purchased intangible assets, for the Group showed an increase of 30 per cent to 73.1 pence (2007: 56.2 pence), while basic earnings per share rose 45 per cent to 73.1 pence (2007: 50.5 pence).

Cash flow and balance sheet

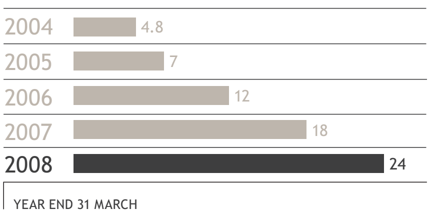
Cash generated from ongoing operations increased by 42 per cent to £282.7 million (2007: £198.6 million), due to the strong operating performance during the period, as well as the inclusion of Borsa Italiana cash flows for the latter six months of the financial year.

The Group had net assets of £1,268 million at 31 March 2008 compared to net liabilities of £349.9 million at 31 March 2007, principally arising from purchased intangible assets of £703.8 million and £1,050 million of goodwill resulting from the merger. The increase also included recognised gains for the period of £393.8 million (2007: £115.7 million), offset by dividends paid of £46.0 million (2007: £33.2 million). The Central Counterparty clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

DELIVERING VALUE TO SHAREHOLDERS

ADJUSTED EARNINGS PER SHARE GROWTH: 30 PER CENT
DIVIDEND DECLARED: £65 MILLION
SHARE BUYBACKS: £139 MILLION

DIVIDENDS PER SHARE (PENCE)



At 31 March 2008, the Group held £200.6 million of cash resources (2007: £72.9 million), a proportion of which is held for regulatory, clearing and commercial requirements within certain operating subsidiaries.

Debt facilities and credit rating

The Group had gross borrowings of £684.4 million at 31 March 2008 (2007: £420.1 million) mainly comprising the £250 million 2016 corporate bond and fully drawn bridge facilities of £427.2 million which are being utilised to refinance Borsa Italiana debt and to finance the continuing share buyback programme. The Company's £200 million revolving credit facility was undrawn at the year-end. The Group has adequate committed credit facilities to cover its funding requirements for the next financial year.

On 8 May 2008, Standard and Poor's assigned a long-term rating of A– (stable outlook) to London Stock Exchange Group plc. This is in addition to the Company's Moody's credit rating which currently stands at Baa3 (positive outlook), changing during the year primarily as a result of the £500 million share buyback programme announced at the time of the merger (2007: Baa2 (stable outlook)).

Dividend

The Board has declared a final dividend of 16.0 pence per share to be paid on 11 August 2008 (2007: 12.0 pence). This represents a 33 per cent increase in the total dividend to 24.0 pence per share in respect of the financial year (2007: 18.0 pence), and an estimated total distribution of £65.2 million (2007: £36.5 million).

Share buyback programme

During the year, the Company purchased 10.1 million of its own shares for a total consideration of £139.3 million through on-market repurchases. Following the merger with Borsa Italiana on 1 October 2007, a new £500 million share buyback programme commenced (including the remaining £96 million of the prior £250 million programme announced in January 2007). Of this £500 million share buyback programme, the Company re-purchased 2.9 million shares for a total consideration of £45.4 million by the end of March 2008.

The Company entered into an irrevocable commitment with its brokers to purchase own shares which covered the close period from 1 April 2008 up to the release of our preliminary results announcement. This resulted in a £13.0 million liability being recognised at 31 March 2008 in respect of shares purchased in the close period (2007: £60.0 million).

Pro forma comparisons

On an unaudited pro forma basis, the results of the Group as if Borsa Italiana had been acquired on 1 April 2006, showed revenue up 15 per cent at £666.8 million (2007: £578.3 million), operating profit, excluding exceptional items and amortisation of purchased intangible assets, increased 27 per cent to £343.0 million (2007: £271.1 million) and adjusted basic earnings per share, excluding exceptional items and amortisation of purchased intangible assets, up 29 per cent to 72.9 pence (2007: 56.6 pence). The comparative pro forma results for 2007 are shown on a constant currency basis, at the average rate prevailing in 2008, to eliminate the effects of a change in the £/€ exchange rate.

OUR APPROACH TO CORPORATE RESPONSIBILITY REFLECTS OUR BRAND VALUES AND OUR REPUTATION FOR INTEGRITY

"We can only continue to support carers by working in partnership with companies like the London Stock Exchange. We have been astounded by the energy and commitment of London Stock Exchange employees and are confident that our relationship will strengthen and deliver real benefits for carers. Their support is greatly appreciated and will undoubtedly make a positive difference to the lives of carers throughout the UK."

Carole Cochrane, Acting Chief Executive for the Princess Royal Trust for Carers

We have identified those areas where we can make a real impact and have established these as our priorities for optimising relationships with our stakeholders. These priorities are:

Community

We operate a Community Programme in the UK which supports charitable and other good causes and motivates our people to raise money and work together. We match donations made by our staff through our matching scheme. The main focus of our charitable activity during the year has been our partnership with the Princess Royal Trust for Carers. The Trust is the leading charity providing support to people who give unpaid care to a person who, without this help, could not manage on their own. Through their network of 133 carer centres and two interactive websites www.carers.org and www.youngcarers.net, they support 290,000 carers including 15,500 young carers.

The partnership has being running since August 2007 and generated almost £100,000 for the Trust.

Borsa Italiana has developed a strong history of community support in Milan, Rome and other Italian cities by investing in community programmes and charitable causes. In 2007, Borsa donated €100,000 to 8 charitable associations in Italy and abroad. These included the Italian Foundation for Cancer, Médecins Sans Frontières, the Alzheimer's Association and Unicef.

Governance

The Group remains committed to delivering the highest standards in boardroom practice and financial transparency through:

- clear and open communication with investors;
- maintaining timely and accurate financial records which transparently and honestly reflect the financial position of our business; and
- endeavouring to maximise shareholder returns.

A comprehensive programme of investor relations activity ensures appropriate contact with institutional and private shareholders, with regular meetings, presentations and disclosure of important information. Regular updates on trading and financial results are provided to enable various stakeholders to understand the performance and prospects of the Group.

Over the last 12 months, the Company has conducted over 200 calls and meetings with major UK and international shareholders and financial analysts. Presentations of results are accessible by webcasts through the Company's website, which also provides press releases, financial reports, trading data and other information released by the Company.

The Annual General Meeting is held in central London and is the principal opportunity for private shareholders to meet directors and management of the Company and put questions to the Board.

The Princess Royal Trust for Carers

Employees

Our success is dependent on employing people of the highest calibre and creating the right conditions for them to do their best work. We achieve this through a number of initiatives:

- fostering an environment which enables employees to develop their skills and knowledge;
- establishing a clear link between their performance and their reward;
- ensuring that our people have regular opportunities to learn about all aspects of our business, including its strategy and priorities; and
- encouraging open and honest assessment of employee performance and behaviour through regular performance feedback and annual appraisals.

In addition, the importance of operating with integrity, openness and respect is recognised by:

- encouraging a working environment in which employees feel comfortable about highlighting wrongdoing and providing them with a formal procedure in which to do so;
- promoting an environment of equality of opportunity which is intolerant of discrimination, harassment or victimisation; and
- maintaining healthy and safe working conditions.

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

Environment

As an organisation we appreciate that our operations have an impact on the environment and continue to manage this in a responsible and appropriate manner.

We continue to work in partnership with the Carbon Trust and again received the "Gold Award" under the Clean City Awards Scheme, which recognises good practice to reduce consumption and reuse and recycle where practicable. In addition, we have now implemented several new processes at our corporate headquarters to further increase recycling. Our environmental strategy and performance has also contributed to our continued inclusion in the FTSE4Good index.

In the coming year we will continue to review our activities to ensure environmental good practice is maintained across the enlarged group following the merger with Borsa Italiana. Borsa Italiana aims to reduce its environmental footprint by purchasing green energy to significantly decrease CO_2 emissions and by implementing further efficiencies in energy use.

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

THE LONDON STOCK EXCHANGE GROUP OPERATES BUSINESS-WIDE RISK MANAGEMENT PROCESSES TO IDENTIFY POTENTIAL THREATS TO THE ACHIEVEMENT OF ITS OBJECTIVES, ASSESS THEIR RELATIVE LIKELIHOOD AND IMPACT, AND MANAGE THEM THROUGH APPROPRIATE CONTROLS AND MITIGATING ACTIONS

Whilst some of the issues which could impact on the Group's long-term performance are macro-economic and therefore not within its control, others are specific to the business.

The following section covers the principal risks and uncertainties currently facing the Group. In addition, the main risks arising from the Group's use of financial instruments are discussed in note 2 to the financial statements.

Risks relating to the industry

ECONOMIC ENVIRONMENT

Wider economic conditions might adversely affect Group revenues which are largely dependent upon the levels of activity on its markets. A slowdown in initial public offerings or trading activity could lead to a drop in listing fees, trading income or post trade revenues as well as to a fall in the number of information terminals receiving the Group's data.

Whilst primary market conditions have been slow in recent months due to financial market instability and uncertainty over security valuations resulting from the credit crisis, trading volumes in the secondary market in London have proved more resilient.

REGULATORY COMPLIANCE

The securities industry is closely regulated and as such, in addition to having to comply with company law, local government and EU legislative requirements, Group companies are subject to authorisation and continuous oversight by different regulatory bodies, which ultimately have the power to revoke their authorisations.

- The London Stock Exchange is authorised by the Financial Services Authority (FSA) as a Recognised Investment Exchange (RIE), while Borsa Italiana is authorised by Commissione Nazionale per la Società e la Borsa (Consob) to manage regulated markets.
- MTS is authorised by the Italian Ministry for the Economy and Finance in conjunction with the Bank of Italy and Consob to manage its wholesale markets in Italian government securities (MTS and BondVision). Consob, in conjunction with the Bank of Italy, authorises MTS Corporate while EuroMTS – part of the MTS Group – is authorised by the FSA.
- CC&G and Monte Titoli are regulated and subject to public oversight by the Bank of Italy and Consob.

The Directors are not aware of any circumstances which would result in the authorisations being revoked, and comprehensive procedures are in place to ensure continued compliance with all legal and regulatory requirements. The Group continuously monitors developments and engages in dialogue with regulatory and government authorities at both the national and EU level.

Risks relating to the business

COMPETITIVE PRESSURE

EU directives (such as MiFID) have created an increasingly competitive environment for trading and reporting services, which may facilitate a shift in liquidity away from the markets of London Stock Exchange or Borsa Italiana. Both the European Code of Conduct, to which the Group is a signatory, and the plan by the European Central Bank to create a centralised settlement mechanism for eurozone securities, may increase competition among post trading organisations.

The Group is well placed to take advantage of these developments and continues to focus on developing and delivering competitive products and services which reduce the overall cost of trading, as this is core to maintaining strong customer relationships and growing liquidity. For example, the Group introduced a suite of products enabling its customers to be fully MiFID compliant, and will look to leverage its post trade assets in Monte Titoli and CC&G.

CLEARING

Acting as a central counterparty, CC&G is exposed to the risk of default by its clearing members which could adversely affect the Group's revenues and its customers' goodwill. CC&G closely monitors its exposure to clearing members, and addresses this exposure by holding collateral in the form of margin deposits from clearing members and by maintaining default funds of clearing members' contributions.

IT INFRASTRUCTURE

An inability to anticipate and respond, in a timely and cost effective manner, to the need for new and enhanced technology may result in the Group being unable to compete effectively. The Technology Roadmap has successfully delivered a next generation IT infrastructure which is scalable and agile and can be operated at lower cost.

Key services depend on technology which is secure, stable and performs to high levels of availability and throughput. Any system failures could result in service disruptions, delays in providing market data, lower trading volumes and the possibility of litigation. The Group maintains alternative computer facilities to reduce the likelihood of system disruptions.

Major IT projects have high levels of risk attached to them. Failure to deliver the expected benefits could hamper the Group's strategic flexibility and reduce its ability to respond to customer needs for services. In conjunction with its strategic technology partners, including Accenture and SIA-SSB, the Group is employing rigorous software design methodologies, logistics planning and assembly and testing regimes to minimise risk.

BUSINESS MERGER

Globalisation of the industry continues with the result that the Group operates in a highly competitive environment.

Through combining with Borsa Italiana on 1 October 2007, the Group is creating the leading diversified exchange group in Europe, which will provide significant benefits for customers and shareholders.

The success of the merger will depend on the ability to realise the anticipated synergies and growth opportunities of the combined businesses, as well as on achieving the growth trends identified prior to the merger. The successful transition of Italian equity and other trading onto TradElect will also be critical to the success of the merger. The integration may absorb a significant proportion of the management team's attention that would otherwise be focused on the ongoing development of the business.

Appropriate structures and processes are in place to ensure the integration progresses smoothly and that there is sufficient focus on delivering the projected synergies and cost savings.

BRAND NAME & REPUTATION

One of the Group's key competitive strengths is its strong reputation and brand name. Damage to the Group's reputation could have an adverse effect on revenue and can be caused by:

- legal proceedings;
- unfavourable media attention;
- failure of adequate supervision;
- instances of market abuse; or
- inaccurate trade information, financial and market data.

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

FINANCING

In order to develop its business, the Board expects that the Group's capital requirements will be met from existing cash resources, internally generated funds and access to lending facilities. However, capital requirements may vary from those currently planned. Any additional equity financing may be dilutive to holders of ordinary shares, while any debt financing may require restrictions to be placed on the Group's future financing and operating activities. There can be no guarantee that capital will be available on a timely basis or on favourable terms or at all.

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

EMPLOYEES

The support of its employees and, in particular, the Executive Directors and senior managers within business divisions, is critical to the continued success of the Group. The loss of key employees could have a material adverse effect on performance through an inability to execute business strategies effectively. To manage this, the Group regularly reviews its reward and incentive systems to ensure they are competitive, operates performance appraisal systems and provides executive development opportunities. Additionally, the Nominations Committee considers the succession plans for key positions.

BOARD OF DIRECTORS

Chris Gibson-Smith (62)[2,3]
CHAIRMAN

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

Angelo Tantazzi (68)[1,3]
DEPUTY CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

Since July 2000 Angelo Tantazzi has held the position of Chairman and a non-executive director of Borsa Italiana S.p.A. Monte Titoli S.p.A. CC&G and Prometeia S.p.A.. He is also Vice-Chairman of the publishing house "Il Mulino" and a non-executive director of Banca Popolare dell'Emilia Romagna, Coesia S.p.A. and Advanced Capital S.p.A..

Clara Furse (50)
CHIEF EXECUTIVE

Appointed Chief Executive in January 2001. Group Chief Executive of Credit Lyonnais Rouse from 1998 to 2000. At Phillips & Drew (now UBS) from 1983 to 1998; became a Director in 1988, Executive Director in 1992, Managing Director in 1995 and Global Head of Futures in 1996. Director of LIFFE from 1991 to 1999; Deputy Chairman from 1997 to 1999. She is a Non-Executive Director of Fortis, Euroclear plc and LCH. Clearnet and a member of the Shanghai International Financial Advisory Council.

Massimo Capuano (53)
DEPUTY CHIEF EXECUTIVE

President and CEO Borsa Italiana S.p.A.. Member of the Supervisory Board of MTS and Vice Chairman of CC&G and Monte Titoli. In addition for the year 2007-2008, Massimo Capuano is Chairman of the World Federation of Exchanges and an adviser to the Board of the Federation of European Securities Exchanges. He has also been a member of the International Advisory Committee of Cairo and Alexandria Stock Exchange since September 2006.

Seated (from left to right)

Angelo Tantazzi, Clara Furse,
Chris Gibson-Smith, Massimo Capuano

Standing (from left to right)

Oscar Fanjul, Paolo Scaroni, Andrea Munari,
Nigel Stapleton, Sergio Ermotti,
Robert Webb, Baroness Cohen

Baroness (Janet) Cohen (67)[1]
NON-EXECUTIVE DIRECTOR
A Life Peer, Non-Executive Chairman of Inviseo Media Holdings Ltd, and of Trillium Partners Ltd. Non-Executive Director of Management Consulting Group plc, and Proudfoot Trustees Limited and of Freshwater UK plc. Previously Chairman of BPP Holdings plc and Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993.

Sergio Ermotti (48)[2]
NON-EXECUTIVE DIRECTOR
Group Deputy CEO of UniCredit Group. From January 2006 to July 2007 Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group. With Merrill Lynch & Co. from 1987 until 2004 where in his last function he was Senior Vice President, Co-Head of Global Equity Markets and Member of the Operating Committee. From 2002 to 2003 he was a director of Virt-X Limited and of Virt-X Exchange Limited.

Oscar Fanjul (59)[1,2,3]
NON-EXECUTIVE DIRECTOR
Vice-Chairman and Chief Executive of Omega Capital. Non-Executive Director of Acerinox, Marsh & McLennan Companies, Lafarge (Deputy Chairman) and Areva (Conseil de Surveillance). He is also a Trustee of the International Accounting Standards Committee (IASC) Foundation.

Andrea Munari (45)[1]
NON-EXECUTIVE DIRECTOR
Managing Director of Banca IMI. Previously, CEO and Managing Director of Banca Caboto since March 2006. In addition, a director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January 2007 to September 2007.

Paolo Scaroni (61)[2,3]
NON-EXECUTIVE DIRECTOR
CEO of ENI S.p.A., Non-Executive Director of Assicurazioni Generali S.p.A., Veolia Environnement SA and Fondazione Teatro alla Scala. He is also a member of the Board of Overseers of Columbia University Business School New York. He was CEO of Pilkington plc from 1997 to 2002, director of BAE Systems plc from 2000 to 2004 and of Invensys plc from 2001 to 2002. He was also CEO of Enel S.p.A. from 2002 to 2005 and a director (2002-2005) and Chairman (2005-2006) of Alliance Unichem plc.

Nigel Stapleton (61)[1]
NON-EXECUTIVE DIRECTOR
Chairman Postal Services Commission. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996 and Chairman of Uniq plc from 2001 to 2006.

Robert Webb QC (59)[2,3]
NON-EXECUTIVE DIRECTOR
General Counsel of British Airways plc since September 1998, responsible for law, government and industry affairs, safety, security and risk management. Board member of the BBC, London First, and Hakluyt Ltd. Bencher, Inner Temple.

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

LONDON STOCK EXCHANGE GROUP PLC IS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS INTEGRITY IN ALL ITS ACTIVITIES. THE COMPANY HAS COMPLIED WITH ALL PROVISIONS OF THE COMBINED CODE THROUGHOUT THE YEAR ENDED 31 MARCH 2008 EXCEPT AS EXPLAINED BELOW

Appointments to the Board

Following the merger with Borsa Italiana on 1 October 2007, there were five new directors appointed to the Board. Angelo Tantazzi and Massimo Capuano joined respectively as Deputy Chairman and Deputy CEO. Mr Tantazzi is also the Senior Independent Director. Sergio Ermotti, Andrea Munari and Paolo Scaroni joined as non-executive directors. Peter Meinertzhagen and Gary Allen stepped down from the Board on 24 September and following their retirement all non-executive directors are considered to be independent.

The Company announced the appointment of Doug Webb as Chief Financial Officer who will join the Board on 2 June 2008, subsequent to the resignation and departure from the Board of Jonathan Howell on 31 January 2008. Mr Webb was appointed following the engagement of external recruitment consultants. A shortlist of candidates met with the Chairman, Chief Executive and a selection of non-executive directors.

Board of directors

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

- corporate strategy;
- the annual budget;
- policies in relation to risk management, health and safety and environmental matters;
- increases or variations to 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.

