DISCLAIMER

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London Stock Exchange Group

Delivering Growth

Annual Report

31 March 2014

Welcome to our annual report

Who we are

London Stock Exchange Group is a diversified international market infrastructure and capital markets business that sits at the heart of the world's financial community.

The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, one of Europe's leading fixed income markets; and Turquoise, the pan-European equities MTF. Through its various platforms, the Group offers international businesses and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant part of the Group's business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, the European settlement business. The Group is also a majority owner of leading multi-asset global clearing service, LCH.Clearnet Group.

The Group offers customers an extensive range of real time, reference data and news products, including SEDOL, UnaVista, Proquote and RNS, as well as access to over 250,000 international equity, bond and alternative asset class indices, through its world leading index provider, FTSE.

The Group is also a leading developer of high performance trading platforms and capital markets software for customers around the world.

Headquartered in London, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,900 people.

Further information on London Stock Exchange Group can be found at:

www.lseg.com

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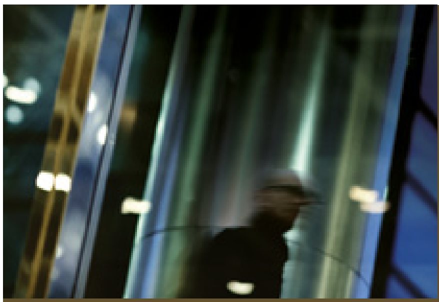
Registered in England and Wales
No. 5369106



STRATEGIC REPORT

An overview of our business, the markets and regulatory environment in which we operate, our vision and strategy and statements from our Chairman and our Chief Executive. More detail on each of our divisions, our performance, how we consider our wider responsibilities and the principal risks that could affect our business.

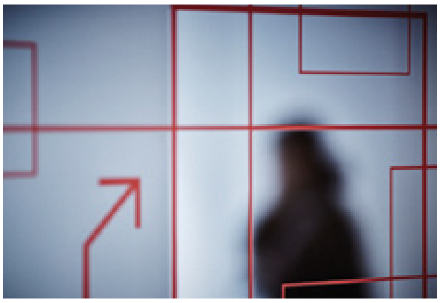
Financial highlights	2
Operational highlights	3
Group at a glance	4
What we do: our business model	6
Market position and outlook	8
Chairman's statement	14
Chief Executive's statement	16
Strategy in action	18
Executive management team	20
Introduction to segmental review	23
Capital Markets	24
Post Trade Services	28
Information Services	32
Technology Services	34
Our wider responsibility	36
Financial review	38
Risk management oversight	44
Principal risks and uncertainties	48

Sign-off for the Strategic Report is provided in the Directors' Report on page 98

GOVERNANCE

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

Board of Directors	54
Corporate governance	56
Report of the Nomination Committee	65
Report of the Audit Committee	66
Report of the Risk Committee	69
Directors' remuneration report	70
Directors' report	98
Statement of directors' responsibilities	101
Independent Auditors' report to the members of London Stock Exchange Group plc	102



GROUP FINANCIAL STATEMENTS

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

Consolidated income statement	106
Consolidated statement of comprehensive income	106
Balance sheets	107
Cash flow statements	108
Statements of changes in equity	109
Notes to the financial statements	110

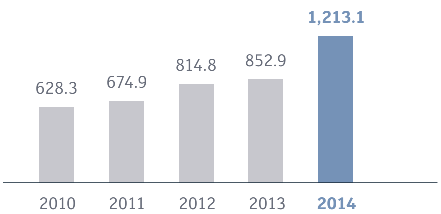
SHAREHOLDER INFORMATION

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

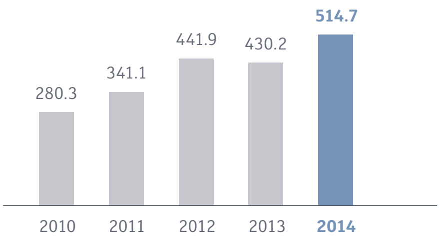
Market structures	142
Glossary	144
Financial calendar	146
Investor relations	147
Investor relations contacts	148

Financial highlights

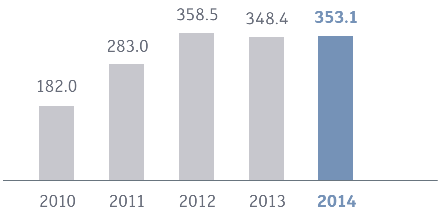
Adjusted total income*
£ million



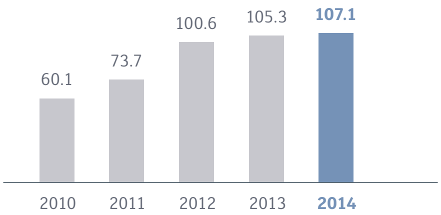
Adjusted operating profit*
£ million



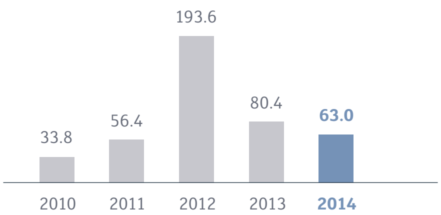
Operating profit
£ million



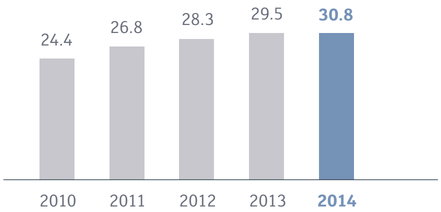
Adjusted earnings per share*
pence



Basic earnings per share
pence



Dividends per share
pence



Year ended 31 March	2014	2013	Variance %
Adjusted total income*	**£1,213.1m**	£852.9m	42%
Adjusted operating profit*	**£514.7m**	£430.2m	20%
Operating profit	**£353.1m**	£348.4m	1%
Adjusted profit before tax*	**£445.9m**	£380.7m	17%
Profit before tax	**£284.3m**	£298.9m	-5%
Adjusted basic earnings per share*	**107.1p**	105.3p	2%
Basic earnings per share	**63.0p**	80.4p	-22%

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. Adjusted operating profit, adjusted total income, adjusted profit before tax and adjusted basic earnings per share all exclude amortisation of purchased intangibles, non-recurring items and unrealised losses/gains.

Operational highlights

The Group is delivering on its strategy, leveraging its range of products and services and further diversifying its offering through new product development and strategic investments. A few examples of the progress being made are highlighted below:

Capital Markets

— Primary markets saw a six year high in new issue activity with 188 companies admitted

— In equity trading, UK value traded increased eight per cent; Italian number of trades increased six per cent

— In fixed income trading, MTS cash and BondVision value traded increased 48 per cent; MTS Repo increased two per cent

— Turquoise widened its stock universe and added functionality; value traded increased 68 per cent

— Following success in Italy, the ELITE programme was launched in the UK in April 2014 – providing ambitious, high growth private businesses from a wide variety of sectors with access to a unique package of education, business support and investors to enhance their growth prospects

— The Group acquired a majority stake in EuroTLX, an Italian MTF operating in the European retail fixed income market

— MTS announced agreement to acquire Bonds.com Group, a US based platform for the electronic trading of US corporate and emerging market bonds

Post Trade Services – CC&G and Monte Titoli

— Monte Titoli is the largest CSD entering the first wave of TARGET2-Securities

— The new international CSD in Luxembourg (globeSettle), utilising Monte Titoli's expertise, is on track to commence operation in Summer 2014 having received regulatory approval from the CSSF – J.P. Morgan has already signed up as the first user of settlement, custody and asset servicing services

Post Trade Services – LCH.Clearnet

— The Group completed the acquisition of a majority stake in LCH.Clearnet Group in May 2013

— SwapClear, the world's leading interest rate swap clearing service, cleared $526 trillion notional

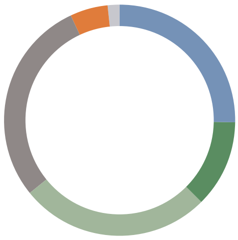
— Fixed income nominal value cleared increased one per cent; equity trades cleared increased 17 per cent

— LCH.Clearnet was named Risk Magazine's 2014 Clearing House of the Year after fulfilling criteria which included risk management, customer satisfaction, responsiveness to new regulations, engagement with regulators, liquidity provision and creativity

— LCH.Clearnet Limited launched clearing for NASDAQ OMX's NLX, a new multilateral trading facility (MTF) offering a range of both short-term interest rate (STIRs) and long-term interest rate (LTIRs) euro and sterling-based listed derivatives

— Enhanced its compression offering via SwapClear to include multilateral compression, which enables customers to reduce outstanding positions and lower their counterparty exposure and capital costs