At each of its meetings the Board receives a full written report from the Chief Executives of each of London Stock Exchange plc and Borsa Italiana S.p.A. on financial performance, key matters in each of the divisions and subsidiaries and progress against key performance indicators. The executive management team present to the Board on their business responsibilities on a regular basis and also present at the Board's periodic strategy sessions.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Chairman's other current significant commitments are set out in his biography on page 36. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Company's business. The Board has six scheduled meetings in addition to two offsite strategy sessions. In 2008 the Board held 14 meetings. The Chairman meets non-executive directors without the presence of executive directors on a number of occasions throughout the year.

Non-attendance at Board and Committee meetings is rare. This was usually due to illness, unavoidable business commitments or, particularly for newly appointed directors, when there was a prior clash with a meeting which had already been timetabled. Additionally, following the

Board and Committee Meetings 2008

	Board	Audit	Remuneration[5]	Nomination
Total number of Meetings in the year ended 31 March 2008	14	7	7	1
Dr Chris Gibson–Smith	14		5	1
Mrs Clara Furse	13			
Baroness Janet Cohen	14	6	6	0
Mr Oscar Fanjul	13	7	3	1
Mr Nigel Stapleton	14	6	3	1
Mr Robert Webb	12		7	0
Mr Angelo Tantazzi [1]	5	1	1	
Mr Massimo Capuano [1]	5			
Mr Sergio Ermotti [1]	3		0	
Mr Andrea Munari [1]	5		2	
Mr Paolo Scaroni [1]	4			
Mr Jonathan Howell [4]	12			
Mr Gary Allen [2 and 3]	1	2		
Mr Peter Meinertzhagen [2 and 3]	6		2	

[1] Joined the Board with effect from 1 October 2007

[2] Resigned from the Board with effect from 24 September 2007

[3] Absent through illness

[4] Resigned from the Board with effect from 31 January 2008

[5] In June 2007 Mr Stapleton stepped down from the Remuneration Committee and Mr Fanjul joined. In November 2007 Baroness Cohen also stepped down from the Committee

merger with Borsa Italiana, the Committees were restructured. On the occasions when a director has been unable to attend a Board or Committee meeting, any comments which he or she has arising out of the papers have been relayed in advance to the relevant chairman.

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. In respect of those liabilities for which directors may not be indemnified, the Company purchased and obtained a directors' and officers' liability insurance policy throughout 2008. This insurance cover was renewed at the beginning of FY 2009. 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

The Board currently comprises 11 directors, the Chairman (who was independent on appointment), two executive directors and 8 non-executive directors. Doug Webb will join as Chief Financial Officer on 2 June 2008. Directors serving on the Board's committees, together with biographical details, are identified on the Board of Directors pages 36 and 37 which demonstrate a range of business experience that provide the right mix of skills and experience given the size of the Company. Following the changes to the Board, the Board reviewed the independence of all non-executive directors in January 2008. The Board 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.

The Board specifically considered the issue of the independence of Sergio Ermotti and Andrea Munari in the light of A.3.1 of the Code and the possible existence of a 'material business relationship'. Mr Ermotti and Mr Munari are employed by Unicredit and Banca IMI respectively, both of which are shareholders of the Company and customers of one of the Company's subsidiaries, Borsa Italiana. However the Board continue to believe that both are independent given the significance of the customer relationships to the Group as a whole, the fact that neither Mr Munari or Mr Ermotti is directly involved in investment decisions relating to the investment in the Company and both demonstrate behaviours indicating independence.

Board Training

On joining the Board, Directors are offered the opportunity to meet with members of the senior management team. Periodically the Board meets at the Group's Milan office and briefings are also given at Board meetings on particular parts of the business.

Performance evaluation

The annual performance evaluation of the Board and its Committees was undertaken in 2008 and was conducted by the Company Secretary using a detailed questionnaire. The results of the review are used to highlight areas of strength and weakness, assist in consideration of the future development of the Board and its Committees and further improve their performance. The results of the evaluation reflected the fact that the new Board had only been together for a relatively short time. As part of the review the Board considered how the new international board was working together and whether the content of agendas and papers for the Board was appropriate. The review also included an assessment of the Chairman's performance.

The results were then discussed by the Board and actions agreed where appropriate. The evaluation concluded that the new Board and its Committees were already working well. Issues identified principally related to a desire to meet with new executives from across the Group to better understand the new business.

Board Committees

The composition of the Board Committees was reviewed after the merger with Borsa Italiana.

REMUNERATION COMMITTEE

The Committee members as at 31 March 2008 were: Robert Webb (Chairman), Chris Gibson-Smith, Oscar Fanjul, Paolo Scaroni and Sergio Ermotti. Following the resignation of Peter Meinertzhagen from the Board, all members of the Committee are considered to be independent. The Committee normally invites the Chief Executive and Head of Human Resources to attend the meeting. The Committee has written terms of reference and meets at least twice a year to review and present recommendations to the Board regarding remuneration and conditions of service of the Chairman, Chief Executive and executive directors, including the grant of entitlements under the Company's share schemes. A separate Remuneration Report is set out on pages 42 to 50.

CORPORATE GOVERNANCE

AUDIT COMMITTEE
The Committee members as at 31 March 2008 were: Oscar Fanjul (Chairman), Janet Cohen, Nigel Stapleton, Angelo Tantazzi and Andrea Munari. Following the resignation of Gary Allen from the Board, all members of the Committee are considered to be independent. During Gary Allen's absence through illness, Nigel Stapleton chaired the Committee. In accordance with ICAEW Guidance for Audit Committees as set out in the Smith Guidance, the Board is satisfied all members of the Committee have recent and relevant financial experience.

ROLE OF THE AUDIT COMMITTEE
The Committee has written terms of reference, which are approved by the Board and satisfy the requirements of the Combined Code.

A copy of the Terms of Reference is available on request from the Company Secretary or on the corporate website at www.londonstockexchange.com.

MEETINGS
The Committee meets at least three times a year and has an agenda linked to events in the Group's financial calendar. The Chairman of the Board, Chief Financial Officer, Head of Finance, Head of Group Internal Audit and senior representatives from the external auditors are invited by the Committee to attend its meetings. Other senior managers are invited to present such reports as are required by the Committee. The Committee meets privately with the external audit partner from PricewaterhouseCoopers on an annual basis. During each meeting, the Committee has the opportunity to review any issues with the external auditors and with the Head of Group Internal Audit without any other members of executive management being present.

In compliance with the Combined Code, Smith Guidance, and its Terms of Reference, the Committee reviewed the following during the past year:

- Annual Report, Interim Results, and formal announcements relating to financial performance;
- reports from the internal audit department on the effectiveness of the Group's risk management procedures, details of key audit findings and actions taken by management;
- effectiveness of the Group's internal control environment;
- internal audit's annual plan;
- reports from external auditors on their audit, proposed audit scope and fees;
- auditor independence;
- performance of the Group's internal audit department;
- the Group's financing strategy and proposed debt financing arrangements;
- financial disclosures included within the Company's Prospectus and Circular relating to the merger with Borsa Italiana;
- the Group's insurance programme; and
- the Group's 'whistle-blowing' procedures.

To ensure compliance with the Auditing Practices Board Ethical Standard 5, "Non-Audit Services Provided to Audit Clients" and the Smith Guidance, the Committee has an established policy on non-audit services. The policy ensures that the provision of such services by the external auditor does not impair the auditor's objectivity and independence and defines both the type and value of services that require prior authorisation of the Committee and the services that the external auditor is prohibited from providing. The Committee annually reviews all non-audit services provided by the external auditor to ensure compliance with the policy. The Committee remains satisfied with the objectivity and independence of the Group's external auditors.

NOMINATION COMMITTEE
The Nomination Committee members as at 31 March 2008 were: Chris Gibson-Smith (Chairman), Oscar Fanjul, Robert Webb, Angelo Tantazzi and Paolo Scaroni. The Committee normally invites the Chief Executive to attend. The Committee meets as necessary to make recommendations to the Board on new Board appointments and to review executive and Board succession planning. The Committee works alongside external recruitment consultants to evaluate and meet prospective candidates. If appropriate, candidates will be recommended to the whole Board for approval. The Committee has written terms of reference which are available from the Company Secretary or on the corporate website at www.londonstockexchange.com.

Internal control
The Board confirms that procedures have been in place throughout the year and up to the date of this report which comply fully with 'The Combined Code on Corporate Governance' (published by the Financial Reporting Council (FRC)).

In order to help the Group meet its business objectives, the Group has implemented systems of internal control over its business, operational, financial and compliance risks which appropriately manage, rather than seek to eliminate, the risks to those objectives. The controls can therefore only provide reasonable, not absolute, assurance against material mis-statement or loss. The Board has ultimate responsibility for the systems of internal control and, through the Audit Committee, has reviewed the effectiveness of the systems. The Board is committed to their continual enhancement and ensures that the necessary actions to rectify any weaknesses highlighted by its review have been or are being taken. The Board also confirms that it has not been advised of material weaknesses in that part of the internal control system that relates to financial reporting.

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

Delegation of authority – there is a clear definition of those matters reserved for Board approval only. Executive directors have general responsibility for making and implementing operational decisions and for overseeing the Group's business. All directors have access to the advice and services of the Company Secretary. In addition, independent professional advice can be obtained by directors at the Group's expense, if necessary.

Planning and reporting – the Board approves strategic decisions and the budget for the forthcoming year and the Chief Executive reports to the Board on key business matters at each meeting. Monthly management reports contain key performance indicators and compare actual financial performance with the annual budget or forecast. Management action is taken where variances arise and revised forecasts are prepared on a regular basis.

Audit Committee – the Group's internal audit department reports to the Audit Committee on the effectiveness of the internal control environment including risk management procedures. The Audit Committee also receives reports from the Group's external auditors, which includes an evaluation of the overall control environment of the business.

Risk Management – line management has overall responsibility for effective risk management and each business area maintains an up to date record of its key risks and the related controls. Management produce periodic reports confirming the effectiveness of all significant control policies and procedures and these are reviewed by the most senior executive in each business area. The Group's internal audit department collates these reports and independently summarises for the Audit Committee any significant matters arising, together with any mitigating actions.

Detailed procedures – procedures and controls for key business areas (including the Group's finance function) are set out in detailed departmental manuals. These are reviewed and kept up-to-date to meet changing business needs.

Relations with shareholders

The Investor Relations team has primary responsibility for day to day contact with shareholders and with financial analysts who produce research on the Company. The Chief Executive Officer, Deputy CEO and Chief Financial Officer engaged in regular dialogue with shareholders, and the Chairman, Senior Independent Director and Executive Management are also available to meet major investors from time to time.

Communication with investors and analysts is managed through a comprehensive programme of meetings, calls, presentations and news releases. Senior management and the Investor Relations team held over 200 meetings and calls with shareholders and potential investors principally in the UK, Europe and the US during the past year. The Investor Relations programme is designed to ensure investors have appropriate access to management and information to understand the performance and prospects of the Company.

The Investor Relations section of our website at www.londonstockexchange-ir.com/ is a primary source of information on the Company. Annual and interim reports, interim management statements, news releases and other key documents are archived on the website. The presentations of preliminary and interim results are accessible by webcasts in real time and also via replay for a period after the event. Users are able to register with an alerting facility to receive notification of updates and new releases. A shareholder helpline and email address are provided to help contact between investors and the company.

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

The Annual General Meeting (AGM) provides the opportunity for private shareholders to meet directors and they are encouraged to put questions to the Board. The Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The procedures for the AGM are compliant with the Combined Code and the event is normally attended by all directors.

Health, safety and environment

The Company's approach to health, safety and the environment is set out in our Corporate Responsibility statement on pages 32 and 33.

REMUNERATION REPORT

Scope of the report

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

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

Details of Directors' remuneration and benefits are set out in the tables within this report. The tables on pages 48 to 50 have been subject to audit.

Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises only independent non-executive directors. The Committee meets regularly to consider, on behalf of the Board, executive remuneration including terms and conditions of employment, incentive schemes and retirement benefits. During the year ended 31 March 2008, the Committee met on seven occasions. The Committee's remit includes the remuneration of the Chairman, (who does not participate in any decision relating to his own remuneration) executive directors and other critical roles including the awards made under the performance related incentive schemes. The five current members of the Committee are:

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

The Committee's terms of reference, which are reviewed regularly and approved by the Board, are available on the Group's website and are summarised in the Corporate Governance Report (pages 38 to 41).

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.

Earlier this year, following a review of its advisers, Mercer Limited, a firm of specialist human resources consultants, was appointed by the Committee to provide independent advice on executive remuneration issues. Mercer does not provide any other services to the Group.

During the year New Bridge Street Consultants LLP also provided advice to the Committee including in relation to the merger with Borsa Italiana.

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

Remuneration policy

The Company is committed to the primary objective of maximising shareholder value over time. Each year the remuneration framework and the packages of the executive directors and the most senior executives are reviewed by the Remuneration Committee to ensure that they continue to achieve this objective.

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

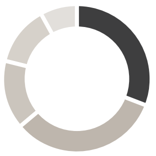
The Remuneration Committee has taken the following areas into account in establishing its remuneration policy:

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

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

The chart below shows the average proportions of total target remuneration represented by the different elements of compensation (salary, target bonus, expected value of long term incentives, pension and benefits) for the year to 31 March 2008.

TOTAL TARGET REMUNERATION (%)



YEAR END 31 MARCH 2008

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

During the year the Committee reviewed the comparator group against which remuneration is benchmarked. Due to the significant increase in the market capitalisation of the Group and entry into the FTSE 100, it was considered appropriate to amend the benchmark group from companies ranked FTSE 31 – 150 (the comparator group chosen in 2007) to 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. As at 31 March 2008, the Group's market capitalisation ranked 67 in the FTSE 100.

Regard is given to pay and conditions elsewhere in the Group when determining the remuneration policy for the executive directors. Broadly the same remuneration policy and incentive structure is applied to senior executives immediately below the main board.

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

Base salary

Reflecting the Committee's desire to place greater emphasis on variable pay than in most FTSE 31 – 100 companies, base salaries are to be set at or around 80 per cent of the median of the pay comparator group. Salaries are typically reviewed with effect from 1 April each year. Adjustments may be made to reflect changes in responsibilities and to ensure that total remuneration levels are consistent with the Group's remuneration policy. With effect from 1 April 2008, the base salaries for the executives will be as follows:

	2008
Clara Furse	£540,000
Massimo Capuano[1]	€750,000 (£549,209)
Doug Webb[2]	£330,000

[1] Following the merger with Borsa Italiana the Committee decided to maintain Massimo Capuano's pre-merger basic salary level. In addition to the base salary above, he receives additional director's fees of €126,000 (£92,267) which are not included for the purposes of calculating annual bonus and other incentives.

[2] Base salary from expected joining date of 2 June 2008.

The Chief Executive's base salary was increased to position her at 80 per cent of the market median. The Committee believes that the policy of setting base salary below median is the right approach for the Company. It was concerned however that the Chief Executive's salary had fallen so far below 80 per cent of median that it was appropriate to adjust her salary in a single move rather than phase the increases.

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 (that have a 75 per cent weighting of maximum bonus opportunity) and individual performance objectives (that have a 25 per cent weighting of maximum bonus opportunity). The annual financial targets for 2008 are adjusted basic earnings per share ("EPS") and adjusted operating profit, both of which have an equal weighting. For 2009, the Committee has determined that the sole annual financial target will be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the combined Group and believes it should be the main focus for annual bonus plan purposes. Subject to shareholder approval, adjusted basic EPS targets will be captured in the long term incentive arrangements discussed later in the report.

For the year ended 31 March 2008, the maximum bonus opportunities were 225 per cent of salary for the Chief Executive and 200 per cent of salary for other executive directors including the Deputy Chief Executive. The maximum bonuses will remain unchanged in 2009. Before confirming bonus awards, the Remuneration Committee reviews the quality of earnings achieved in order to be satisfied that the bonus relating to financial objectives has been met through appropriate actions of the executive management.

The Group has delivered excellent performance against adjusted basic EPS and adjusted operating profit performance measures (an increase of 30 per cent for adjusted basic EPS and 56 per cent for adjusted operating profit). Based on the strength of the financial performance combined with a strong individual performance, the Remuneration Committee considered it appropriate to award an annual bonus of £1,036,966 (215 per cent of salary) to the Chief Executive for 2008.

Mr Howell was awarded a bonus of £547,667 being a maximum bonus pro-rated to reflect the partial year of employment up to his departure in January 2008.

At the time of the merger the Borsa Italiana bonus arrangements were maintained for the remainder of the performance period which ended 31 December 2007. Under these arrangements Mr Capuano received a bonus for the 12 months to 31 December 2007 of €750,000 (£549,209). To reflect the change of fiscal year end from Borsa Italiana (31 December) to 31 March (in line with the Group), a pro-rata interim bonus was paid to Mr Capuano of €300,000 (£219,683) for the three months to 31 March 2008.

Share Bonus Plans

As a result of the various offers made for the Company, it was in a prohibited period for an unusually long period which precluded the award of equity incentives in 2005. Consequently, LTIP awards were awarded in July 2004 and not again until February 2006. These awards vest in July 2007 and February 2009 respectively resulting in a 20 month period during which no equity awards would have vested. The Group's desired policy is for awards to vest on an annual basis. Accordingly it was recognised by the Committee that the Company did not have sufficient incentive and retention arrangements in place over this period. Therefore, in the year ending 31 March 2008 the London Stock Exchange operated a one-off Share Bonus Plan.

Participation in the Share Bonus Plan was restricted to the Company's executive directors and a small number of other senior executives. Participants received awards of shares subject to the satisfaction of challenging revenue targets over two six month performance periods (1 April 2007 to 30 September 2007 and 1 October 2007 to 31 March 2008) and continued employment. The maximum payment under the Plan for each six month period was 150 per cent of salary for executive directors and 100 per cent of salary for other participants. Vesting of awards depended on achievement of revenue targets as set out below, underpinned by a cost:revenue ratio condition.

Revenue *	Proportion of award vesting
Below £383m	0%
£383m	25%
£405m	50%
£416m	100%

* Revenue targets are split 48 per cent to 52 per cent between the first and the second performance period respectively.

Between these steps pro-rated vesting applied.

The release date for the share awards was 1 December 2007 for the first performance period and 1 June 2008 for the second performance period, subject to continued employment. The awards are satisfied using shares purchased in the market. If it is not permissible for shares to be released to a participant, then the Committee has the power to make cash equivalent payments instead.

Awards in relation to the first 6 month performance period vested in full having achieved revenues of £203.1 million, while for the second 6 month performance period 48.9 per cent of the awards have vested for achieving revenues of £210.1 million. In both instances the cost:revenue condition was met.

Under terms agreed at the time of the merger, Mr Capuano was eligible to participate in an initial share bonus plan for the year ended 31 March 2008. Under these arrangements he received an award of ordinary shares with a value equal to 100 per cent of his full-year equivalent annual bonus, subject to a maximum award of 150 per cent of base salary. Mr Capuano, along with a small number of other Borsa Italiana executives are eligible to participate in a similar scheme for the year ending 31 March 2009 after which no further awards will be made.

Long Term Incentive Plan

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

The 2008 LTIP arrangements are illustrated below:

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

Performance Shares
With a face value of up to 100 per cent of the base salary may be granted

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

Vesting conditional on **TSR performance** over a single three year period

For 2008 Performance Share awards were made to executive directors equivalent to 85 per cent of salary.