Group Adjusted Total Income by segment
£ million



Capital Markets	309.5
Post Trade Services CC&G and Monte Titoli	146.0
Post Trade Services LCH.Clearnet	325.2
Information Services	348.7
Technology Services	64.0
Other	19.7

Information Services

— In April 2013, FTSE and Canada's TMX combined their fixed income businesses in a new joint venture, FTSE TMX Global Debt Capital Markets. MTS bond indices also became part of the FTSE TMX venture

— Vanguard in the United States completed the move of $209 billion of assets to FTSE benchmarks, one of the largest ever switches of benchmarks

— FTSE increased its China offering, with continued development of the FTSE China Index series, widely regarded as the leading benchmark for Chinese ETFs, and the launch of the FTSE BOCHK Offshore RMB Bond Index series in partnership with Bank of China (Hong Kong)

— UnaVista increased its user base to over 30,000 (2013: 9,000), becoming the largest approved reporting mechanism in Europe by trade volumes and client numbers

— UnaVista launched an EMIR Trade Repository solution, approved by ESMA as a repository across all asset classes and geographies, and the UnaVista Rules Engine to help clients meet their wider regulatory reporting needs

Technology Services

— Millennium PostTrade was selected by Singapore Stock Exchange (SGX) to support its clearing, settlement and depository services

— Millennium Smart Order Router (SOR) went live on Canada's TMX to aid compliance with Canadian regulation; it is also supporting the Orion Central Gateway platform for Hong Kong Exchanges and Clearing Limited

— MillenniumIT successfully launched the Compliance Monitoring Systems (CMS) for the London Metal Exchange, and extended Millennium Exchange to Burgundy, the Nordic MTF owned by Oslo Børs

— The Group was selected as the business development and technology partner by the Argentinian Central Securities Depository (CSD), Caja de Valores S.A. (CVSA)

Group at a glance

London Stock Exchange Group is a diversified international infrastructure business, incorporating Borsa Italiana, London Stock Exchange, FTSE International, MillenniumIT and LCH.Clearnet. The information below and on pages 6-7 provides an outline of our business model and core activities.

Capital Markets

At the heart of what we do are our multi-asset markets providing capital formation for companies trading in London and Italy – and increasingly throughout Europe.

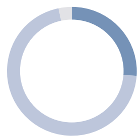
Group total income: **26%**

TOTAL INCOME CONTRIBUTION

£309.5m

2013: £267.5m

SUB-SEGMENT



- Primary
- Secondary
- Other

MAIN TYPES OF REVENUE

Primary
- Admission fees for initial listing or raising further capital
- Annual fees for securities traded on our markets

Secondary
- Fees based on value traded (UK equities and Government bonds) or number of trades (Italian equities, retail bonds and derivatives)

Other
- Membership fees to access our trading markets

Post Trade Services CC&G and Monte Titoli

We offer open access and efficient clearing, settlement and custody services. These post trade businesses support cash equity, derivative, commodity and fixed income markets, mostly in Italy.

Group total income: **12%**

TOTAL INCOME CONTRIBUTION

£146.0m

2013: £208.5m

SUB-SEGMENT

- Clearing
- Interest
- Settlement & Custody

MAIN TYPES OF REVENUE

CC&G – Clearing
- Fees based on trades or contracts cleared, and Central Counterparty (CCP) services provided
- Net interest on cash and securities held for margin and default funds

Monte Titoli – Settlement & Custody
- Revenue mostly from the settlement of equity and fixed income trades
- Custody fees are charged on the issuance of an equity or fixed income instrument, when dividend and interest payments are made and on any corporate action

Post Trade Services LCH.Clearnet

We provide clearing services through which counterparty risk is mitigated across multiple asset classes for sell-side clearing members and buy-side clients in conjunction with trading venues globally.

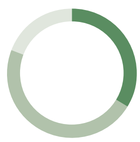
Group total income: **27%**

TOTAL INCOME CONTRIBUTION

£325.2m

2013: N/A

SUB-SEGMENT



- Clearing OTC
- Clearing non OTC & other
- Interest

MAIN TYPES OF REVENUE

Clearing and other
- Fees based on trades or contracts cleared and CCP services provided
- Fees for SwapClear interest rate swap service and other OTC derivative clearing primarily based on membership fees
- Fees for managing non-cash collateral

Interest
- Net interest on cash held for margin and default funds

Information Services

We sell real time price information and a wide range of other information services from indices to post trade analytics.

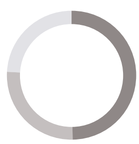
Group total income: **29%**

TOTAL INCOME CONTRIBUTION

£348.7m

2013: £306.3m

SUB-SEGMENT



- FTSE
- Real time data
- Other information

MAIN TYPES OF REVENUE

FTSE
- Subscription fees for data and analytic services
- Licence fees for passive funds tracking indices

Real time data
- Fees primarily based on number of terminals taking our real time price and trading data

Other information
- Fees vary based on the nature of service provided, mostly subscriptions and licence fees

Technology Services

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

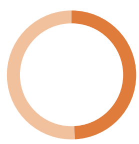
Group total income: **5%**

TOTAL INCOME CONTRIBUTION

£64.0m

2013: £56.1m

SUB-SEGMENT



- MillenniumIT
- Technology

MAIN TYPES OF REVENUE

MillenniumIT
- Sales of capital markets software, including trading, market surveillance and post trade systems
- Provision of enterprise sales and IT infrastructure services in Sri Lanka and to international capital markets customers

Technology
- Fees for network connections, server hosting and systems supplied by Group businesses

Note: Other income £19.7m, one per cent Group total income (2013: £14.5m, two per cent). Group total income of £1,213.1m is shown on an adjusted basis.

CUSTOMER PROFILE	HIGHLIGHTS	KPIs
Primary Companies from 70 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other instruments	**Primary** 188 new companies joined our markets in the year, including 34 international companies	Number of companies on our markets **2,740** 2013: 2,746 Capital raised by new and further issues **£34bn** 2013: £18bn
Secondary Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms **Other** Banks and brokers worldwide	**Secondary** Share of order book trading remained stable during the year at 64.7 per cent in UK equities and 84.6 per cent in Italian equities MTS cash and BondVision fixed income volume traded up 48 per cent Turquoise increased value traded by 68 per cent	Average number of equity order book trades per day in Italy **235,000** 2013: 223,000 Average order book equity value traded per day in London **£4.3bn** 2013: £4.0bn
CC&G 150 members, mainly banks and brokers, over 40 per cent of which are based outside Italy	**CC&G** Clearing of equity and derivatives volumes increased by three per cent	Number of equity and derivative contracts cleared **97.3m** 2013: 94.7m Average initial margin held **€11.9bn** 2013: €10.1bn
Monte Titoli Wide range of Italian and international banks and brokers for both on market and OTC trades. Issuers of equity and fixed income products (Italian and international)	**Monte Titoli** International CSD, globeSettle, to commence operations in Summer 2014 having received regulatory approval from the CSSF Settlement rate of 99.2 per cent of trades Government and corporate bond issuance remained at high levels	Settlement instructions handled **58.3m** 2013: 55.3m Monte Titoli's custody assets under management **€3.32tr** 2013: €3.23tr
Clearing services A wide base of banks, brokers and fund manager firms worldwide for OTC derivatives and listed equity, derivatives, fixed income and commodities	**Clearing services** The Group acquired a majority stake in LCH.Clearnet in May 2013 LCH.Clearnet was named Risk Magazine's 2014 Clearing House of the Year SwapClear obtained US approval as a Derivatives Clearing Organisation (DCO) as mandatory client clearing was implemented	Nominal value of fixed income cleared **€72.3tr** 2013: €71.5tr Number of SwapClear members **103** 2013: 78 Average cash collateral held **€40.3bn** 2013: €43.9bn
FTSE Asset managers, active and passive buy-side firms and trading venues	**FTSE** FTSE China is widely regarded as the leading benchmark for Chinese ETFs. Developed new partnerships in Australia and Mexico	ETF assets benchmarked to FTSE indices **$186bn** 2013: $143bn
Real time data Direct to trading firms and via service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information **Other information** Our customers vary based on the service provided, including fund managers, traders, retail brokers and market makers	**Real time data** Direct billing, enterprise licence and non-display tariff initiatives **Other information** UnaVista increased its user base from 9,000 to over 30,000 in the last year	Number of professional terminals taking Group data (79,000 London data; 126,000 Italian data) **205,000** 2013: 221,000 UnaVista number of transaction reports processed **1,179m** 2013: 879m
MillenniumIT London Stock Exchange Group divisions, other exchange groups and capital market clients, banks, IT and large Sri Lankan companies	**MillenniumIT** Launched MillenniumIT's Smart Order Router technology, which is now in use by Canada's TMX and Hong Kong Exchanges and Clearing Limited	Number of customers using MillenniumIT capital markets software **37** 2013: 35
Technology Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region	**Technology** Will be launching FTSE Low Latency based on the lowest latency calculation performed by our Group Ticker Plant	Availability of UK equity market during the year **100% uptime** 2013: 100%