A review of the competitiveness of the LTIP was carried out in early 2008. This review highlighted that the maximum Performance Share award of 100 per cent of base salary for the Chief Executive and other executive directors is no longer competitive. To ensure competitiveness with the market, the Remuneration Committee believes it is appropriate to increase the maximum award of Performance Shares to 200 per cent of base salary for the Chief Executive and to 150 for other executive directors. In exceptional circumstances such as on recruitment of a new senior executive the Remuneration Committee may make awards of up to 300 per cent of salary. Shareholder approval for this increase is being sought at the Annual General Meeting to be held on 9 July 2008.

The Matching Share arrangements are considered to be sufficiently competitive and will remain unchanged in 2009.

VESTING OF PERFORMANCE SHARES AND MATCHING SHARES

The proportion of Performance Shares and Matching Shares which vest is currently determined by the Company's Total Shareholder Return ("TSR") performance over a single three year period (the "performance period") beginning on the first day of the financial year in which the award is made.

The comparator groups and vesting schedules for awards made before 2007 and in 2007 are set out below:

	Award made prior to 2007
Performance peer group	FTSE 51 – 200 (excluding investment trusts)
Threshold vesting	30% at median
Maximum vesting	100% at upper quartile

	Awards made in 2007
Performance peer group	FTSE 31 – 150 (excluding investment trusts)
Threshold vesting	30% at median
Maximum vesting	100% at upper quintile

Vesting between threshold and maximum performance will be calculated on a straight line basis.

Under normal circumstances the Remuneration Committee seeks to make awards of Performance and Matching Shares within two months of the financial year end used for the start of the performance period. However, due to the long prohibited period, Performance and Matching Shares awarded in February and March 2006 were assessed over a three year period beginning 1 April 2005, though the shares will not vest to participants until 2009. TSR performance in the three year period to 31 March 2008 was ranked sixth against the FTSE 51 – 200 comparator groups and accordingly awards will now vest in full in February and March 2009. The TSR performance was independently verified on behalf of the Committee by New Bridge Street Consultants LLP.

Following the review of the current LTIP arrangements, the Committee has taken the view that using only a TSR performance condition is no longer appropriate for the Company. The Remuneration Committee proposes complementing the relative TSR performance condition with an adjusted basic EPS growth performance condition so that from 2009 50 per cent of shares awarded are dependent on TSR performance with the other 50 per cent dependent on an adjusted basic EPS growth target. The Committee considers the use of an adjusted basic EPS growth measure alongside the current TSR performance measure will best align the interests of the executive directors with those of shareholders. Further details of the proposed changes to the LTIP are set out in the AGM notice.

To remain consistent with the changes to the comparator group used for remuneration, the performance group used for relative TSR performance condition for awards made under the LTIP in 2008 will be those companies ranked FTSE 31 – 100 (excluding investment trusts). The vesting schedule for median and upper quintile TSR performance will remain the same.

The comparator group is considered appropriate as it is a large enough group to give meaning to percentile analysis, comprises a fair balance of companies with a greater and smaller market capitalisation to that of the Company, and will be the pan-sectoral group of companies that the Committee considers when setting remuneration levels.

Mr Capuano participated in the Borsa Italiana cash based long term incentive plan until 31 December 2007. The rules of the long term incentive allowed for early vesting and the Remuneration Committee allowed accrued awards in respect of 2006 of €1,513,119 (£1,108,025) to vest early in November 2007 and the 2007 accrued award of €1,296,959 (£949,736) to vest early in May 2008 provided that Mr Capuano invested the net proceeds in Ordinary Shares.

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

Benefits

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

Clara Furse receives a flexible benefit allowance of £20,000 per annum and Jonathan Howell received a flexible benefit allowance of £19,520 per annum which was pro-rated to his leaving date. These values have not been increased since last year. Doug Webb will receive a flexible benefit allowance of £20,000 per annum. These executive directors also receive benefits in kind which principally include private health care and life assurance arrangements.

Massimo Capuano receives benefits in kind, which includes permanent invalidity insurance, life insurance, company car and private medical expenses insurance. This is in line with the benefits he received before Borsa Italiana's merger with the London Stock Exchange. In addition the rental costs of providing Massimo Capuano with accommodation in London to enable him to split his working time between the UK and Italy are met by the Company.

Pensions

The Group'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 salary supplement, which is invested in the defined contribution pension scheme up to HM Revenue & Customs limits. In the year ending 31 March 2008, Clara Furse received a pension supplement of 25 per cent of base salary, Jonathan Howell received a pension supplement of 22.5 per cent of base salary and Doug Webb will receive a pension of 25 per cent of base salary. Only base salary is used to calculate pension entitlement and no other pension supplements apply. Massimo Capuano receives a pension allowance equal to 25 per cent of his combined base salary and fees. In addition Massimo Capuano continues to participate in pension arrangements under the relevant collective labour arrangements in Borsa Italiana.

SHARE OWNERSHIP GUIDELINES

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

Full details of the interest in shares of the executive directors are shown on page 50.

Other Share Plans

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

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

Shareholder approval is being sought for a new international sharesave plan, mirroring the structure of the SAYE plan, in which Borsa Italiana employees will be eligible to participate.

To promote retention and share ownership, a performance-related Restricted Share Plan was introduced in 2008. This plan offers a limited number of individuals deferred shares if the Group meets or exceeds its stretching financial targets. These targets were achieved in 2008 and the shares will be released to individuals. Any recipient of an award under the LTIP in 2007, including executive directors and other senior executives, was not eligible to participate in the Restricted Share Plan.

Service contracts

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

NOTICE PERIODS

The executive directors have one-year rolling service contracts. The Remuneration Committee considers that this is consistent with current best practice.

Clara Furse entered into a service agreement with London Stock Exchange plc on 24 January 2001. Jonathan Howell entered into a service agreement with London Stock Exchange plc on 25 January 2000 which terminated at the end of January 2008 following Mr Howell's resignation. Massimo Capuano entered into a service agreement with Borsa Italiana with effect from 1 October 2006 which was amended with effect from 1 October 2007 in connection with the merger. All service agreements may be terminated by the relevant employer on not less than 12 months' notice. Clara Furse and Doug Webb are each required to give 12 months' notice of termination while Massimo Capuano is required to give six months' notice.

TERMINATION ARRANGEMENTS

The Company's current policy is that directors' service agreements should not contain a pay in lieu of notice provision or a liquidated damages clause which would apply in the event of the service agreement being terminated.

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

In addition, on a change of control of the Company, the Chief Executive has the right to terminate her contract on 30 days' notice provided such notice is given within 30 days of the change of control. In the event of (i) her resignation following a change in control; (ii) an unlawful termination of her employment; or (iii) the termination of employment in the event that she is unable to perform her duties due to illness or injury for a period of six months in any 12 month period and she is not eligible to receive permanent health insurance benefit, the Chief Executive is entitled to a severance payment equal to one year's salary, benefits in kind and the amount of the last annual bonus awarded in the 12 month period prior to termination.

Consistent with Italian market practice, Massimo Capuano's previous service agreement incorporated the applicable national collective agreement. The service agreement could be terminated by Borsa Italiana on not less than six months' notice, increasing to a maximum of 12 months after 12 years' service and by Massimo Capuano on not less than two months' notice, increasing to a maximum of four months after five years' service. In the event that: (i) the termination was without just cause, Massimo Capuano was entitled to a payment equal to 30 months' salary plus any payment to which he might have been entitled to on such termination under the applicable collective labour agreement (being not less than six months' earnings up to a maximum of 24 months' earnings depending on his length of service and age) and to the continuation of certain benefits in kind for a period of three years (including life insurance, permanent invalidity insurance and private medical expenses insurance) following termination of employment; or (ii) his resignation followed a significant reduction in his powers or duties, Mr Capuano was entitled to a payment equal to 30 months' salary.

On a change of control of Borsa Italiana, Mr Capuano was entitled to a payment equal to 36 months' salary.

Under his amended service contract, Mr Capuano is entitled to receive an amount in lieu of notice equal to 12 months' salary and an amount equal to the last annual bonus awarded to him in the 12 month period prior to termination. In the event of his resignation following a significant reduction in his powers and duties the Deputy Chief Executive is entitled to a severance payment equal to 15 months' salary and fifteen twelfths of the last annual bonus awarded to him in the 12 month period prior to termination. In accordance with the applicable national collective agreement he retains the right to resign following a change of control of Borsa Italiana. In these circumstances he will receive payment in lieu of notice of 12 months' salary and an amount equal to the last annual bonus awarded to him in the 12 month period prior to termination. These arrangements do not apply to a change of control of the Group. Mr Capuano will also be entitled to continue to receive certain benefits (including life insurance, permanent invalidity insurance and private medical expenses insurance) for three years following termination of employment. In recognition of this reduction in termination protection, Mr Capuano received an award of 58,691 ordinary shares which vested immediately. He is required to retain these shares for 12 months until 15 November 2008.

Doug Webb, who will take up the position of Chief Financial Officer of the Company, has entered into a service agreement with London Stock Exchange plc dated 16 January 2008 and his employment is expected to commence on 2 June 2008. His service agreement may be terminated by either party giving at least 12 months' notice. There are no provisions for pay in lieu of damages or liquidated damages. Instead the parties will rely on common law to assess what, if any, damages may be payable for any loss resulting from any termination in breach of contract.

Outside appointments

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

Where fees are payable in respect of each appointment these are retained by the Company.

Non-executive directors' remuneration

Non-executive directors' remuneration is determined by the Board and is neither performance related nor pensionable. Non-executive directors are not required to invest a proportion of their fees in purchasing shares. 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 have been made with fees paid at FTSE 31 – 150 companies. Future comparisons will be made with other FTSE 31 – 100 companies in line with the pay comparator group for executives.

During the year Mercer reviewed the Chairman's and non-executive directors' fees in accordance with the FTSE 31 to 100. These fees remain in line with market levels so will be unchanged for the year commencing 1 April 2008:

Chairman Fee	£370,000
Non Executive Director base fee	£54,000
Audit Committee Chairman	£17,500
Remuneration Committee Chairman	£12,500
Senior Director fee	£10,000

Following the merger, Angelo Tantazzi retained the following fees in relation to his directorship of Borsa Italiana S.p.A. (€533,000) and Monte Titoli S.p.A. (€173,000). Angelo Tantazzi does not receive any additional fees in relation to his appointment as a director and Deputy Chairman of the Company. The total fees paid to non-executive directors are significantly less than that the £1,500,000 limit provided for in the Group's articles of association.

The original date of appointment as a director of the Company is as follows:

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

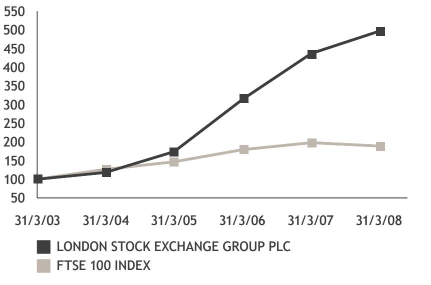
Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb have letters of appointment with the Company reflecting their responsibilities and commitments dated 1 February 2007 (with no notice period). Each of their appointments continues until 31 January 2010, provided each non-executive director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

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

TSR PERFORMANCE

The following line graph shows, for the financial year ended 31 March 2008 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.

TOTAL SHAREHOLDER RETURN



SOURCE: DATASTREAM

The Total Shareholder Return graph looks at the value, at 31 March 2008, of £100 invested in London Stock Exchange plc on 31 March 2003 compared to the value of £100 invested in the FTSE 100 index over the same period. The FTSE 100 index has been selected for comparison since it is the main index in which the Company's shares are quoted.

Table A – Directors' Remuneration – Auditable

	2008				2007				2008	2007
	Salary (Note i) £000	**Performance bonus £000**	**Benefits (Note ii) £000**	**Total £000**	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	**Pensions (Note iii) £000**	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	**325**	**–**	**–**	**325**	319	–	–	319	**–**	–
Chief Executive										
CHF Furse	**622**	**1,037**	**1**	**1,660**	529	900	1	1,430	**–**	–
Executive directors										
M Capuano (Note vi)	**399**	**357**	**82**	**838**	–	–	–	–	**–**	–
JAG Howell	**294**	**548**	**1**	**843**	351	620	1	972	**58**	44
	1,640	**1,942**	**84**	**3,666**	1,199	1,520	2	2,721	**58**	44

NON-EXECUTIVE DIRECTORS' FEES

	Fees £000	**Benefits (Note ii) £000**	**Total £000**	Total £000		
A Tantazzi	**258**	**19**	**277**	–		
GJ Allen	**41**		**41**	65		
Baroness Cohen	**64**		**64**	45		
S Ermotti	**27**		**27**	–		
O Fanjul	**63**		**63**	45		
PR Meinertzhagen	**27**		**27**	45		
A Munari	**27**		**27**	–		
P Scaroni	**27**		**27**	–		
NJ Stapleton	**65**		**65**	55		
RS Webb QC	**62**		**62**	45		
Total non-executive directors' fees (Note iv)			**680**	300		
Total directors' emoluments			**4,346**	3,021	**58**	44

JAG Howell ceased to be a director on 31 January 2008.
GJ Allen and PR Meinertzhagen ceased to be non-executive directors on 24 September 2007.
Baroness Cohen was appointed a non-executive director of Borsa Italiana S.p.A. on 1 October 2007 for which she receives an annual fee of €26,000 (£19,040).

Notes

i) Salary

Salary includes base salary, on which bonus and benefits allowance are based, and benefit allowances paid in cash. Base salary for CHF Furse was £481,750 (2007: £410,000) and JAG Howell was £328,600 (2007: £310,000).
On joining the Company, M Capuano's salary was €750,000 (£549,209). He also received a fee of €126,000 (£92,267) in respect of directors fees.

ii) Benefits

For CHF Furse and JAG Howell, benefits represent the cash value of health and life insurance cover.
For M Capuano, benefits represent the cash value of health and life insurance cover, luncheon vouchers, car benefits and provision of accommodation in London.
For A Tantazzi, benefits represent the cash value of provision of accommodation in Milan.

iii) Pensions

The Company contributed to the senior executive defined contribution plan for JAG Howell of £58,000 (2007: £44,000) as shown in the table above.

iv) Non-executive directors' fees

Fees paid directly to the employer company of two (2007: one) non executive directors were £54,000 (2007: £45,000).

v) Waiver of emoluments

None of the directors waived their emoluments during 2007 and 2008.

vi) Executive directors

M Capuano became a director of the Company on 1 October 2007 and is paid in Euros. Where his remuneration is presented in Sterling in the Remuneration Report a Euro:GBP conversion rate of 1.3656 has been used. Awards accrued under the Borsa Italiana LTIP in respect of 2006 (£1,108,025) vested in November 2007 and awards in respect of 2007 (£946,806) will vest in May 2008.

Table B – Directors' Share Interests – Auditable

CURRENT SHARE SCHEMES

Long Term Incentive Plan

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

	Number of shares									
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Actual vesting date	Final vesting date
CHF Furse	27,687	–	27,687	–	3.63	13.90	384,849	15/07/04	15/07/07	15/07/07
	44,620	–	–	44,620	8.55	–	–	28/02/06	–	28/02/09
	44,444	–	–	44,444	8.60	–	–	03/03/06	–	03/03/09
	32,299	–	–	32,299	10.79	–	–	25/05/06	–	25/05/09
	35,965	–	–	35,965	11.40	–	–	26/05/06	–	26/05/09
	–	30,175	–	30,175	13.57	–	–	22/05/07	–	22/05/10
	–	36,772	–	36,772	13.10	–	–	24/05/07	–	24/05/10
	185,015	66,947	27,687	224,275						
JAG Howell	18,194	–	18,194	–	3.63	13.90	252,897	15/07/04	15/07/07	15/07/07
	28,772	–	18,382[1]	–	8.55	16.91	310,840	28/02/06	31/01/08	28/02/09
	23,170	–	14,159[1]	–	8.64	16.91	239,429	06/03/06	31/01/08	06/03/09
	24,421	–	13,567[1]	–	10.79	16.91	229,418	25/05/06	31/01/08	25/05/09
	21,225	–	11,791[1]	–	11.18	16.91	199,386	30/05/06	31/01/08	30/05/09
	–	20,582	4,573[1]	–	13.57	16.91	77,329	22/05/07	31/01/08	22/05/10
	115,782	20,582	80,666	–						
M Capuano	–	28,493	–	28,493	18.82	–	–	16/11/07	–	16/11/10
	–	30,318	–	30,318	17.72	–	–	04/12/07	–	04/12/10
	–	58,811	–	58,811						

[1] JAG Howell left the Group on 31 January 2008, at which point the Remuneration Committee exercised its discretion to allow unvested LTIP awards to vest on a time pro-rated basis in accordance with the rules of the LTIP. TSR performance for all awards was sufficient to allow maximum vesting of the pro-rated awards.

Share Bonus Plan

The following awards were made under the Share Bonus Plan for the 6 month performance period to 30 September 2007

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Vesting date
CHF Furse	–	47,855	47,855	–	15.10	17.80	851,819	15/11/07	01/12/07
JAG Howell	–	32,642	32,642	–	15.10	17.80	581,028	15/11/07	01/12/07

Under the Share Bonus Plan, for the 6 months performance period to 31 March 2008, Clara Furse was granted an award of 28,321 shares on 22 May 2008.

Other share awards

In recognition of the reduction in termination protection, M Capuano was granted an award of 58,691 shares on 15 November 2007 (share price £18.82) which he is required to retain for 12 months to 15 November 2008.

For the year ending 31 March 2008 M Capuano received an initial share bonus award of 86,948 shares which were granted on 22 May 2008.

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

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

Executive Share Option Plan

Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Expiry date
	Number of options							
CHF Furse	76,924	–	–	76,924	–	3.90	15/07/02	15/07/12
	102,168	–	–	102,168	–	3.23	16/05/03	16/05/13
	87,072	–	–	87,072	–	3.79	20/05/04	20/05/14
	266,164	–	–	266,164				
JAG Howell	47,436	–	47,436	–	18.57	3.90	15/07/02	15/07/12
	61,920	–	61,920	–	18.57	3.23	16/05/03	16/05/13
	52,771	–	52,771	–	18.57	3.79	20/05/04	20/05/14
	162,127	–	162,127	–				

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

Share option grants and share awards in 2001 and prior

The following grants were made under the long-term incentive scheme approved by shareholders in March 2000. No performance conditions apply to the exercise of these options although options priced at £2.97 and £3.15 are premium priced.

Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Expiry date
	Number of options							
CHF Furse	273,600	–	–	273,600	–	2.52	25/01/01	25/01/11
	211,450	–	–	211,450	–	3.15	25/01/01	25/01/11
	3,430	–	–	3,430	–	3.65	25/06/01	25/06/11
	488,480	–	–	488,480				
JAG Howell	242,600	–	242,600	–	18.57	2.37	16/11/00	16/11/10
	179,700	–	179,700	–	18.57	2.97	16/11/00	16/11/10
	12,350	–	12,350	–	18.57	3.65	25/06/01	25/06/11
	434,650	–	434,650	–				

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

The market price of the shares on 31 March 2008 was £12.08 and the range during the year was £10.81 to £20.02.