What we do: our business model

We provide services to a broad range of customers on an international basis, across a diverse range of asset classes. Our business activities fall into three categories:
– Capital formation
– Risk and balance sheet management
– Intellectual property

Key

Contribution to Group adjusted income

- **26%** Capital Markets
- **12%** Post Trade Services – CC&G Monte Titoli
- **27%** Post Trade Services – LCH.Clearnet
- **29%** Information Services
- **5%** Technology Services
- **1%** Other*

How we add value

- Our markets, post trade operations and information services are connected to a wide range of issuers, traders and investors, creating a valuable network that provides deep liquidity, informs trading and investment decisions and provides market efficiencies, including capital allocation and risk management.
- We provide a range of connected market services on an open access basis, which offers customers the choice of using our services but does not impose or restrict use.
- We have proven expertise in operating transparent, well governed market infrastructure in highly regulated capital markets, providing market services that are trusted, independent and resilient.

* Other income includes sub-let rental income and a gain from disposal of shares in a non-core asset.

CAPITAL FORMATION

Capital Raising – Primary Markets

Our central function is to bring together companies and others seeking capital with investors from around the world. Companies raise finance through:
- Equity
- Debt

Markets:
London – Main Market; Professional Securities Market; Specialist Fund Market; AIM; Order Book for Retail Bonds (ORB);
Borsa Italiana – MTA Main Market; AIM Italia – MAC; MOT

INTELLECTUAL PROPERTY

Information Services

We supply real time price and trading data, as well as indices through FTSE.

Services:	Provided by:
Indices/analytics	FTSE
Real time data (prices/trading data)	LSE, Borsa Italiana, Proquote
Specialist services: Reference data Transaction reporting/ trade matching News	SEDOL UnaVista Proquote RNS

Need help?
Like any industry, capital markets have their own language. For that reason, we have included a glossary on pages 144-145.

RISK and BALANCE SHEET MANAGEMENT

Trading – Secondary Markets

Our systems provide fast and efficient trading, giving investors and institutions access to a range of markets.

Products:	Markets and trading platforms:
Cash equities & ETFs	LSE, Borsa Italiana, Turquoise
Derivatives	LSE Derivatives, IDEM
Fixed income	MTS, MOT, ORB, EuroTLX
Commodities, power and specialist products	IDEM, IDEX, AGREX

Post Trade

The Group offers a full range of post trade services, providing risk management and efficiency for counterparties.

Process:	Services offered:
Clearing, central counterparty services	LCH.Clearnet (UK, France and US) CC&G (Italy)
Settlement	Monte Titoli, globeSettle (international CSD in Luxembourg)
Custody, central securities depository services	

Technology Services

All of our businesses depend on technology that is secure, stable and performs to high levels of availability and throughput. MillenniumIT is a developer of flexible, low cost, high performance trading platforms and financial markets software serving the Group's own business and third parties. Technology services include:

- Trading systems
- Post trade software
- Market surveillance and order routing
- Data centre and network services

Market position and outlook

With its three core business activities: capital formation, risk and balance sheet management and intellectual property, the Group helps to underpin global economic growth by offering a wide range of services to support the effective functioning of global capital markets and the creation of innovative new financial and investment products.

Capital Formation

- Access to primary sources of equity and debt finance for companies of all sizes from all over the world
- Secondary markets for price formation and trading

Risk and Balance Sheet Management

- Post trade services to mitigate counterparty risk, maximise capital efficiencies for customers, support the safe transfer of securities and optimise cash flows for efficient collateral management
- Technology and analytics to support efficient processes and meet regulatory requirements

Intellectual Property

- Market data, indices, analytics and information services to increase knowledge and transparency in support of trading and investment decision making
- Technology solutions to enable customers and markets to operate reliably, securely and efficiently

The markets in which we operate are affected by a wide range of factors, including structural shifts in the global economy, demographic trends, the geopolitical landscape and ongoing regulatory changes.