Directors' interests in shares

The directors who held office at 31 March 2008 had the following other beneficial interests in the shares of the Company:

	Ordinary shares 22 May 2008	B shares 22 May 2008	Ordinary shares 31 March 2008	B shares 31 March 2008	Ordinary shares 31 March 2007
C Gibson-Smith	50,768	10,213	50,768	10,213	50,768
A Tantazzi	–	–	–	–	–
CHF Furse	425,165	355,086	425,165	355,086	358,248
M Capuano	66,451	–	66,451	–	–
J Cohen	1,216	–	1,216	–	1,216
S Ermotti	–	–	–	–	–
O Fanjul	21,901	–	21,901	–	21,901
A Munari	–	–	–	–	–
P Scaroni	–	–	–	–	–
N Stapleton	4,795	–	4,795	–	1,386
R Webb	1,200	–	1,200	–	1,200

Signed by and approved on behalf of the Board

Robert Webb QC
Chairman of the Remuneration Committee

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 2008

Principal activities and results

The principal activities of the Company and its subsidiaries are the admission of securities to trading, the delivery of trading systems, clearing and settlement of trading in securities, the organisation and regulation of markets in securities and the provision of associated information services. The profit of the Group before taxation for the year ended 31 March 2008 was £234.7 million (2007: £161.5 million) and profit after taxation was £178.5 million (2007: £110.6 million).

Business review

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

- 'Highlights' and 'Group at a Glance' pages 10 to 13;
- 'Markets and Trends' pages 18 and 19;
- 'Business and Financial Reviews' pages 20 to 31;
- 'Corporate Responsibility' pages 32 and 33; and
- 'Principal Risks and Uncertainties' pages 34 and 35.

Dividend

The directors are recommending a final dividend for the year of 16.0 pence (2007: 12.0 pence) which is expected to be paid on 11 August 2008 to shareholders on the register on 18 July 2008. Together with the interim dividend of 8.0 pence (2007: 6.0 pence) per share paid in January 2008, this produces a total dividend of 24.0 pence (2007: 18.0 pence) per share estimated to amount to £65.2 million (2007: £36.5 million).

Merger with Borsa Italiana

On 1 October 2007 the Company completed its merger with Borsa Italiana S.p.A. The Company issued 79,449,753 new Ordinary shares as consideration for this transaction. Based on the Company's opening share price of 1,646 pence on 1 October 2007, total consideration paid to Borsa Italiana's shareholders amounted to £1,308 million.

Share capital

ORDINARY SHARES

As at 31 March 2008 the Company had 276.4 million ordinary shares in issue with a nominal value of 6 $^{79}/_{86}$ pence each, representing 71.6 per cent of the total issued share capital and 100 per cent of the ordinary share capital. Details of the changes to the Company's issued ordinary share capital during the year are set out in note 30 to the financial statements on page 87.

B SHARES

As at 31 March 2008, 3.8 million B shares were in issue (31 March 2007: 7.8 million), representing 28.4 per cent of the total issued share capital. Shareholders may choose to redeem their B shares semi-annually on 1 June and 1 December each year until 1 June 2009 when all remaining B shares will be redeemed by the Company. To redeem their B shares in any given year, shareholders must give notice to the Company's registrars by 18 May for redemption on 1 June in each year and by 17 November for redemption on 1 December in each year.

DEFERRED SHARES

The 119.4 million deferred shares created on 22 May 2006 were redeemed in their entirety in July 2007.

DIRECTORS' REPORT

Share rights

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

ORDINARY SHARES

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

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

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

B SHARES

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

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

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

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

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

Transfers of shares

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

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

Other matters

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

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

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

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

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

Authority to purchase shares

The authority for the Company to purchase in the market up to 41 million of its ordinary shares, representing approximately 15 per cent of the issued ordinary share capital of the Company, granted at an Extraordinary General Meeting of the Company held on 8 August 2007, expires at the end of the next Annual General Meeting of the Company. Shareholders will be asked to give authority to repurchase shares at the forthcoming Annual General Meeting of the Company albeit for a lesser number of shares.

Share buyback programme

In January 2007 the Company announced a share buyback programme of up to £250 million. In July 2007 the Company increased its programme of capital return, indicating a further £500 million would be returned to shareholders following the completion of the Borsa Italiana merger (including the outstanding £96 million from the earlier £250 million programme). In the year ended 31 March 2008 the Company made total on-market purchases of 10.1 million shares at an aggregate cost of £139.3 million.

On 28 March 2008 the Company entered into an irrevocable commitment with its corporate brokers to purchase shares in the Company on its behalf which covered the close period from 1 April 2008 up to the preliminary announcement of the Company's results, without which the Company was unable to purchase its own shares. This results in a financial liability under IAS 39, "Financial Instruments: Recognition and Measurement" as disclosed in note 25.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 4 May 2006) may only be amended by special resolution at a general meeting of the shareholders. At the Annual General Meeting to be held on 9 July 2008, a resolution will be put to shareholders proposing the adoption of new Articles of Association. A summary of the principal proposed changes can be found in the explanatory notes to the Notice of Annual General Meeting.

Substantial shareholding

As at 22 May 2008 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 791 to 828 of the Companies Act 2006 and the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Kinetics Asset Management Inc/ Horizon Asset Management Inc.	10.9%
Unicredito Italiano S.p.A.	5.9%
Intesa Sanpaolo S.p.A.	5.3%
Legal & General Group plc	3.0%

Directors

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

In accordance with the Company's Articles of Association, at each AGM one third of the directors retire and offer themselves for re-election, and each director must stand for re-election at least once every three years. Additionally directors appointed since the last general meeting must offer themselves for election. Each of Angelo Tantazzi, Massimo Capuano, Sergio Ermotti, Paolo Scaroni and Andrea Munari were appointed to the Board with effect from 1 October 2007 and Doug Webb will be appointed to the Board with effect from 2 June 2008. In accordance with the Company's Articles of Association they will each retire at the forthcoming AGM and, being eligible, offer themselves for reappointment.

In addition the following directors also served during the year: Peter Meinertzhagen (resigned with effect from 24 September 2007), Gary Allen (resigned with effect from 24 September 2007) and Jonathan Howell (resigned with effect from 31 January 2008). The directors who will, in accordance with the Company's Articles of Association, retire at the forthcoming AGM and, being eligible, offer themselves for reappointment are Chris Gibson-Smith, Clara Furse, Oscar Fanjul and Nigel Stapleton.

The unexpired term of the service contracts for Clara Furse, Massimo Capuano and Doug Webb is 12 months. None of the other directors seeking reappointment have a service contract with the Company.

Powers of the directors

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

Directors' interests

Directors' interests in the shares of the Company as at 31 March 2008 according to the register maintained under the Companies Act 1985 are set out in the Directors' Remuneration Report on pages 42 to 50. 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.

DIRECTORS' REPORT

Corporate governance
The Company's Corporate Governance Report is set out on pages 38 to 41.

Employees
Information on the Company's employment policies is given on page 33. The Company also provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

Donations
During the year the Group gave £196,000 (2007: £99,000) to charitable organisations. No donations were made to political parties.

Supplier payment policy
It is the Company's policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods have been satisfactorily supplied. As at 31 March 2008 the Company had no trade creditors (2007: nil).

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

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

(ii) a facility agreement with Barclays Bank plc and The Royal Bank of Scotland plc dated 1 March 2007 (as amended and restated on 22 June 2007, as further amended by a waiver and amendment request dated 18 July 2007 and as further amended by an amendment letter dated 20 December 2007) (the "Facility Agreement"); and

(iii) a revolving facility agreement with Barclays Bank plc and The Royal Bank of Scotland plc dated 9 February 2006 (as amended and restated 1 March 2007 and as further amended by a waiver and amendment request dated 18 July 2007) (the "Revolving Facility Agreement"). Each of the Bridge Facility Agreement, the Facility Agreement and the Revolving Facility Agreement 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 immediately due and payable.

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

The impact of a change of control on directors' service contracts is set out on page 46 of the Remuneration Report.

Employee benefit trust
As at 31 March 2008 the trustee of the London Stock Exchange employee benefit trust, which is an independent trustee, held 2.2 million shares under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share schemes. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Financial risk management
A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out on pages 64 to 66.

Audit information
As required under section 234ZA of the Companies Act 1985, the directors confirm that to their knowledge, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By Order of the Board

Lisa Condron
Secretary
22 May 2008

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditors' report on page 56, is made with a view to distinguishing for shareholders the responsibilities of the directors from those of the auditors in relation to the financial statements.

Annual Report and Accounts

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

Accounting policies

The directors consider that in preparing the financial statements the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Accounting records

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985 and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Safeguarding assets

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The maintenance and integrity of the Group's website is the responsibility of the directors. Information published on the internet is accessible in many countries; the legal requirements relating to the preparation and dissemination of financial statements in those countries are different from those applying in the United Kingdom.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' statement

Each of the directors confirms that, to the best of his or her knowledge:

- 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 of the Company and Group; and
- the Reviews on pages 20 to 31 and 34 and 35 of the Annual Report include a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties they face.

By Order of the Board

Lisa Condron
Secretary
22 May 2008

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

We have audited the group and parent company financial statements (the "financial statements") of London Stock Exchange Group plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Parent Company Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of audit opinion

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

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

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- The parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008 and of its cash flows for the year then ended;
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- The information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 May 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

		2008			2007		
Continuing operations	Notes	**Before amortisation and exceptional items £m**	**Amortisation and exceptional items £m**	**Total £m**	**Before amortisation and exceptional items £m**	**Amortisation and exceptional items £m**	**Total £m**
Revenue	5	**546.4**	**–**	**546.4**	349.6	–	349.6
Expenses							
Operating expenses	6, 8	**(257.4)**	**(23.8)**	**(281.2)**	(164.0)	(11.4)	(175.4)
Operating profit		**289.0**	**(23.8)**	**265.2**	185.6	(11.4)	174.2
Finance income		**18.8**	**–**	**18.8**	16.9	–	16.9
Finance costs		**(51.5)**	**–**	**(51.5)**	(31.5)	–	(31.5)
Net finance costs	9	**(32.7)**	**–**	**(32.7)**	(14.6)	–	(14.6)
Share of profit after tax of joint venture/associates	15, 16	**2.2**	**–**	**2.2**	1.9	–	1.9
Profit before taxation		**258.5**	**(23.8)**	**234.7**	172.9	(11.4)	161.5
Taxation	8, 10	**(80.3)**	**24.1**	**(56.2)**	(50.3)	(0.6)	(50.9)
Profit for the financial year		**178.2**	**0.3**	**178.5**	122.6	(12.0)	110.6
Profit attributable to minority interests		**4.4**	**0.3**	**4.7**	0.5	0.5	1.0
Profit attributable to equity holders		**173.8**	**–**	**173.8**	122.1	(12.5)	109.6
		178.2	**0.3**	**178.5**	122.6	(12.0)	110.6
Basic earnings per share	11			**73.1p**			50.5p
Diluted earnings per share	11			**71.9p**			49.4p
Dividend per share in respect of financial year	12						
Dividend per share paid during the year				**20.0p**			14.0p
Dividend per share declared for the year				**24.0p**			18.0p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2008

		Group		Company	
	Notes	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Profit for the financial year		**178.5**	110.6	**146.1**	7.9
Defined benefit pension scheme actuarial gain	20	**21.2**	0.3	**–**	–
Tax related to items not recognised in income statement	10	**(3.9)**	4.8	**–**	–
Cash flow hedge		**(7.9)**	–	**(7.9)**	–
Net investment hedge		**(6.8)**	–	**–**	–
Exchange gains on translation of foreign operation		**212.7**	–	**–**	–
		215.3	5.1	**(7.9)**	–
Total recognised income for the financial year		**393.8**	115.7	**138.2**	7.9
Attributable to minority interest		**15.9**	1.0	**–**	–
Attributable to equity holders		**377.9**	114.7	**138.2**	7.9
		393.8	115.7	**138.2**	7.9

BALANCE SHEETS

31 March 2008

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Assets					
Non-current assets					
Property, plant and equipment	13	**72.8**	58.8	**–**	–
Intangible assets	14	**1,821.9**	55.8	**–**	–
Investment in joint venture	15	**1.9**	1.9	**–**	–
Investment in associates	16	**2.3**	–	**–**	–
Investments in subsidiary undertakings	17	**–**	–	**4,533.1**	3,229.6
Deferred tax assets	18	**10.0**	15.9	**–**	–
Available for sale investments	19	**0.4**	0.4	**–**	–
Retirement benefit	20	**11.8**	–	**–**	–
Other non-current assets		**0.4**	–	**–**	–
		1,921.5	132.8	**4,533.1**	3,229.6
Current assets					
Trade and other receivables	21	**121.1**	61.4	**182.4**	46.2
CCP financial assets		**15,649.2**	–	**–**	–
CCP cash and cash equivalents (restricted)		**1,654.1**	–	**–**	–
CCP clearing business assets	22	**17,303.3**	–	**–**	–
Current tax		**3.9**	–	**22.3**	8.8
Assets held at fair value	23	**13.8**	–	**–**	–
Cash and cash equivalents	24	**200.6**	72.9	**–**	–
		17,642.7	134.3	**204.7**	55.0
Total assets		**19,564.2**	267.1	**4,737.8**	3,284.6
Liabilities					
Current liabilities					
Trade and other payables	25	**146.2**	129.4	**155.2**	278.2
Derivative financial instruments	26	**7.9**	–	**7.9**	–
CCP clearing business liabilities	22	**17,307.7**	–	**–**	–
Current tax		**16.1**	20.6	**–**	–
Borrowings	27	**436.0**	171.4	**434.8**	171.4
Provisions	28	**5.2**	8.0	**–**	–
Other current liabilities	29	**1.8**	–	**–**	–
		17,920.9	329.4	**597.9**	449.6
Non-current liabilities					
Borrowings	27	**248.4**	248.7	**248.4**	248.2
Deferred tax liabilities	18	**95.7**	–	**–**	–
Retirement benefit	20	**7.6**	15.0	**–**	–
Provisions	28	**23.2**	23.9	**–**	–
		374.9	287.6	**248.4**	248.2
Total liabilities		**18,295.8**	617.0	**846.3**	697.8
Net assets/(liabilities)		**1,268.4**	(349.9)	**3,891.5**	2,586.8
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	30,31	**19.1**	253.0	**19.1**	253.0
Retained (loss)/earnings	31	**(325.6)**	(351.7)	**2,074.9**	2,075.1
Other reserves	31	**1,479.7**	(253.8)	**1,797.5**	258.7
		1,173.2	(352.5)	**3,891.5**	2,586.8
Minority interests in equity	31	**95.2**	2.6	**–**	–
Total equity		**1,268.4**	(349.9)	**3,891.5**	2,586.8

The financial statements on pages 57 to 93 were approved by the Board on 22 May 2008 and signed on its behalf by:

Clara Furse
Chief Executive

Massimo Capuano
Deputy Chief Executive

CASH FLOW STATEMENTS

Year ended 31 March 2008

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash flow from operating activities					
Cash generated from operations	32	**280.2**	180.4	**(0.9)**	(13.2)
Interest received		**5.8**	6.1	**–**	–
Interest paid		**(39.4)**	(14.8)	**(35.5)**	(14.5)
Corporation tax paid		**(68.7)**	(33.5)	**–**	–
Net cash inflow/(outflow) from operating activities		**177.9**	138.2	**(36.4)**	(27.7)
Cash flow from investing activities					
Net cash inflow/(outflow) from merger	34	**82.3**	–	**(13.8)**	–
Purchase of property, plant and equipment		**(10.3)**	(6.0)	**–**	–
Purchase of intangible assets		**(21.9)**	(13.9)	**–**	–
Dividends received		**2.4**	2.0	**188.3**	42.4
Acquisition of minority interests in Borsa Italiana		**(0.5)**	–	**(0.5)**	–
Net cash inflow/(outflow) from investing activities		**52.0**	(17.9)	**174.0**	42.4
Cash flow from financing activities					
Dividends paid to shareholders		**(46.0)**	(33.2)	**(46.0)**	(12.7)
Cash impact of capital return including redemption of B shares		**(8.1)**	(497.9)	**(8.1)**	(497.9)
Share buyback		**(143.8)**	(105.3)	**(143.8)**	(105.3)
Purchase of own shares by ESOP trust		**(36.7)**	(47.8)	**–**	–
Loan to ESOP trust		**–**	–	**(30.8)**	(42.8)
Loans to subsidiary companies		**–**	–	**(172.0)**	–
Loans from subsidiary companies		**–**	–	**–**	238.8
Proceeds from own shares on exercise of employee share options		**5.9**	5.4	**–**	–
Proceeds from bond issue – July 2006		**–**	249.2	**–**	249.2
Proceeds from borrowings		**613.0**	228.0	**613.0**	228.0
Repayment of borrowings		**(497.5)**	(72.6)	**(347.0)**	(72.0)
Share issue costs		**(2.9)**	–	**(2.9)**	–
Net cash outflow from financing activities		**(116.1)**	(274.2)	**(137.6)**	(14.7)
Increase/(decrease) in cash and cash equivalents		**113.8**	(153.9)	**–**	–
Cash and cash equivalents at beginning of year		**72.9**	226.8	**–**	–
Exchange gains on cash and cash equivalents		**13.9**	–	**–**	–
Cash and cash equivalents at end of year	24	**200.6**	72.9	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the central counterparty ("CCP") clearing business of the Company's majority-owned subsidiary Cassa di Compensazione e Garanzia S.p.A. ("CC&G"), and on the basis of the principal accounting policies set out below. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, all having co-terminous accounting periods, with all inter-company balances and transactions eliminated. As permitted by Section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. The Company's recognised income and expense is disclosed within note 31.

The financial statements include the effects of the merger with Borsa Italiana S.p.A. which has been consolidated from the date of the merger (details of which are set out in note 34). This transaction has been accounted for as an acquisition under IFRS 3 "Business Combinations" and the results of Borsa Italiana S.p.A. and its subsidiary and associate undertakings have been included in the results of the Group from 1 October 2007. As a result it has been necessary for the Group to adopt a number of new accounting policies including those for the consolidation of associates, for calculating the carrying value of purchased intangible assets and for certain hedging instruments. Also, the Group has redefined its segmentation to show trading services and post trade services rather than broker services and derivatives services. Trading services consists of broker services, derivatives services and fixed income services, while post trade services is a new segment, which includes settlement, custodian and clearing services. The new segmentation has been adopted as management believes it better reflects the different risk profiles of the Group's businesses.

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

RECENT ACCOUNTING DEVELOPMENTS

The following standards, amendments and interpretations to published IFRS were effective in the year ended 31 March 2008:

IFRS 7, "Financial instruments: Disclosures" and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures" (effective for annual periods beginning on or after 1 January 2007) have introduced new disclosures for financial instruments, and are adopted by the Group and the Company in these financial statements.

IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006) has been applied by the Group in this financial year.

IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions" (effective for annual periods beginning after 1 March 2007). This interpretation had no impact on the Company's and Group's consolidated financial statements during the year as the interpretation was early adopted in the year ended 31 March 2007.

The following IFRS and IFRIC interpretations have been issued but are not yet mandatory and have not been adopted:

Amendment to IFRS 2, "Share-based Payment: Vesting conditions and cancellations" (effective for annual periods beginning on or after 1 January 2009). The Group will apply the amendment to IFRS 2 from 1 April 2009, but it is not expected to have a material impact on the Company's and Group's consolidated financial statements.

Amendment to IAS 27, "Consolidated and separate financial statements" (effective for annual periods beginning on or after 1 July 2009). The Group will apply the amendment to IAS 27 from 1 April 2010, but it is not expected to have a material impact on the Company's and Group's consolidated results.

Amendment to IAS 1, "Presentation of financial statements" (effective for annual periods beginning on or after 1 January 2009). The Group will apply the amendment to IAS 1 from 1 April 2009, but it is not expected to have any material impact on the Company's and Group's consolidated results.

Amendment to IAS 23, "Borrowing costs" (effective for annual periods beginning on or after 1 August 2009). The Group will apply the amendment to IAS 23 from 1 April 2010, but it is not expected to have a material impact on the Company's and Group's consolidated financial statements.