Economic conditions

Economic recovery in advanced economies is expected to continue in 2014. Economists widely anticipate a gradual end to quantitative easing (QE) in the US with tapering having already commenced on a modest scale. Should the reduction in QE continue, we can expect upward pressure on interest rates in the medium term and increased bond yields. Economic activity in the Eurozone is gradually stabilising as the region emerges from recession. However, the recovery is not broad based and is slower than in some other developed markets. Consequently, any tightening of Eurozone monetary policy is expected to lag behind that of the US. Other risks remain, including slowing growth in China and tensions around Ukraine.

The gradual turnaround in sentiment and overall economic activity in the past year was reflected in a 27 per cent global increase in the capital raised (aggregate value of $163 billion). Such improved opportunities for investment combined with growing consumer confidence, excess liquidity and continued GDP growth in developed markets are creating an "equity-friendly" environment which is likely to prevail throughout 2014. Equity funding is, therefore, likely to remain attractive and to support primary market activity. The Group is responding to this trend with innovations such as the introduction of the High Growth Segment on London Stock Exchange.

In other asset classes, trading levels remain uncertain due to proposed regulatory changes and the impact of bank de-leveraging. Regulatory factors in Europe such as MiFID/MiFIR requirements on controls for dark pools and high frequency trading (HFT), as well as the potential for a widespread financial transaction tax (FTT), could have a negative impact on capital markets activity. Regulation continues to influence the shape of financial infrastructure more broadly (see more details on pages 10-13). At the same time, such trends create opportunities for the Group's clearing, post trade and information services operations where our open access principles are aligned with the demand for greater transparency and improved, cost effective services. In particular, LCH.Clearnet is responding to customer needs in respect of the Basel III Capital Requirements and is seeing increased clearing volumes of OTC derivatives as a result. LCH.Clearnet, UnaVista and Monte Titoli are also developing a range of solutions for EMIR compliance including globeSettle, our new international central securities depository. Requirements affecting financial benchmarks in MiFID II, from IOSCO and other national and supranational bodies, will likely create new opportunities for globally focused index providers such as FTSE with established strong governance standards and transparency in the provision of index services.

Global socio-demographic trends such as increasing wealth in emerging economies, the ageing population in developed markets and the consequent implications for state funding of health and pension benefits, are driving investment globally and increasing competition among investment product providers. These trends favour low cost passive investment and create opportunities for innovative new index products, such as alternative-weighted indices, and licensing of fund and ETF products.

Market position

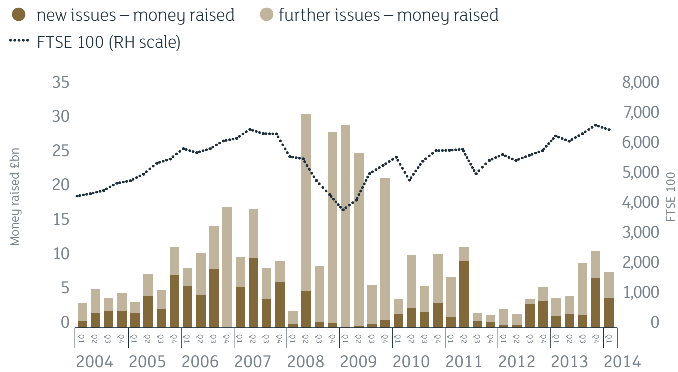
The Group had a market capitalisation of £5.0 billion (as of 9 May 2014) and ranks among the top five global exchange groups by income. In FY 2014, all of our main business segments recorded good performances, both through organic development and as a result of successful additions to the Group's portfolio of businesses. Income is increasingly diversified by asset class and geography, with cash equities trading accounting for just 11 per cent of total income. Information Services and Post Trade businesses contributed 29 per cent and 39 per cent of adjusted income respectively.

The Group saw a significant increase in both the number of IPOs and the value of capital raised. On the back of a series of large IPOs, equity capital raised during the year was £34.2 billion (vs £18.0 billion in 2013). The FTSE 100 finished the financial year up three per cent and the FTSE MIB finished up 41 per cent. LSEG trading venues between them captured almost 30 per cent of European equity trading volume, more than any other group (2013: 28 per cent).