Revision to IFRS 3, "Business combinations" (effective for annual periods beginning on or after 1 July 2009). The Group will apply the revision to IFRS 3 from 1 April 2010. This would be expected to impact the accounting of any future acquisitions of the Group.

IFRS 8, "Operating segments" (effective for annual periods beginning on or after 1 January 2009) may require changes in the way the Group discloses information about its operating segments. The Group will apply IFRS 8 from 1 April 2009, but it is not expected to have a material impact on the Company's and the Group's consolidated financial statements.

IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective for annual periods beginning on or after 1 January 2008). The Group will apply IFRIC 14 from 1 April 2008, which may reduce any valuation surplus or increase any valuation deficit on the Defined Benefit pension scheme, depending on the prevailing conditions at the time of the valuation.

All other IFRS and IFRIC interpretations issued in the year are not relevant to the Group's operations.

ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the results of the Company and its subsidiaries 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.

Investments in joint ventures are accounted for under the equity method. The Group's investment in joint ventures is initially recognised at cost, and its share of profits or losses after tax from joint ventures 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. Investments in associates are also accounted for under the equity method of accounting. The financial statements of 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 substantial stake but not outright control, which is considered to be more than a 50% shareholding.

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

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

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

Revenue

Revenue represents the total amount receivable for the provision of goods and services, excluding value added tax. Revenue is recognised in the period when the service or supply is provided:

a) annual fees are recognised over the 12 month period to which the fee relates;

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

c) data, transaction and exchange charges are recognised in the month in which the data is provided or the transaction is effected. In interim reports, Borsa Italiana Group defers some of the income received from cash trading and S&P Futures trading and clearing. This regressive pricing recognises revenues at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved;

d) royalties are recognised in the 12 month period to which the royalties relate;

e) custody fees are recognised in the month in which the service is provided;

f) settlement fees are recognised in the month in which the transaction is effected. For cash trading settlement and S&P Futures trading settlement, regressive pricing policies as in (c) above apply; and

g) clearing fees and other clearing related revenues are recognised in the month in which the transaction is effected. For cash and S&P Futures clearing, regressive pricing policies as in (c) above apply.

Exceptional items

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

Foreign currencies

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

Foreign currency transactions are converted into Sterling 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 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 as 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 for each balance sheet presented are converted at the closing rate at the date of that balance sheet;

b) goodwill, purchased intangible assets and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the closing rate;

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

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

Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies continued

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

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

Property, plant and equipment

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

b) 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; and

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

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

Classification of financial assets and liabilities

(i) Financial assets (excluding clearing business)

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

a) Financial assets at fair value through profit or loss

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

b) Available-for-sale financial assets

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

c) Loans and receivables

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

(ii) Financial assets and liabilities of the Central Counterparty (CCP) clearing business

Assets and liabilities of the CCP clearing service relate to CC&G, the subsidiary that performs the CCP clearing business. CC&G clears financial derivatives, equities and bond transactions on Italian regulated markets, guaranteeing the successful receipt of delivery of securities for the transactions to be settled on both the bid and offer side of the transactions with the respective counterparties. It enters into a contractual arrangement in respect of each side of the transaction, bears the counterparty risk associated with honouring the counterparty obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete delivery of the appropriate securities. Accordingly, CC&G must record an asset and a liability on its balance sheet in respect of each of the bid and offer sides of each transaction in accordance with IAS 39, paragraph 14. However, except in respect of failed transactions, CC&G as a CCP clearer does not bear any price risk as the value of the bid and offer side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other.

Accounting treatments of financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities

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

b) Receivables for and liabilities under repurchase transactions

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

c) Other receivables from and payables to clearing members

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

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

e) Cash and cash equivalents
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.

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

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. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument. The Group designates certain derivatives as either:

a) foreign currency derivatives as cash flow hedges;
b) hedges of interest rate movements associated with highly probable forecast transactions as cash flow hedges.

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

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

The fair value of the derivative instrument used to hedge the Group's interest rate exposure is disclosed in note 26. Movements on the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives not designated as a hedge are classified as a current asset or liability.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Foreign currency borrowings and/or derivatives are used as hedges for net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

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

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

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

Redeemable Class B shares issued in connection with the May 2006 capital return are carried at amortised cost, and presented as a financial liability, in line with IAS 32, "Financial Instruments: Disclosure and Presentation". The dividend accrued in respect of the Class B shares has been classified within finance costs in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies continued

Share Capital

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

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

Operating leases

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

Pension costs

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

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 and associates 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.

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period. The transactions are equity-settled in accordance with the provisions of IFRIC 11 "IFRS 2, Group and Treasury Share Transactions".

2. Financial risk management

FINANCIAL RISK FACTORS

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

Financial risk management is performed collectively by both a centralised Group treasury function which identifies, evaluates and hedges financial risks from a Group perspective and, where appropriate for local business and regulatory reasons, by separate operating unit risk functions which manage the exposure to particular risks.

The Audit Committee of the Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

a) Market risk

(i) Foreign exchange risk

The Group operates predominantly in the UK and Italy. Foreign exchange risk arises from translating the Euro earnings, recognised assets and liabilities and net investment in Borsa Italiana S.p.A. from Euro into Sterling. In addition, the Company, through its subsidiary, EDX London Ltd, is exposed to a certain amount of currency income from the Nordic region (principally Swedish Krona) but such exposures are not material to the Group.

The Group explores options to reduce its net asset exposure to movements between Sterling and the Euro. For example, it can achieve this by distributing its net Euro denominated cash earnings in dividends and by raising an appropriate amount of its debt in Euros, thereby reducing Euro net assets.

At 31 March 2008 £152.6m (2007: nil) of the Group's debt was denominated in Euros. These borrowings were designated as a hedge of the net investment in Borsa Italiana S.p.A.. During the year to 31 March 2008 a gain of £6.8m (2007: nil) on foreign currency borrowings was recognised in equity. There was no ineffectiveness of the hedge to be recognised in the income statement.

To the extent that the Group exchanges more of its Sterling debt for Euro debt, this can potentially be serviced by cash generated in Euros by Borsa Italiana S.p.A. and its subsidiaries. Euro interest expense reduces income statement volatility to movements in the exchange rates between Sterling and the Euro in the Group's consolidated financial statements.

In evaluating proposals to hedge financial risks the Group reviews appropriate sensitivities for movements in exchange rates. These sensitivities may change from time to time in line with market conditions.

As at 31 March 2008 the Group has considered movements in the Euro over the last year and has concluded that a 10% movement in rates is a reasonable benchmark. At 31 March 2008, if Sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, post tax profit for the year would have been £6.6m higher (2007: nil) / £9.1m lower (2007: nil). 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.

Profit is more sensitive to movement in Euro/Sterling rates in 2008 than 2007 because of the increased proportion of Euro denominated trading activities following the Borsa Italiana merger in October 2007. Equity is more sensitive to movement in Euro/Sterling rates in 2008 than 2007 because of the increased amount of Euro denominated assets and liabilities following the Borsa Italiana merger in October 2007.

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenues predominantly in their respective local currency and generally incur expenses and purchase assets in their local currency, with the exception of EDX London Ltd where foreign exchange derivative contracts have been used to hedge forecast inflows in Swedish Krona (see note 26 for further details). Such instruments are designated as fair value or cash flow hedges as appropriate.

No sensitivity analysis has been prepared for movements in Swedish Krona/Sterling as this has been considered to be insignificant to the Group's consolidated financial statements.

As at 31 March 2008 and 31 March 2007 the Group had no material outstanding foreign exchange contracts.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from cash and cash equivalents, investments in financial assets and borrowings. Investments and borrowings subject to variable rates expose the Group to cash flow interest rate risk, which is the risk that future cash flows will fluctuate because of changes in market interest rates. Investments and borrowings subject to fixed rates expose the Group to fair value interest rate risk, as the fair value of the financial instrument fluctuates because of changes in market interest rates.

As a medium term objective the Group seeks to maintain a proportion, determined and approved from time to time by the Board, of its borrowings at fixed rates of interest. The Group manages its borrowings centrally through the Company, accessing the debt markets and leveraging Group bank and investor relationships.

Treasury management of interest rate risk comprises issuing a proportion of its debt at fixed rates of interest. At 31 March 2008 72% (2007: 71%) of the Group's debt as a proportion of total net debt after taking into account the effect of derivative financial instruments was at fixed rates. Instruments such as gilt locks and interest rate swaps are used to hedge interest rates from time to time where these have been approved by the Board and where hedge accounting criteria are achieved. At 31 March 2008 the Group held a gilt lock instrument, which met the criteria for hedge accounting, in order to hedge its exposure to cash flow interest rate risk from future forecast transactions (see note 26).

In evaluating proposals to hedge financial risks the Group reviews appropriate sensitivities for movements in interest rates. These sensitivities may change from time to time in line with market conditions.

At 31 March 2008 the Group has considered movements in these interest rates over the last year and has concluded that a 1% increase is a reasonable benchmark. At 31 March 2008, if interest rates on Sterling-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been £2.5m (2007: £2.4m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

b) Credit risk

Credit risk is the risk that the Group's counterparties will be unable to meet their obligations to the Group either in part or in full. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk is controlled through policies developed both at a Group level and where appropriate, with regulators in some cases at an individual subsidiary level. Group companies assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Trade receivables, net of impairment, are concentrated in the financial community, and are managed as one class of receivables. Because of the high proportion of the Group's customers that are banks and other regulated financial institutions, the low historic incidence of customer defaults, and the short term, recurring nature of the billing and collection arrangements, management assess the credit quality of the Group's customer base as high. Accordingly, the current provision for impairment is small.

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

1. Clearing membership – CC&G selects members on the basis of supervisory capital, technical and organisational criteria. Members include banks and investment firms authorised to provide investment services in Italy;

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

NOTES TO THE FINANCIAL STATEMENTS

2. Financial risk management continued

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

The Group invests its cash resources in deposits with banks and financial institutions, and only independently rated counterparties or those with minimum capital requirements are used by the Group. Credit risk with respect to cash and cash equivalents is managed by establishing minimum creditworthiness limits and limiting the maximum exposure to each counterparty. The Company only uses banks that are independently rated with a minimum Moody's rating of Aa3 or equivalent. Individual counterparties are currently limited to deposits of £15m for periods not exceeding 12 months. CC&G is required to invest cash with counterparties that are either investment grade or who have a minimum level of capital, and for periods of up to 12 months in an amount dependent on the credit quality of the counterparty. Other cash resources within the Borsa Italiana S.p.A. sub-group are held on call or on deposit for short periods only.

The Group limits its arrangement of derivatives to a limited number of well-capitalised, relationship based, counterparties each of whom has an appropriate depth of coverage and expertise. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

c) Liquidity risk

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

In addition to the day to day liquidity requirements of Group companies, CC&G and certain other subsidiary companies are required for regulatory purposes to maintain a certain level of liquidity within their own legal entities (see note 3 for further information).

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

Management monitors forecasts of the Group's liquidity, prepared to reflect expected cash flow. The Group manages liquidity risk by depositing funds available for investment in approved instruments for periods of up to one year. This process is undertaken with reference to an investment policy and is reviewed periodically by an Investment Committee of the Group and/or the individual Boards of Directors of subsidiary companies as appropriate. Treasury policy requires that the Group maintains adequate committed credit facilities to at least cover its funding requirements for the next 12 months.

Across the Group cash is invested for periods of up to 12 months with counterparties of high credit quality. In addition, the Group maintains significant headroom in its committed £200m revolving credit facility to provide additional liquidity. At 31 March 2008 this facility was unutilised (2007: £156.0m drawn).

Separately, CC&G has access to significant committed and uncommitted lines of credit with intra-day financing from the Bank of Italy to meet the cash requirements related to settlement (see note 27).

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 2008

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	**7.6**	**428.8**	**–**	**250.0**
Derivative financial instruments	**7.9**	**–**	**–**	**–**
Trade and other payables	**146.2**	**–**	**–**	**–**
CCP liabilities	**17,307.7**	**–**	**–**	**–**
	17,469.4	**428.8**	**–**	**250.0**

At 31 March 2007

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	171.4	0.5	–	250.0
Derivative financial instruments	–	–	–	–
Trade and other payables	129.4	–	–	–
	300.8	0.5	–	250.0

3. Capital risk management

The Group has a policy of active capital management through which it seeks to maintain an optimal capital structure to reduce its cost of capital and to provide superior returns to its shareholders, whilst fulfilling its obligations to the relevant regulatory authorities and other stakeholders.

Capital is defined as the financial resources that are raised by the Group from its shareholders (equity capital) and from its lenders (debt capital). Details of the Group's equity capital are set out in note 30 and details of the Group's debt capital (current and non-current) are set out in note 27.

The Group monitors capital in a number of ways, including on the basis of the ratio of Net debt to EBITDA. This ratio is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less the cash and cash equivalents that are not restricted by the regulatory requirements of the FSA and Consob/Bank of Italy and compares this with its EBITDA (Group consolidated earnings before net finance charges, taxation, depreciation, amortisation and exceptional items).

Net debt to EBITDA at 31 March 2008 was 1.6 times on a pro forma basis, as if the merger with Borsa Italiana S.p.A. had taken place on 1 April 2007 (2007: 2.0 times on an actual basis). In managing its Net debt to EBITDA ratio, the Group has regard to its strategic objective of an investment grade credit rating. The methods by which the Group adjusts its capital structure principally include the dividends that it pays to shareholders, returns of capital to shareholders, issues of new shares, and increases or reductions of debt.

The Group is required to maintain certain levels of liquidity within certain operating entities for regulatory and operational purposes. As at 31 March 2008 approximately £125m was held to meet these requirements, with the amount subject to ongoing review with regulators in the UK and Italy.

During the year the Group repurchased shares totalling £139.3m. 79.4m new shares issued as a result of the merger with Borsa Italiana S.p.A. have strengthened the Group's capital structure. In addition, the Group has a progressive dividend policy and during the year dividends grew 33% to 24.0 pence per share.

4. Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate IFRS and the Group's accounting policy. The resulting accounting estimate may not equal the related actual result:

a) 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, and in accordance with IAS 19 "Employee benefits";

b) 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;

c) 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, except for Borsa Italiana, where the goodwill is measured at fair value less costs to sell, calculated using discounted cash flows;

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

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

f) the determination in the Company's financial statements of the future value of the subsidiary companies, London Stock Exchange plc and Borsa Italiana S.p.A., are based on their future earnings potential. The basis of such values cannot be precise and is subject to market variations in both cases.

NOTES TO THE FINANCIAL STATEMENTS

5. Segment information

Segmental disclosures for the year ended 31 March 2008 are shown below. Following the merger with Borsa Italiana, the Group's regional profile has changed, and geographical segments are also given below. As explained in note 1, the Group's segmentation has redefined trading services and created a new segment, post trade services. The comparative figures for the year ended 31 March 2007 have been restated in accordance with the new segmentation.

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	**82.5**	**265.1**	**143.8**	**46.0**	**20.5**	**–**	**557.9**
Inter-segmental revenue	**(0.1)**	**(0.4)**	**(0.2)**	**(3.2)**	**(7.6)**	**–**	**(11.5)**
Total revenue	**82.4**	**264.7**	**143.6**	**42.8**	**12.9**	**–**	**546.4**
Expenses							
Depreciation and amortisation	**(5.0)**	**(19.8)**	**(18.1)**	**(4.1)**	**(0.8)**	**(0.6)**	**(48.4)**
Exceptional integration costs (see note 8)	**(0.2)**	**(0.3)**	**(0.3)**	**–**	**–**	**(1.5)**	**(2.3)**
Other expenses	**(41.6)**	**(87.5)**	**(58.4)**	**(15.3)**	**(11.4)**	**(16.3)**	**(230.5)**
Total expenses	**(46.8)**	**(107.6)**	**(76.8)**	**(19.4)**	**(12.2)**	**(18.4)**	**(281.2)**
Operating profit (segment result)	**35.6**	**157.1**	**66.8**	**23.4**	**0.7**	**(18.4)**	**265.2**
Share of profit after tax of joint venture / associates	**–**	**0.1**	**2.1**	**–**	**–**	**–**	**2.2**
Assets	**232.3**	**801.1**	**319.5**	**18,015.8**	**42.4**	**148.9**	**19,560.0**
Investment in joint venture / associates	**–**	**2.0**	**2.2**	**–**	**–**	**–**	**4.2**
Total assets	**232.3**	**803.1**	**321.7**	**18,015.8**	**42.4**	**148.9**	**19,564.2**
Liabilities	**(32.2)**	**(71.8)**	**(47.7)**	**(17,368.0)**	**(23.6)**	**(752.5)**	**(18,295.8)**
Capital expenditure	**4.8**	**15.4**	**6.4**	**0.1**	**1.5**	**0.1**	**28.3**

Comparative segmental disclosures for the year ended 31 March 2007 are as follows:

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	63.2	173.1	105.9	–	7.4	–	349.6
Total revenue	63.2	173.1	105.9	–	7.4	–	349.6
Expenses							
Depreciation and amortisation	(2.9)	(11.0)	(9.6)	–	–	(0.6)	(24.1)
Exceptional costs (see note 8)	–	3.1	–	–	–	(14.5)	(11.4)
Other expenses	(32.5)	(47.0)	(43.8)	–	(6.5)	(10.1)	(139.9)
Total expenses	(35.4)	(54.9)	(53.4)	–	(6.5)	(25.2)	(175.4)
Operating profit (segment result)	27.8	118.2	52.5	–	0.9	(25.2)	174.2
Share of profit after tax of joint venture	–	–	1.9	–	–	–	1.9
Assets	19.7	79.8	49.7	–	22.2	93.8	265.2
Investment in joint venture	–	–	1.9	–	–	–	1.9
Total assets	19.7	79.8	51.6	–	22.2	93.8	267.1
Liabilities	(24.2)	(27.6)	(32.7)	–	(18.0)	(514.5)	(617.0)
Capital expenditure	3.3	16.8	3.1	–	0.2	0.1	23.5

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

GEOGRAPHICAL DISCLOSURE
The Group's six business segments operate in three main geographical areas.

The Group's revenue is generated mainly within the UK and Italy.

	2008 £m	2007 £m
Revenue		
UK	**371.2**	293.8
Italy	**79.1**	0.6
Other	**96.1**	55.2
Total	**546.4**	349.6

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

	2008 £m	2007 £m
Total assets		
UK	**320.1**	265.2
Italy	**19,239.9**	–
	19,560.0	265.2
Joint ventures – UK	**1.9**	1.9
Associates – Italy	**2.3**	–
Total	**19,564.2**	267.1

	2008 £m	2007 £m
Capital expenditure		
UK	**26.3**	23.5
Italy	**2.0**	–
Total	**28.3**	23.5

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

6. Expenses by nature

Expenses comprise the following:

	2008 £m	2007 £m
Employee costs (see note 7)	**99.5**	56.7
Depreciation and amortisation	**48.4**	24.1
Other costs, including amortisation of purchased intangibles and exceptional costs of £23.8m (2007: £11.4m) (see note 8)	**133.3**	94.6
Total	**281.2**	175.4

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

NOTES TO THE FINANCIAL STATEMENTS

7. Employee costs

Employee costs comprise the following:

	2008 £m	2007 £m
Salaries and other short term benefits	**69.9**	40.6
Social security costs	**11.9**	8.2
Pension costs (see note 20)	**5.4**	3.4
Share based compensation (see note 36)	**12.3**	4.5
Total	**99.5**	56.7

The number of employees in the Group was:

	2008	2007
At the year end	**1,210**	444
Average for the year	**872**	446

The Company has no employees.

The increase in the number of employees to an average of 872 (2007: 446) and related salary costs primarily reflect the merger with Borsa Italiana and the insourcing of IT service delivery on 1 October 2007.

8. Amortisation of purchased intangible assets and exceptional items

	2008 £m	2007 £m
Amortisation of purchased intangible assets (see note 14)	**(21.5)**	–
Fees in respect of offers for the Company	**–**	(13.5)
Release of provision in respect of EDX London Ltd	**–**	3.1
Restructuring costs[1]	**–**	(1.0)
Integration costs[2]	**(2.3)**	–
Total affecting profit before tax	**(23.8)**	(11.4)
Tax effect on items affecting profit before tax	**0.7**	(0.6)
Deferred tax liability amortisation	**3.7**	–
Credit to taxation in respect of change of Italian tax rate[3] (see note 10)	**19.7**	–
	24.1	(0.6)
Total credit/(charge) to income statement	**0.3**	(12.0)

[1] Restructuring costs are one-off implementation costs arising from the cost savings programme announced in February 2006.

[2] Integration costs relate to the integration of the businesses of the London Stock Exchange and Borsa Italiana.

[3] The change of Italian tax rate on 1 January 2008 affected the value of deferred tax liabilities acquired, resulting in a credit to the taxation account.

9. Net finance costs

	2008 £m	2007 £m
Finance income		
Bank deposit and other interest	**6.3**	4.7
Expected return on defined benefit pension scheme assets (see note 20)	**12.3**	11.9
Investment income	**0.2**	0.3
	18.8	16.9
Finance costs		
Interest payable on bank and other borrowings	**(34.5)**	(17.8)
Other finance costs	**(3.1)**	(0.5)
Interest on discounted provision for leasehold properties (see note 28)	**(1.3)**	(1.4)
Defined benefit pension scheme interest cost (see note 20)	**(12.6)**	(11.8)
	(51.5)	(31.5)
Net finance costs	**(32.7)**	(14.6)

10. Taxation

Taxation charged to the income statement	2008 £m	2007 £m
Current tax:		
UK corporation tax for the year at 30% (2007: 30%)	**58.0**	49.6
Overseas tax for the year	**22.7**	–
Adjustments in respect of previous years	**(1.7)**	(5.1)
	79.0	44.5
Deferred tax (see note 18):		
Deferred tax for the current year	**2.3**	1.3
Adjustments in respect of previous years	**0.5**	5.1
Exceptional credit to deferred tax in respect of Italian tax rate change	**(19.7)**	–
Deferred tax liability amortisation	**(3.7)**	–
Foreign exchange differences	**(2.2)**	–
Taxation charge	**56.2**	50.9

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

Taxation on items (credited)/charged to equity	2008 £m	2007 £m
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	**(5.7)**	(2.3)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial gains	**6.3**	0.1
Tax allowance on share options/awards in excess of expense recognised	**3.1**	(2.6)
Change in UK tax rate	**0.2**	–

Factors affecting the tax charge for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax rate of 30% (2007: 30%) and the income statement tax charge for the year are explained below:

	2008 £m	2007 £m
Profit before taxation	**234.7**	161.5
Profits multiplied by the UK rate of corporation tax at 30% (2007: 30%)	**70.4**	48.5
Expenses not deductible	**8.9**	3.0
Share of joint venture and associates consolidated at profit after tax	**(1.0)**	(0.6)
Exceptional credit to deferred tax in respect of Italian tax rate change	**(19.7)**	–
Overseas earnings taxed at higher rate	**3.5**	–
Adjustments in respect of previous years	**(1.2)**	–
Other	**(4.7)**	–
Taxation charge	**56.2**	50.9

The weighted average tax rate for the Group was 32% (2007: 30%).

NOTES TO THE FINANCIAL STATEMENTS

11. Earnings per share

Earnings per share is presented on three bases: basic earnings per share; diluted earnings per share; and adjusted basic 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 excludes amortisation of purchased intangible assets and exceptional items to enable comparison of the underlying earnings of the business with prior periods.

	2008	2007
Basic earnings per share	**73.1p**	50.5p
Diluted earnings per share	**71.9p**	49.4p
Adjusted basic earnings per share	**73.1p**	56.2p
	£m	**£m**
Profit for the financial year attributable to equity holders	**173.8**	109.6
Adjustments:		
Amortisation of purchased intangible assets	**21.5**	–
Exceptional items	**2.3**	11.4
Tax effect of amortisation and exceptional items and tax exceptional item	**(24.1)**	0.6
Exceptional items, amortisation and taxation attributable to minority interests	**0.3**	0.5
Adjusted profit for the financial year attributable to equity holders	**173.8**	122.1
Weighted average number of shares – million	**237.8**	217.2
Effect of dilutive share options and awards – million	**3.8**	4.6
Diluted weighted average number of shares – million	**241.6**	221.8

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 237.8 million (2007: 217.2 million).

12. Dividends

	2008 £m	2007 £m
Second interim dividend (in lieu of final dividend) for 2006 paid May 2006: 8.0p per Ordinary share	**–**	20.5
Final dividend for 2007 paid August 2007: 12.0p per Ordinary share	**23.8**	–
Interim dividend for 2008 paid January 2008: 8.0p (2007: 6.0p) per Ordinary share	**22.2**	12.7
	46.0	33.2

The Board has declared a final dividend in respect of the year ended 31 March 2008 of 16.0p per share, which is estimated to amount to £43.0m, to be paid on 11 August 2008.

The right to non-cumulative preference dividends on the remaining redeemable Class B shares is discussed in note 27.

13. Property, plant & equipment

Group	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and equipment £m	Total £m
Cost:				
1 April 2006	44.4	42.1	26.1	112.6
Additions	0.9	0.7	5.0	6.6
Disposals	–	(0.1)	(1.3)	(1.4)
31 March 2007	45.3	42.7	29.8	117.8
Additions	0.2	0.1	8.1	8.4
Acquisition of subsidiaries (see note 34)	11.3	–	4.9	16.2
Exchange differences	1.6	–	0.7	2.3
Disposals	–	–	(0.1)	(0.1)
31 March 2008	**58.4**	**42.8**	**43.4**	**144.6**
Depreciation:				
1 April 2006	25.5	9.9	13.1	48.5
Charge for the year	0.3	4.9	6.2	11.4
Disposals	–	–	(0.9)	(0.9)
31 March 2007	25.8	14.8	18.4	59.0
Charge for the year	0.7	5.1	7.1	12.9
Exchange differences	0.1	–	(0.1)	–
Disposals	–	–	(0.1)	(0.1)
31 March 2008	**26.6**	**19.9**	**25.3**	**71.8**
Net book values:				
31 March 2008	**31.8**	**22.9**	**18.1**	**72.8**
31 March 2007	19.5	27.9	11.4	58.8

The Company has no property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

14. Intangible assets

Group	Goodwill £m	Software £m	Purchased intangibles £m	Total £m
Cost:				
1 April 2006	32.2	95.1	–	127.3
Additions	–	16.9	–	16.9
Disposals	–	(0.7)	–	(0.7)
31 March 2007	32.2	111.3	–	143.5
Additions	–	19.9	–	19.9
Acquisition of subsidiaries (see note 34)	917.3	5.6	635.2	1,558.1
Exchange differences	132.7	0.8	93.1	226.6
31 March 2008	**1,082.2**	**137.6**	**728.3**	**1,948.1**
Amortisation and accumulated impairment:				
1 April 2006	21.1	54.6	–	75.7
Charge for the year	–	12.7	–	12.7
Disposals	–	(0.7)	–	(0.7)
31 March 2007	21.1	66.6	–	87.7
Charge for the year	–	14.0	21.5	35.5
Exchange differences	–	–	3.0	3.0
31 March 2008	**21.1**	**80.6**	**24.5**	**126.2**
Net book values:				
31 March 2008	**1,061.1**	**57.0**	**703.8**	**1,821.9**
31 March 2007	11.1	44.7	–	**55.8**

As explained in note 34, the fair valuation of the Borsa Italiana assets and liabilities is provisional. Accordingly, the allocation of goodwill in respect of the Borsa Italiana merger to cash-generating units has not been finalised or disclosed. In accordance with IAS 36, "Impairment of assets", the Group will effect the allocation by 31 March 2009.

The carrying value of goodwill for Borsa Italiana S.p.A. represents the excess of consideration paid over the provisional identifiable fair value of the purchased assets. Purchased intangible assets were valued using discounted cash flows, and are amortised over their estimated useful lives, which do not normally exceed 25 years.

The purchased intangible assets arising on consolidation represent customer relationships, brands, software and licences, as disclosed in note 34.

The foreign exchange differences arise as a result of the assets purchased being booked at the prevailing exchange rate on 1 October 2007 and revalued for the balance sheet at the exchange rate for 31 March 2008. The movement has been taken to equity (note 31).

The carrying value of goodwill and other assets in respect of Proquote Ltd was supported by the estimated net present value of future cash flows in the business plan over the next five years, with a growth rate of 2.25% beyond that and cash flows discounted using a pre-tax discount rate of 12.6%.

The Company has no intangible assets.

15. Investment in joint venture

The Group owns 50% of the 1,000 £1 issued equity shares in FTSE International Ltd, a company incorporated in Great Britain which distributes financial information. FTSE International Ltd is a joint venture owned together with The Financial Times Ltd, a subsidiary of Pearson plc. The Group investment of £1.9m represents the Group's share of the joint venture's net assets as at 31 December 2007, its accounting reference date.

The following amounts represent the Group's 50% share of the revenue and expenses and assets and liabilities of FTSE International Ltd for the years ended 31 December 2006 and 2007.

	2007 £m	2006 £m
Revenue	**29.4**	21.0
Expenses	**(27.4)**	(19.1)
Profit after tax	**2.0**	1.9
Non-current assets	**3.5**	3.8
Current assets	**16.7**	14.2
Total assets	**20.2**	18.0
Current liabilities	**(18.0)**	(15.8)
Non-current liabilities	**(0.3)**	(0.3)
Total liabilities	**(18.3)**	(16.1)
Net assets	**1.9**	1.9

The Group is entitled, under a shareholders' agreement, to receive royalties from FTSE International Ltd. The amount receivable by the Group from FTSE International Ltd for the year ended 31 March 2008 was £6.7m (2007: £5.7m).

During the year the Group received dividends of £2.1m (2007: £1.7m) from FTSE International Ltd.

16. Investment in associates

	2008 £m	2007 £m
1 April 2007	**–**	–
From acquisition of subsidiaries	**2.1**	–
Share of profit after tax	**0.2**	–
Share of capital decrease and dividend distribution	**(0.3)**	–
Exchange differences	**0.3**	–
31 March 2008	**2.3**	–

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, as at 31 December 2007, their accounting reference date, are as follows:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit/(loss) £m	% interest held
MTS Amsterdam NV	The Netherlands	1.0	0.1	0.6	0.1	30.0%
MTS France SA	France	1.9	0.6	1.9	0.2	22.5%
MTS Associated Markets	Belgium	1.9	0.7	1.4	–	20.0%
MTS Portugal SA	Portugal	1.3	0.2	0.8	0.2	19.7%
MTS España SA	Spain	1.3	0.3	1.1	0.1	30.0%
MTS CeTO	Poland	2.3	0.3	1.7	0.3	25.0%

NOTES TO THE FINANCIAL STATEMENTS

17. Investments in subsidiary undertakings

Company	Shares £m	Loans £m	Total £m
1 April 2006	–	–	–
Investments and other movements during the year ended 31 March 2007	3,268.2	(38.6)	3,229.6
1 April 2007	3,268.2	(38.6)	3,229.6
Acquisition of shares in Borsa Italiana S.p.A.	1,322.1	–	1,322.1
Other movements during the year ended 31 March 2008	–	(18.6)	(18.6)
31 March 2008	**4,590.3**	**(57.2)**	**4,533.1**

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
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.96
Held directly by London Stock Exchange plc:				
EDX London Ltd	Recognised investment exchange	UK	UK	76
Proquote Ltd	Market data provider	UK	UK	100
The Stock Exchange (Properties) Ltd	Property company	UK	UK	100
Held directly by Borsa Italiana S.p.A.:				
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	86.36
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.77
Servizio Titoli S.p.A.	Corporate secretary advisory	Italy	Italy	90
BIt Systems S.p.A.	ICT Systems & Services	Italy	Italy	100
Piazza Affari Gestione & Servizi S.p.A.	Facility management	Italy	Italy	100
MBE Holding S.p.A.	Holding company	Italy	Italy	100
Held directly by MBE Holding S.p.A.:				
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Held directly by Societa per il Mercato dei Titoli di Stato S.p.A.:				
EuroMTS Ltd	Wholesale fixed income bonds	UK	UK	100
MTS Deutschland AG	Wholesale fixed income bonds	Germany	Germany	100
MTSNext Ltd	Wholesale fixed income bonds	UK	UK	100

The Company holds directly or indirectly 100% of the Ordinary shares, being the only class of shares in issue, of other subsidiaries, none of which has actively traded during the year. A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange plc. The Company acquired 99.92% of equity in Borsa Italiana S.p.A. on 1 October 2007 and subsequently acquired a further 0.04% of its equity during the year.

18. Deferred taxation

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

	Group		
	Accelerated tax depreciation £m	Provisions and other temporary differences £m	Total £m
At 1 April 2006	7.4	12.4	19.8
Transfer to the income statement during the year (see note 10)	(5.8)	(0.6)	(6.4)
Tax credited to equity:			
– defined benefit pension scheme actuarial loss	–	(0.1)	(0.1)
– allowance on share options/awards	–	2.6	2.6
31 March 2007	1.6	14.3	15.9
From acquisition of subsidiaries	–	7.4	7.4
Tax credited/(charged) to income statement:			
– change in UK tax rate	–	(0.1)	(0.1)
– other movements to the income statement during the year	(0.2)	(3.4)	(3.6)
Tax credited to equity:			
– defined benefit pension scheme actuarial loss	–	(6.3)	(6.3)
– allowance on share options/awards	–	(3.1)	(3.1)
– change in UK tax rate	–	(0.2)	(0.2)
Assets at 31 March 2008	**1.4**	**8.6**	**10.0**

The movements in deferred tax liabilities during the year are shown below:

At 1 April 2006 and 1 April 2007	–	–	–
From acquisition of subsidiaries	–	106.9	106.9
Tax credited/(charged) to income statement:			
– credited in respect of Italian tax rate change	–	(19.7)	(19.7)
– amortisation of deferred tax liability	–	(3.7)	(3.7)
– other movements in the income statement during the year	0.3	(1.2)	(0.9)
Tax credited to equity:			
– foreign exchange differences	–	13.1	13.1
Liabilities at 31 March 2008	**0.3**	**95.4**	**95.7**

The deferred tax assets are recoverable against future taxable profits and are due after more than one year. The UK rate of corporation tax has changed from 30% to 28% as of 1 April 2008, and the Italian headline tax rate from 37.25% to 31.4% as of 1 January 2008. These changes have been reflected in calculating the carrying value of deferred tax.

The purchased intangible assets of Borsa Italiana S.p.A. create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets. The Italian tax rate change described above creates an exceptional reduction in this liability, and the liability is subject to foreign exchange differences, which are taken to equity (note 31).

There was no deferred tax in the Company.

NOTES TO THE FINANCIAL STATEMENTS

19. Available for sale investments
Available for sale financial investments of £0.4m (2007: £0.4m) represent the cost of the Group's 0.6% interest in the unlisted ordinary shares of Euroclear plc. The fair value of these shares cannot be reliably measured because they are unquoted.

20. 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, Morley Fund Management Limited and Legal & General Investment Management Limited.

The 'Other Plans' relate to the severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group in accordance with Italian law. Until 30 June 2007, the amounts deducted from employees' pay were held by Borsa Italiana Group until the employee left.

The Company has no retirement benefit obligations.

DEFINED BENEFIT SCHEME
The 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 defined benefit scheme was closed to new members in 1999 but provides retirement benefits to approximately 10% of current and many former employees. Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group is classified as a defined benefit scheme. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and is determined by law at 6.91% of salary payments subject to certain adjustments. Since 1 July 2007, contributions are made directly into Italian state funds, and the Group retains no obligation. Funds accumulated prior to 1 July 2007 continue to be invested to fulfil obligations when contributing employees leave. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary.

DEFINED CONTRIBUTION SCHEMES
The Group's defined contribution schemes are now the only schemes open to new employees. A core contribution of 8% of pensionable pay is provided and the Group will match employee contributions up to a maximum of 6% of pensionable pay.

Amounts recognised in the income statement are as follows:

	2008		2007	
	UK Pension £m	**Other plans £m**	UK Pension £m	Other plans £m
Defined contribution schemes	**(2.8)**	**(1.5)**	(2.0)	–
Defined benefit scheme – current service cost	**(1.1)**	**–**	(1.4)	–
Total pension charge included in employee benefit expense (see note 7)	**(3.9)**	**(1.5)**	(3.4)	–
Finance income and costs				
Interest cost	**(12.6)**	**–**	(11.8)	–
Expected return on assets in the scheme	**12.3**	**–**	11.9	–
Net finance (cost)/income	**(0.3)**	**–**	0.1	–
Total recognised in the income statement	**(4.2)**	**(1.5)**	(3.3)	–

Defined benefit assets/(obligations) for UK pension scheme
Funded obligations and assets are set out below:

	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of assets:				
– equities	**33.2**	35.7	69.4	52.2
– bonds	**190.9**	185.2	153.3	139.1
– property	**8.8**	3.7	–	–
Total fair value of assets	**232.9**	224.6	222.7	191.3
Present value of funded obligations	**(221.1)**	(239.6)	(243.0)	(210.0)
Balance sheet asset/(liability)	**11.8**	(15.0)	(20.3)	(18.7)

The main actuarial assumptions are set out below:

	2008		2007	
	UK Pension	Other plans	UK Pension	Other plans
Inflation assumption	**3.6%**	**2.5%**	3.1%	–
Rate of increase in salaries	**5.6%**	**3.3%**	5.1%	–
Rate of increase in pensions in payment	**3.9%**	**3.0%**	3.7%	–
Discount rate	**6.6%**	**6.0%**	5.3%	–
Expected return on assets as at 31 March 2007 and 2006:				
– equities	**7.9%**	**–**	7.6%	–
– bonds	**5.1%**	**–**	4.4%	–
– property	**6.9%**	**–**	–	–

Expected return on equities and property are determined by applying a risk premium applicable to the investments held 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.

MORTALITY

The mortality assumptions are based on the standard tables PA92 published by the Institute and Faculty of Actuaries, adjusted to take account of projected future improvements in life expectancy. For existing pensioners from age 60, life expectancy assumed at 31 March 2008 for men is 27.5 years (2007: 25.0 years) and for women 30.8 years (2007: 27.9 years). For non-retired members from age 60, life expectancy assumed at 31 March 2008 for men is 29.1 years (2007: 25.9 years) and for women 32.6 years (2007: 28.7 years).