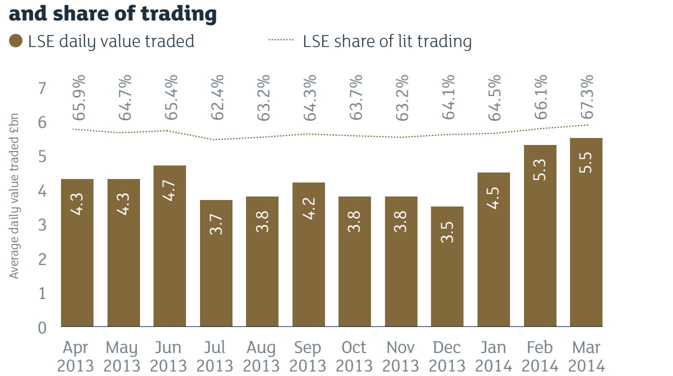
Exchange traded fund (ETF) assets under management tracking FTSE indices increased. This was largely driven by the decision of Vanguard to adopt FTSE benchmarks for its global emerging markets funds. FTSE now ranks fourth globally among index providers for ETFs in terms of benchmarked assets.

Global regulatory momentum led to increased demand for risk management and OTC clearing services through LCH.Clearnet. Strengthening its position as a leading OTC clearing provider, SwapClear's notional value cleared increased over the past year by 18 per cent to $526 trillion, with its clearing membership increasing by 25 to 103 members. There were also a number of service enhancements, including the expansion of compression services. ForexClear built on its existing inter-dealer service with the launch of client clearing and cleared $832 billion in notional throughout the year. CDSClear, which extended its reach to include European clients and US clearing members, cleared €154 billion in notional value. Derivatives clearing volumes decreased, while the fixed income clearing services business maintained market share, clearing €72 trillion in nominal value. The commodities and cash equities clearing businesses experienced steady growth in volumes.

London Stock Exchange money raised – new and further issues



London Stock Exchange order-book value traded and share of trading



FTSE 100

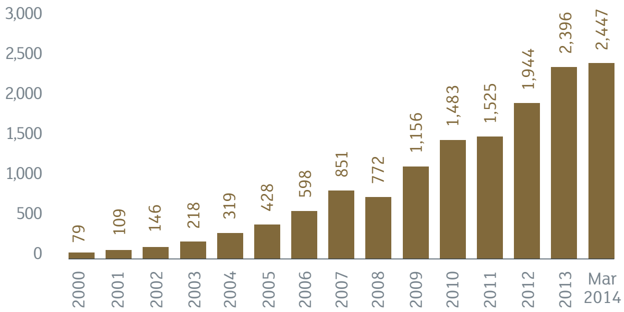
Market position and outlook
continued

FTSE MIB

Global ETP assets

Source: BlackRock

assets US$ billion



Outlook

Our diversification strategy and strong customer relationships will continue to enable us to respond to emerging customer requirements in multiple product and service areas. The need for clients to maintain cost control, efficient capital management and a strong focus on risk management will remain as their business models evolve. This increases the demand for efficient clearing solutions as well as technology and services supporting automation and overhead reduction. The Group is well positioned to respond to these needs through both organic and inorganic initiatives.

In the year ahead, significant focus will remain on the integration of LCH.Clearnet through a number of detailed programmes targeted at delivering the broad benefits of the transaction. Elsewhere, our focus is on expanding our global footprint and developing further growth opportunities across the Group. Evolving and improving market conditions, regulatory changes and customer demand will continue to shape our business and create new opportunities throughout 2014 and beyond. The Group will benefit from the value we provide to customers through service expansion and innovative solutions.

Regulatory landscape

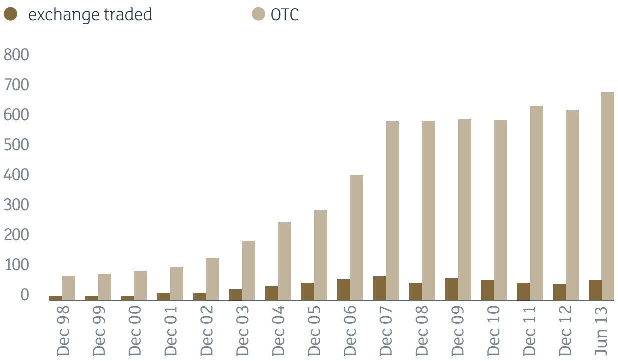
The regulatory landscape continues to evolve, with the introduction of further regulation in financial markets by national regulators and international policymakers. As a global group, most of our activities are subject to regulation on a domestic and/or supranational basis.

Most of the regulatory changes discussed have been implemented; others are drawing closer to the implementation phase. However, their impact has yet to be fully realised and it remains difficult to predict the eventual effect on the markets with any certainty.