SENSITIVITY

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

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.4%
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by 6.6%
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 8.0%
Mortality rate	Increase by 1 year	Increase by 2.4%

MOVEMENT IN DEFINED BENEFIT OBLIGATION DURING THE YEAR

	2008		2007	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
1 April 2007	**239.6**	**–**	243.0	–
Acquisitions of subsidiaries (see note 34)	**–**	**7.1**	–	
Current service cost	**1.1**	**–**	1.4	–
Interest cost	**12.6**	**–**	11.8	–
Benefits paid	**(6.7)**	**(1.1)**	(5.6)	–
Actuarial (gain)/loss	**(25.5)**	**0.6**	(11.0)	–
Exchange differences	**–**	**1.0**	–	–
31 March 2008	**221.1**	**7.6**	239.6	–

MOVEMENT IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR FOR UK SCHEME

	2008 £m	2007 £m
1 April 2007	**224.6**	222.7
Expected return on assets	**12.3**	11.9
Contributions paid	**6.4**	6.3
Benefits paid	**(6.7)**	(5.6)
Actuarial gain	**(3.7)**	(10.7)
31 March 2008	**232.9**	224.6

NOTES TO THE FINANCIAL STATEMENTS

20. Retirement benefit asset/obligation continued

DEFINED BENEFIT ACTUARIAL GAINS AND LOSSES RECOGNISED

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

	2008		2007	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
Recognised up to 1 April 2007	**(6.3)**	**–**	(6.6)	–
Net actuarial gain/(loss) recognised in the year	**21.8**	**(0.6)**	0.3	–
Cumulative amount recognised at 31 March 2008 in the statement of recognised income and expense	**15.5**	**(0.6)**	(6.3)	–

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2006 by an independent qualified actuary. Following the valuation, ordinary contributions were increased from 23% to 36% of pensionable salaries. In addition, the Group will contribute £5.0m per annum towards the scheme depending on the level of funding deficit. Accordingly the Group expects to contribute approximately £6.4m to the defined benefit scheme during the year to 31 March 2009. The actual return on plan assets was £8.5m (2007: £1.2m).

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	2008	2007	2006	2005
Experience adjustments arising on scheme assets:				
Amount (£m)	**(3.7)**	(10.7)	21.8	4.1
Percentage of scheme assets	**(1.6%)**	(4.8%)	9.8%	2.1%
Experience adjustments arising on scheme liabilities:				
Experience gain/(loss) on scheme liabilities (£m)	**0.7**	(0.4)	5.2	0.9
Impact of changes in assumptions in valuing scheme liabilities (£m)	**24.8**	11.4	(31.0)	(7.6)
Total (£m)	**25.5**	11.0	(25.8)	(6.7)
Percentage of scheme liabilities				
Experience gain/(loss) on scheme liabilities	**0.3%**	(0.2%)	2.1%	0.4%
Impact of changes in assumptions in valuing scheme liabilities	**11.2%**	4.8%	(12.7%)	(3.6%)
Total	**11.5%**	4.6%	(10.6%)	(3.2%)

21. Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables	**73.7**	27.0	**–**	–
Less: provision for impairment of receivables	**(0.7)**	(0.1)	**–**	–
Trade receivables – net	**73.0**	26.9	**–**	–
Amounts due from group undertakings	**–**	–	**181.7**	45.4
Other receivables	**3.1**	0.2	**–**	–
Prepayments and accrued income	**45.0**	34.3	**0.7**	0.8
	121.1	61.4	**182.4**	46.2

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

The Company's amounts due from Group undertakings consist of loans to the Employee Benefit Trust and a subsidiary company, Borsa Italiana S.p.A.

Trade receivables that are less than 3 months past due are not considered to be impaired. As of 31 March 2008, trade receivables of £0.8m (2007: £0.1m) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2008 £m	2007 £m
3 to 6 months	**0.7**	0.1
Greater than 6 months	**0.1**	–
	0.8	0.1

As of 31 March 2008, trade receivables of £0.8m (2007: £0.1m) were impaired and partially provided against. The amount provided was £0.7m as of 31 March 2008 (2007: £0.1m). The individually impaired receivables mainly relate to aged debtors.

	2008 £m	2007 £m
Up to 3 months	**–**	0.1
Over 6 months	**0.8**	–
	0.8	0.1

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

	2008 £m	2007 £m
Sterling	**60.1**	61.3
Euro	**61.0**	0.1
	121.1	61.4

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

	2008 £m	2007 £m
At 1 April 2007	**0.1**	0.2
Acquisition of subsidiary	**0.6**	–
Provision for receivables impairment	**0.1**	0.1
Receivables written off during the year as uncollectible	**–**	(0.1)
Unutilised amounts reversed	**(0.1)**	(0.1)
At 31 March 2008	**0.7**	0.1

The creation and release of provision for impaired receivables have been included in operating expense in the income statement. Unwinding of discount is included in 'finance costs' in the income statement. Amounts charged to the allowance account are generally 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.

The maximum exposure to credit risk as at 31 March 2008 is the fair value of each class of receivable mentioned above. No collateral is held as security over trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments by category

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

31 March 2008	Group				Company	
	Loans and receivables £m	Available for sale £m	Assets at fair value through profit or loss £m	Total £m	Loans and receivables £m	Total £m
Assets as per balance sheet						
Financial assets of the CCP clearing business:						
– CCP trading assets	–	–	4,782.1	4,782.1	–	–
– Receivables for repurchase transactions	10,299.3	–	–	10,299.3	–	–
– Other receivables from clearing members	560.7	–	–	560.7	–	–
– Financial assets held at fair value	–	–	7.1	7.1	–	–
– Cash and cash equivalents of clearing members	1,654.1	–	–	1,654.1	–	–
Financial assets of the CCP clearing business	12,514.1	–	4,789.2	17,303.3	–	–
Assets held at fair value	–	–	13.8	13.8	–	–
Trade and other receivables	121.1	–	–	121.1	182.4	182.4
Cash and cash equivalents	200.6	–	–	200.6	–	–
Available for sale financial assets	–	0.4	–	0.4	–	–
Total	12,835.8	0.4	4,803.0	17,639.2	182.4	182.4

	Group			Company		
	Derivatives used for hedging £m	Other financial liabilities £m	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	–	4,782.1	4,782.1	–	–	–
– Liabilities under repurchase transactions	–	10,299.3	10,299.3	–	–	–
– Other payables to clearing members	–	2,218.1	2,218.1	–	–	–
– Financial liabilities held at fair value	–	8.2	8.2	–	–	–
Financial liabilities of the CCP clearing business	–	17,307.7	17,307.7	–	–	–
Borrowings	–	684.4	684.4	–	683.2	683.2
Derivative financial instruments (see note 26)	7.9	–	7.9	7.9	–	7.9
Total	7.9	17,992.1	18,000.0	7.9	683.2	691.1

The CCP clearing business assets and liabilities comprise:

a) CCP trading assets and liabilities
These items comprise the fair value of open positions on the derivatives market (IDEM) in which CC&G operates as the CCP 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)
These items represent the value of repo transactions executed by participants in the MTS market who use the CCP guarantee service provided by CC&G, and refer to the value of transactions the spot part of which has already been settled while the forward part has still to be settled.

c) Other receivables from clearing members
These include 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
These include sums payable arising from amounts to be 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
These include the following financial securities:
1) 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
2) securities traded but not yet settled as part of the CCP function.

f) Cash and cash equivalents
These items comprise cash and cash equivalents at bank, representing margins and default fund amounts received, held for short periods in connection with the CCP clearing service.

As at 31 March 2008, there were no provisions for impairment in any of the Company's or Group's financial assets (2007: nil) and none of the CCP assets were past due (2007: nil).

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

	Group			Company		
31 March 2007	**Loans and receivables £m**	**Available for sale £m**	**Total £m**	**Loans and receivable £m**	**Available for sale £m**	**Total £m**
Assets as per balance sheet						
Available-for-sale financial assets	–	0.4	0.4	–	–	–
Trade and other receivables	61.4	–	61.4	46.2	–	46.2
Cash and cash equivalents	72.9	–	72.9	–	–	–
Total	**134.3**	**0.4**	**134.7**	**46.2**	**–**	**46.2**
	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						
Borrowings	–	420.1	420.1	–	419.6	419.6
Total	**–**	**420.1**	**420.1**	**–**	**419.6**	**419.6**

23. Assets held at fair value

	2008 £m	2007 £m
Financial assets held at fair value	**12.8**	**–**
Other assets held at fair value	**1.0**	**–**
	13.8	**–**

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 Group's assets held at fair value consist largely of Italian equities restricted in use for the operations of CC&G as manager of the clearing and guarantee system.

The Company has no assets held at fair value.

NOTES TO THE FINANCIAL STATEMENTS

24. Cash and cash equivalents

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Cash at bank	**74.7**	6.4	**–**	–
Short term deposits	**125.9**	66.5	**–**	–
	200.6	72.9	**–**	–

There are no differences between the book and fair values of the above balances. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents.

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 2008, this was approximately £125m, with the amount subject to ongoing review with regulators in the UK and Italy.

25. Trade and other payables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Trade payables	**23.3**	3.3	**–**	–
Amounts owed to Group undertakings (see note 37)	**–**	–	**133.0**	207.9
Social security and other taxes	**11.5**	2.1	**–**	–
Other payables	**35.4**	7.0	**3.5**	4.6
Share buyback programme	**13.0**	60.0	**13.0**	60.0
Accruals and deferred income	**63.0**	57.0	**5.7**	5.7
	146.2	129.4	**155.2**	278.2

Shares purchased during the close period following the 2008 year end, under an irrevocable commitment entered into with the Company's corporate brokers prior to the year end, are recorded as a current liability at a total cost of £13.0m (2007: £60.0m) (see note 31).

The carrying amount of trade payables are reasonable approximations of fair value.

26. Derivative financial instruments

	Group		Company	
Current liability	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Gilt lock – cash flow hedge	**7.9**	–	**7.9**	–
	7.9	–	**7.9**	–

As at 31 March 2008, the Company and Group had a gilt lock interest rate contract outstanding with a nominal value of £100m to mitigate interest rate movements on a highly probable forecast transaction. The relationship qualified for hedge accounting. The hedged highly probable transaction is expected to occur during the next 12 months.

As at 31 March 2008 the fair value of the gilt lock was £(7.9)m (2007: nil). The fair value is determined using a valuation technique with reference to observable market interest rates.

The other derivative contracts used during the year were forward exchange contracts to hedge forecast cash inflows in Scandinavian currencies and were designated as fair value or cash flow hedges as appropriate. As at 31 March 2008 and 31 March 2007 the Group had no material outstanding foreign exchange contracts.

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

In respect of the cash flow hedging £7.9m (2007: £0.1m) has been taken to equity and nil (2007: nil) to the income statement.

27. Borrowings

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Current				
Bank borrowings	**427.2**	155.7	**427.2**	155.7
Redeemable Class B shares	**7.6**	15.7	**7.6**	15.7
Other borrowings	**1.2**	–	**–**	–
	436.0	171.4	**434.8**	171.4
Non-current				
Bond issue	**248.4**	248.2	**248.4**	248.2
Other borrowings	**–**	0.5	**–**	–
	248.4	248.7	**248.4**	248.2

CURRENT BORROWINGS

The Company has in place a multicurrency revolving loan facility of £200m, available up to 9 February 2011. Borrowings under the loan facility are unsecured and currently bear interest at a floating rate of LIBOR plus 40 basis points. The facility was undrawn at 31 March 2008. The interest margin applicable to borrowings under the loan facility is dependent upon the Group net debt:EBITDA ratio. CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian Government Bonds. CC&G also has available to it €150m of committed facilities with banks.

The Company has a bridge facility of £242m which was fully drawn at 31 March 2008, repayable by 17 July 2009, to fund any return of capital to the Company's shareholders. Borrowings under the loan facility are unsecured and at 31 March 2008 bear interest at a floating rate of LIBOR plus 175 basis points. The interest margin increases based on the length of time that the facility has been drawn.
At 31 March 2008, the Company also had a bridge facility of £180m for the purposes of refinancing borrowings of Borsa Italiana S.p.A. and any return of capital to the Company's shareholders, repayable by 22 June 2009. This facility was fully drawn at 31 March 2008. The Company intends to repay these facilities during the next 12 months and therefore treats them as current.

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

NON-CURRENT BORROWINGS

In July 2006, the Company issued a £250m bond which is unsecured and due for repayment in 2016, with a 5.875% coupon, interest to be paid semi-annually in arrears. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on the Company's credit rating.

In October 2007 Moody's changed the Company's long term credit rating from Baa2 to Baa3, primarily as a result of increased leverage associated with the £500 million share buyback programme announced at the time of the merger. The rating was subsequently changed to 'Baa3 with positive outlook' in March 2008. Moody's rates the £250 million bond; as a result of the change to Baa3, the coupon increased to 6.375%. In May 2008, Standard and Poor's issued a long term credit rating for the Company of A– (stable outlook).

a) Fair values

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

	Group			
	Carrying value 2008 £m	**Fair value 2008 £m**	Carrying value 2007 £m	Fair value 2007 £m
Borrowings:				
– within one year	**436.0**	**437.5**	171.4	171.7
– after more than one year	**248.4**	**261.1**	248.2	245.2
Loan from minority shareholder:				
– after more than one year	**–**	**–**	0.5	0.5
	684.4	**698.6**	420.1	417.4

NOTES TO THE FINANCIAL STATEMENTS

27. Borrowings continued

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

	Company			
	Carrying value 2008 £m	Fair value 2008 £m	Carrying value 2007 £m	Fair value 2007 £m
Borrowings				
– within one year	**434.8**	**436.3**	171.4	171.7
– after more than one year	**248.4**	**261.1**	248.2	245.2
	683.2	**697.4**	419.6	416.9

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost.

b) Interest rate risks on borrowings

	Group		Company	
The maturity profile of the borrowings are as follows:	2008 £m	2007 £m	2008 £m	2007 £m
Within one year	**436.0**	171.4	**434.8**	171.4
After one year	**–**	–	**–**	–
	436.0	171.4	**434.8**	171.4

Floating rate borrowings bear interest at an agreed margin over LIBOR for Sterling amounts and EURIBOR for amounts in Euro.

c) Borrowing facilities

	Group		Company	
The undrawn committed facilities were:	2008 £m	2007 £m	2008 £m	2007 £m
Expiring between one and two years	**–**	250.0	**–**	250.0
Between two and five years	**200.0**	44.0	**200.0**	44.0
	200.0	294.0	**200.0**	294.0

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

Currency	2008 £m	2007 £m
Sterling	**530.5**	420.1
Euro	**153.9**	–
	684.4	420.1

28. Provisions

	Group		
	Property £m	Other £m	Total £m
1 April 2006	31.6	8.9	40.5
Exceptional charges during the year	–	1.0	1.0
Utilised during the year	(4.3)	(3.6)	(7.9)
Released during the year	–	(3.1)	(3.1)
Interest on discounted provision	1.4	–	1.4
31 March 2007	28.7	3.2	31.9
Charges during the year	0.4	0.8	1.2
Utilised during the year	(3.4)	(2.6)	(6.0)
Interest on discounted provision	1.3	–	1.3
31 March 2008	**27.0**	**1.4**	**28.4**
Non-current	22.8	0.4	23.2
Current	4.2	1.0	5.2
	27.0	**1.4**	**28.4**

PROPERTY

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between six and 20 years to expiry.

OTHER
As at 31 March 2008 other provisions relate to the one off implementation costs arising from the cost saving programme announced in February 2006.

The Company has no provisions.

29. Other current liabilities

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Borsa Italiana LTIP liabilities	**1.8**	–	**–**	–
	1.8	–	**–**	–

Current liabilities have been recognised under the Borsa Italiana cash long term incentive plan.

30. Ordinary share capital

Authorised	**2008 millions**	2007 millions
Ordinary shares of 6 79/86p (2007: 6 79/86p)	**350.0**	350.0
Class B shares of £2 (2007: £2)	**140.6**	140.6
Deferred shares of £2 (2007: £2)	**119.4**	119.4
	£	£
Ordinary shares of 6 79/86p (2007: 6 79/86p)	**24,215,116**	24,215,116
Class B shares of £2 (2007: £2)	**281,265,500**	281,265,500
Deferred shares of £2 (2007: £2)	**238,734,500**	238,734,500
Issued, called up and fully paid	**millions**	millions
Ordinary shares of 6 79/86p (2007: 6 79/86p)	**276.4**	207.1
Class B shares of £2 (2007: £2)	**3.8**	7.8
Deferred shares of £2 (2007: £2)	**–**	119.4
	£	£
Ordinary shares of 6 79/86p (2007: 6 79/86p)	**19,123,893**	14,327,541
Class B shares of £2 (2007: £2)	**7,568,222**	15,690,918
Deferred shares of £2 (2007: £2)	**–**	238,734,500
	26,692,115	268,752,959
Less: Class B shares designated as borrowings (see note 27)	**(7,568,222)**	(15,690,918)
Share capital	**19,123,893**	253,062,041

79.4m ordinary shares were issued on 1 October 2007 as consideration in the merger with Borsa Italiana S.p.A.

B shares were issued in May 2006 under the court-approved scheme of arrangement which returned £512.5m to shareholders. Deferred shares were created in respect of the initial dividend paid on B shares and were subsequently cancelled during the year in their entirety for a total consideration of one pence in accordance with the terms and conditions of the Scheme circular issued to shareholders in March 2006.

During the year the Company re-purchased, and subsequently cancelled, 10.1m ordinary shares at an average price of £13.71 per share. The total consideration was £139.3m. The excess of the consideration over the nominal value has been charged against retained earnings.

More information about the different classes of shares, and rights attaching, is given in the Directors' Report on pages 51 and 52 in this Report.

NOTES TO THE FINANCIAL STATEMENTS

31. Reconciliation of movements in equity

		Attributable to equity holders of the Group									
					Other reserves						
Group	**Notes**	**Ordinary share capital £m**	**Share premium £m**	**Retained earnings £m**	**Capital redemption reserve £m**	**Reverse acquisition reserve £m**	**Foreign exchange translation reserve £m**	**Merger reserve £m**	**Hedging reserve £m**	**Minority interest £m**	**Total equity £m**
1 April 2006		14.9	4.3	268.0	–	–	–	–	–	1.6	288.8
The Scheme	30	238.7	(4.3)	(491.7)	257.3	(512.5)	–	–	–	–	(512.5)
Equity transaction costs		–	–	(1.1)	–	–				–	(1.1)
Redemption of B shares	30	–	–	(0.8)	0.8	–	–	–	–	–	–
Total recognised income and expense for the financial year		–	–	114.7	–	–	–	–	–	1.0	115.7
Second interim dividend relating to the year ended 31 March 2006	12	–	–	(20.5)	–	–	–	–	–	–	(20.5)
Interim dividend relating to the year ended 31 March 2006	12	–	–	(12.7)	–	–	–	–	–	–	(12.7)
Share buyback	30	(0.6)	–	(169.9)	0.6	–	–	–	–	–	(169.9)
Employee share schemes and own shares	30	–	–	(37.7)	–	–	–	–	–	–	(37.7)
31 March 2007		**253.0**	**–**	**(351.7)**	**258.7**	**(512.5)**	**–**	**–**	**–**	**2.6**	**(349.9)**
Issue of shares		5.5	–	–	–	–	–	1,302.2	–	–	1,307.7
Equity transaction costs		–	–	–	–	–	–	(3.0)	–	–	(3.0)
Redemption of deferred shares		(238.7)	–	–	238.7	–	–	–	–	–	–
Redemption of B shares	30	–	–	(8.1)	8.1	–	–	–	–	–	–
Total recognised income and expense for the financial year		–	–	191.1	–	–	201.5	–	(14.7)	15.9	393.8
Final dividend relating to the year ended 31 March 2007	12	–	–	(23.8)	–	–	–	–	–	–	(23.8)
Interim dividend relating to the year ended 31 March 2008	12	–	–	(22.2)	–	–	–	–	–	–	(22.2)
Share buyback	30	(0.7)	–	(92.3)	0.7	–	–	–	–	–	(92.3)
Employee share schemes and own shares	30	–	–	(18.6)	–	–	–	–	–	–	(18.6)
Acquisition of subsidiary		–	–	–	–	–	–	–	–	76.7	76.7
31 March 2008		**19.1**	**–**	**(325.6)**	**506.2**	**(512.5)**	**201.5**	**1,299.2**	**(14.7)**	**95.2**	**1,268.4**

During the year the Company re-purchased, and subsequently cancelled, 10.1m ordinary shares at an average price of £13.71 per share. The total consideration was £139.3m. The excess of the consideration over the nominal value has been charged against retained earnings.

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

The issue of new shares in the Company in exchange for Shares in Borsa Italiana S.p.A. (see note 34) has attracted merger relief under Section 131 of the Companies Act 1985. Of the £1,307.7m above, £5.5m has been credited to share capital and £1,302.2m to the merger reserve. This is offset by a £3.0m debit to the merger reserve which relates to the costs associated with the issue of the new shares.

The foreign exchange translation reserve reflects changes in the impacts of foreign currency on the translation of foreign operations.

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

The Company has entered into an irrevocable commitment with its corporate brokers to purchase shares which covers the close period from 1 April 2008 up to the preliminary announcement of the Company's results. This has resulted in £13.0m being recorded as a current liability.

Company	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Total equity £m
	Attributable to equity holders of the Company		Other reserves			
1 April 2006	–	–	–	–	–	–
The Scheme	253.6	2,244.8	257.3	–	–	2,755.7
Equity transaction costs	–	(1.1)	–	–	–	(1.1)
Redemption of B shares (see note 30)	–	(0.8)	0.8	–	–	–
Total recognised income and expense for the financial year	–	7.9	–	–	–	7.9
Interim dividend relating to the year ended 31 March 2007 (see note 12)	–	(12.7)	–	–	–	(12.7)
Share buyback	(0.6)	(169.9)	0.6	–	–	(169.9)
Employee share schemes and own shares	–	6.9	–	–	–	6.9
31 March 2007	**253.0**	**2,075.1**	**258.7**	**–**	**–**	**2,586.8**
Issue of shares	5.5	–	–	1,302.2	–	1,307.7
Equity transaction cost	–	–	–	(3.0)	–	(3.0)
Redemption of Deferred shares	(238.7)	–	238.7	–	–	–
Redemption of B shares (see note 30)	–	(8.1)	8.1	–	–	–
Total recognised income and expense for the financial year	–	146.1	–	–	(7.9)	138.2
Interim dividend relating to the year ended 31 March 2008 (see note 12)	–	(45.9)	–	–	–	(45.9)
Share buyback	(0.7)	(92.3)	0.7	–	–	(92.3)
31 March 2008	**19.1**	**2,074.9**	**506.2**	**1,299.2**	**(7.9)**	**3,891.5**

32. Net cash flow generated from operations

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Profit/(loss) before taxation	**234.7**	161.5	**132.4**	(0.9)
Depreciation and amortisation	**48.4**	24.1	**–**	–
Impairment loss and provision for EDX London Ltd	**–**	(3.1)	**–**	–
Provision for restructuring costs	**–**	1.0	**–**	–
Net finance costs/(income)	**32.7**	14.6	**(134.9)**	(13.0)
Share of profit after tax of joint venture / associates	**(2.2)**	(1.9)	**–**	–
Increase in trade and other receivables	**(14.1)**	(13.5)	**(0.1)**	–
(Decrease)/Increase in trade and other payables	**(23.1)**	6.0	**0.5**	0.7
Decrease in CCP financial assets	**286.3**	–	**–**	–
Decrease in CCP clearing business liabilities	**(287.7)**	–	**–**	–
Defined benefit pension obligation – contributions in excess of expenses charged	**(1.1)**	(4.9)	**–**	–
Provisions utilised during the year	**(6.0)**	(7.9)	**–**	–
Share scheme expense	**12.3**	4.5	**–**	–
Foreign exchange losses on operating activities	**–**	–	**1.2**	–
Cash generated from operations	**280.2**	180.4	**(0.9)**	(13.2)
Comprising:				
Ongoing operating activities	**282.7**	198.6	**(0.9)**	(0.5)
Exceptional items (see note 8)	**(2.5)**	(18.2)	**–**	(12.7)
	280.2	180.4	**(0.9)**	(13.2)

Non-cash transactions include the issue of shares as consideration for the acquisition of a subsidiary discussed in note 34.

33. Commitments

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £0.1m (2007: nil) and £1.2m (2007: nil) respectively.

Cassa di Compensazione e Garanzia S.p.A. ("CC&G") is a subsidiary of Borsa Italiana S.p.A., which was acquired by the Company on 1 October 2007. The primary business of CC&G is to act as a central clearing house. In the operation of such clearing services, CC&G is exposed to the risk of default by its clearing members.

NOTES TO THE FINANCIAL STATEMENTS

34. Business Combinations

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

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

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

The fair value adjustments include the recognition of £635.2m of intangible assets arising on consolidation, representing £541.7m of customer relationships, £8.4m of brands, £35.7m of software and £49.4m of licences. The fair values of these purchased intangible assets have been independently valued by a qualified valuation firm using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill of £917.3m arising on consolidation represents the future synergies and growth potential of Borsa Italiana and its assembled workforce. The fair values of net assets purchased are based on provisional assessments pending final determination of certain assets and liabilities. The fair value adjustments will be finalised in the financial statements for the year ending 31 March 2009.

The inflow of cash and cash equivalents on the acquisition can be calculated as follows:

	£m
Total purchase consideration settled in cash	(13.8)
Cash and cash equivalents in subsidiaries acquired	96.1
Net cash inflow from merger	**82.3**

The acquired business contributed revenues of £133.2m and operating profit (excluding exceptional items and amortisation of purchased intangible assets) of £57.5m to the Group for the period 1 October 2007 to 31 March 2008. If the merger (together with Borsa Italiana S.p.A.'s acquisitions of its 90% stake in Servizio Totoli and remaining 51% stake in MBE Holding S.p.A., and MTS S.p.A.'s acquisition of the remaining 33% stake of MTSNext) had occurred on 1 April 2007, estimated Group revenue would have been £666.8m with operating profit (excluding exceptional items and amortisation of purchased intangible assets) of £343.0m. These amounts have been calculated using the Group's accounting policies. The minority interests represent the holdings of third parties in the subsidiary and associate companies as shown in note 17.

There were no acquisitions in the year ended 31 March 2007.

35. Leases

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

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

	Group	
	2008 £m	**2007 £m**
Less than one year	**20.1**	15.2
More than one year and less than five years	**73.8**	60.5
More than five years	**145.1**	159.8
	239.0	235.5

Operating lease payments representing minimum lease payments of £17.3m (2007: £14.8m) were charged to the income statement.

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

	Group	
	2008 £m	**2007 £m**
Less than one year	**3.9**	3.0
More than one year and less than five years	**15.8**	15.8
More than five years	**14.3**	18.3
	34.0	37.1

The Company has no lease commitments.

36. 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. Further details are provided in the Remuneration Report on pages 42 to 50.

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% 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 schemes 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 annum over five years with a contractual life of 10 years.

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

A share bonus plan operated for the year ended 31 March 2008 with awards dependent on challenging revenue targets over two six month performance periods (1 April 2007 to 30 September 2007 and 1 October 2007 to 31 March 2008) and continued employment. No further awards will be made under this plan. Further details are provided in the Remuneration Report on pages 42 to 50.

Under terms agreed at the time of the merger, Mr Capuano was eligible to participate in an initial share bonus plan for the year ended 31 March 2008. He received an award of ordinary shares with a value equal to 100% of his full-year equivalent annual bonus, subject to a maximum award of 150% base salary. A similar plan will operate for the year ended 31 March 2009 for Mr Capuano and a small number of other Borsa Italiana executives, after which no further awards are intended. Further details are provided in the Remuneration Report on pages 42 to 50.

A performance-related Restricted Share Plan was introduced during the year. Under this plan if the Company meets or exceeds its stretching financial targets for the financial year, deferred shares will be awarded to a limited number of employees who have contributed to this success. These shares will then be released to individuals 12 months after grant contingent on continued employment. Any recipient of a Long Term Incentive Plan award in 2007, including executive directors and other senior executives, will not participate in the Restricted Share Plan.

The Group established an ESOP discretionary trust to administer the share plans and to acquire the Group Company shares to meet commitments to Group employees. At the year end 2,178,665 (2007: 2,849,438) 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 and the cost of the Group's shares held by the trust are deducted from retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

36. Share schemes continued

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

	Share awards		Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April 2006	34,756	–	4,972,251	3.36	612,649	2.83	1,667,142	–
Granted	–	–	–	–	134,916	10.26	678,131	–
Exercised	(34,756)	–	(1,351,746)	3.29	(305,561)	2.76	(43,682)	–
Forfeited	–	–	(134,535)	3.87	(86,421)	2.90	(149,152)	–
At 31 March 2007	–	–	3,485,970	3.37	355,583	5.69	2,152,439	–
Granted	–	–	–	–	–	–	1,127,260	–
Exercised	–	–	(1,684,459)	3.37	(62,868)	3.06	(878,723)	–
Forfeited	–	–	(830)	3.65	(14,279)	6.30	(137,549)	–
At 31 March 2008	**–**	**–**	**1,800,681**	**3.36**	**278,436**	**6.25**	**2,263,427**	**–**
Exercisable at:								
31 March 2008	**–**	**–**	**1,800,681**	**3.36**	**–**	**–**	**–**	**–**
31 March 2007	–	–	2,316,994	3.15	–	–	–	–

The weighted average share price during the year was £15.37 (2007: £12.20).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding at 31 March 2008 and 2007 are as follows:

	Awards/options outstanding at 2008		Awards/options outstanding 2007	
Exercise price range	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Up to £3	**356,410**	**2.0**	803,820	3.7
Between £3 and £4	**1,380,861**	**1.3**	2,618,740	6.2
Above £4	**63,410**	**3.2**	63,410	4.2
SAYE				
Between £2 and £4	**150,110**	**1.5**	220,667	2.1
Above £10	**128,326**	**1.9**	134,916	2.9
LTIP				
Nil	**2,263,427**	**1.6**	2,152,439	1.5
Total	**4,342,544**	**2.7**	5,993,992	3.9

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	Performance Shares 22 May 2007	Matching Shares 24 May 2007	Matching Shares 25 May 2007	Matching Shares 31 May 2007	Matching Shares 01 June 2007	Restricted Shares 16 Nov 2007	Performance Shares 16 Nov 2007	Matching Shares 04 Dec 2007
Grant date share price	£13.570	£13.100	£13.240	£14.290	£14.110	£18.720	£18.720	£17.910
Volatility	33.4%	33.4%	33.4%	33.5%	33.5%	34.6%	34.6%	35.2%
Expected life	3 years	3 years	3 years	3 years	3 years	2.8 years	3 years	3 years
Dividend yield	1.3%	1.4%	1.4%	1.3%	1.3%	1.1%	1.1%	1.1%
Fair value	£7.32	£6.79	£6.99	£8.27	£7.98	£18.13	£15.52	£14.64

The volatility assumption is based on a statistical analysis of weekly share prices since the Exchange's flotation in July 2001. The fair value for the Performance and Matching Shares granted during the year takes account of the TSR vesting condition. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

37. Transactions with related parties

DIRECTORS
During the financial year, no contracts of significance were entered into by the Group or any of its subsidiaries in which the directors had a material interest.

FTSE INTERNATIONAL LTD
Details of transactions with FTSE International Ltd are included in note 15.

KEY MANAGEMENT COMPENSATION
Compensation for directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

	2008 £000	2007 £000
Salaries and other short term benefits	**5,078**	5,954
Pensions	**155**	155
Share based payments	**6,536**	1,742
	11,769	7,851

INTER-COMPANY TRANSACTIONS WITH SUBSIDIARY UNDERTAKINGS
Group

London Stock Exchange plc

During the year the Company was charged by London Stock Exchange plc £17.0m (2007: £11.4m) for interest payable on the inter-company loan. The Company was also charged £9.7m by London Stock Exchange plc in respect of employee share schemes.

The Company received dividends of £185m (2007: £42.4m) from its subsidiary, London Stock Exchange plc.

The amounts owed by the Company to its subsidiary London Stock Exchange plc are disclosed in note 25. The loan is for a term of 25 years and is repayable in five equal annual instalments commencing on the 21st anniversary of the first drawdown, in May 2027. The loan bears interest at LIBOR plus 2%.

London Stock Exchange Employee Benefit Trust

During the year the Company made loans of £36.7m to the London Stock Exchange Employee Benefit Trust to fund the acquisition of Company shares to meet share award/option commitments to Group employees. The loans are not repayable and do not bear interest. At 31 March 2008, the outstanding balance was £63.9m (2007: £45.4m).

Borsa Italiana S.p.A.

During the year the Company made a loan to Borsa Italiana S.p.A. to fund the repayment of its local debt facilities. The loan is for a term of 20 years and is repayable in five equal annual instalments commencing on the 16th anniversary of the first drawdown, in January 2024. The loan bears interest at Euribor plus 1.2%. During the year the Company charged Borsa Italiana S.p.A. £0.8m for interest receivable on the intercompany loan.

Transactions between Proquote Ltd and other Group companies

During the year there was trading between Proquote Ltd, a subsidiary, and both Borsa Italiana S.p.A. and EuroMTS, also subsidiaries, which were of an insignificant value.

38. Other statutory information
Auditors' remuneration payable to PricewaterhouseCoopers LLP and its associates for the audit of parent Company and consolidated accounts was £0.2m (2007: £0.2m). Auditors' remuneration for the audit of subsidiary companies was £0.6m (2007: nil). Other fees paid to PricewaterhouseCoopers LLP and its associates during the year were £2.0m (2007: £0.8m), including fees in respect of taxation advice £0.2m (2007: £0.2m) and corporate finance transactions £1.7m (2007: £0.5m) and other assurance services £0.1m (2007: nil).

Directors' emoluments comprise the following:

	2008 £000	2007 £000
Salary and fees	**2,301**	1,499
Performance bonus	**2,455**	1,520
Gains on exercise of share options and awards	**12,496**	155
Benefits	**103**	2
	17,355	3,176
Contributions to defined contribution pension schemes	**58**	44
	17,413	3,220

During the year two directors (2007: two) had retirement benefits accruing under defined contribution schemes and no director (2007: none) had retirement benefits accruing under a defined benefit scheme.

Further details of directors' emoluments are included in the Remuneration Report on pages 42 to 50.

FINANCIAL RECORD

Income statement	IFRS 2008 £m	IFRS 2007 £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP 2004 £m
Revenue					
– Issuer Services	**82.4**	63.2	56.9	43.3	45.7
– Trading Services	**264.7**	173.1	133.2	107.4	100.8
– Information Services – ongoing	**143.6**	105.9	94.1	86.7	79.9
– Information Services – exceptional	**–**	–	6.4	–	–
– Post Trade Services	**42.8**	–	–	–	–
– Other income	**12.9**	7.4	6.9	7.0	10.7
Total revenue [1]	**546.4**	349.6	297.5	244.4	237.1
Operating expenses					
– operating expenses before exceptional items and goodwill amortisation [3]	**(257.4)**	(164.0)	(171.0)	(159.8)	(154.2)
– amortisation and exceptional items	**(23.8)**	(11.4)	(41.1)	(6.8)	–
Operating profit before exceptional items and goodwill amortisation [3]	**289.0**	185.6	120.1	84.6	82.9
Profit before taxation	**234.7**	161.5	93.5	92.2	88.8
Profit for the financial year	**178.5**	110.6	66.8	64.5	63.1
Basic earnings per share	**73.1p**	50.5p	27.8p	24.2p	21.6p
Diluted earnings per share	**71.9p**	49.4p	27.4p	23.9p	21.4p
Adjusted basic earnings per share	**73.1p**	56.2p	37.4p	24.2p	21.2p
Balance sheet					
Non-current assets	**1,921.5**	132.8	137.6	154.1	197.9
Current assets	**17,642.7**	134.3	276.1	206.3	285.6
Current liabilities	**(17,920.9)**	(329.4)	(78.7)	(76.8)	(85.5)
Non-current liabilities	**(374.9)**	(287.6)	(46.2)	(47.3)	(32.3)
Net assets/(liabilities)	**1,268.4**	(349.9)	288.8	236.3	365.7
Cash flow					
Net cash flow from operating activities before exceptional items	**282.7**	198.6	145.9	100.9	105.4
Other information					
Operating Margin before exceptional items and goodwill amortisation [2,3]	**52.9%**	53.1%	41.3%	34.6%	35.0%
Share price – high	**£19.79**	£13.50	£11.90	£5.90	£3.83
Share price – low	**£11.25**	£10.00	£4.49	£3.37	£2.80
Total dividend per share declared in respect of financial year	**24.0p**	18.0p	12.0p	7.0p	4.8p

Basis of preparation of Financial Record

1 Financial information for the year ended 31 March 2004 is presented under UK GAAP. In line with IFRS 1 paragraph 37, the Company has not restated financial information for periods prior to the date of transition to IFRS (1 April 2004). The main changes arising from the introduction of IFRS are in respect of goodwill amortisation, pensions, share-based payments, lease rentals, property depreciation and dividends.

2 Analysis of revenue numbers for UK GAAP for year ended 31 March 2004 exclude turnover from joint ventures, and reflect reclassifications between segments as reflected in the IFRS numbers.

3 Operating expenses, operating profit, and operating margin before exceptional items all exclude goodwill amortisation in the UK GAAP numbers for year ended 31 March 2004.

4 Financial information for the year ended 31 March 2008 includes information for Borsa Italiana S.p.A. and its subsidiaries from the date of the merger, 1 October 2007.

INVESTOR RELATIONS

Shareholder services

EQUINITI REGISTRARS SHAREVIEW SERVICE

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

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

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you. If you have any problems in registering your portfolio for the Shareview services, please contact Equiniti on 0871 384 2544.

Calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.

EXCHANGE'S SHARE PRICE SERVICE

To obtain share price information for London Stock Exchange Group plc, please see our website at: www.londonstockexchange-ir.com/

This link will provide you with Exchange's share price, historical closing prices and volumes and an interactive share price graph.

ALERTING SERVICE

To receive email alerts when financial reports, news releases and webcasts are posted on our Investor Relations website, register on: www.londonstockexchange-ir.com/

Substantial shareholders

As at 22 May 2008 London Stock Exchange Group plc had been notified of the following interests amounting to more than 3% in the issued share capital of the Company in accordance with Sections 198 to 208 of the Companies Act 1985 and from 20 January 2007 in accordance with the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Kinetics Asset Management Inc./ Horizon Asset Management Inc.	10.9%
UniCredito Italiano S.p.A.	5.9%
Intesa Sanpaolo S.p.A.	5.3%
Legal & General Group plc	3.0%

FINANCIAL CALENDAR (PROVISIONAL)

AGM	9 July 2008
Q1 Interim Management Statement (revenues only)	9 July 2008
Ex–dividend date for final dividend	16 July 2008
Final dividend record date	18 July 2008
Final dividend payment	11 August 2008
Half year end	30 September 2008
Interim Results	November 2008
Q3 Interim Management Statement (revenues only)	January 2009
Financial year end	31 March 2009
Preliminary Results	May 2009

The financial calendar is updated on a regular basis throughout the year.
Please refer to our website www.londonstockexchange-ir.com/ for up-to-date details.

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