Whether as a result of, or in spite of the numerous regulatory initiatives discussed within this review, capital markets are beginning to emerge more positively from the downturn, with increasing IPO activity and trading interest in many market areas. Looking ahead, there is a sense that, in Europe at least, the regulatory reform agenda is moving into a phase of consolidation and review, allowing for a focus on economic growth, jobs and stability.

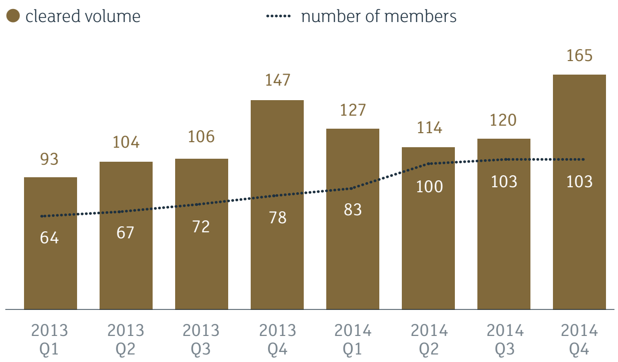
Global notional outstanding of exchange traded vs OTC derivatives

US$ trillion Source: BIS



SwapClear OTC interest rate swaps – total notional cleared and number of clearing members

US$ trillion



G20 goals

Efforts continue to implement the G20 commitment to strengthen the regulatory framework for OTC derivatives. In Europe and the US, derivatives transactions are now subject to trade reporting obligations; mandatory clearing of certain derivatives contracts has been introduced in the US and Japan, and mandatory trading has begun under CFTC rules.

European Union
Relevant Regulatory Developments

The MiFID/MiFIR, MAD/MAR and CSDR dossiers have reached political agreement at Level I in the EU; 2014 will require a substantial effort by regulators and the market for the development of the Level II measures (so-called Technical Standards and Delegated Acts) under these key pieces of legislation, leading to implementation of most in 2016.

- **MiFID/MiFIR** (Markets in Financial Instruments Directive/Regulation) contains a broad range of market structure measures, aimed at promoting the integration, competitiveness and efficiency of EU financial markets. Key changes include non-discriminatory open access to trading venues and CCPs; non-exclusive licensing of benchmark indices; the introduction of SME Growth Markets; the extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives; and increased regulatory requirements for high frequency trading strategies and algorithmic trading.

- **CSDR** (Central Securities Depository Regulation) brings in measures to harmonise the authorisation and operation of central securities depositories and certain aspects of securities settlement in the EU, including settlement periods and settlement discipline. A shorter settlement cycle of T+2 is expected to be introduced in the UK and EU in October 2014, with full dematerialisation expected by 2025. CSDs will benefit from uniform requirements for licensing and from an EU-wide passport, which will help remove existing barriers of entry and promote competition, presenting both opportunities and risks to the Group.

- **MAD/MAR** (Market Abuse Directive/Regulation) has been expanded to include securities and derivatives traded on any trading venue and platforms, and will now cover the manipulation of both benchmarks and carbon emission allowances.

Market position and outlook continued

Banking Union
There has been progress in establishing a Banking Union in the EU which will consist of: (1) a Single Supervisory Mechanism (SSM) to monitor the health of eurozone banks; (2) a Deposit Guarantee Scheme (DGS) to protect depositors; and (3) a Single Resolution Mechanism (SRM) to take action where a bank must be closed or restructured. The details of the SSM have been agreed (implementation date is November 2014). However, negotiations continue on the SRM, which is expected to be agreed in mid-2014.

Ongoing Measures
The EU Commission's proposed regulation of benchmarks continues to be negotiated in the European Parliament and Council of Ministers. The Commission also adopted proposals seeking to address potential issues in the system of credit intermediation that exists outside the regular banking system (so called "shadow banking"), with proposed regulations on Money Market Funds (MMFs) and Securities Financing Transactions (SFTs).

Negotiations continue on the introduction of a Financial Transaction Tax (FTT). This is being progressed by 11 Member States under a procedure known as "Enhanced Cooperation". To date it has proved difficult to reach agreement on a number of areas, including the scope, and the proposed implementation timeframe which has now moved out to 2016. At this stage, it is difficult to predict the likely outcome or scope of any final measure that may be agreed, nor its potential impact beyond the 11 Member States. France and Italy have both implemented a domestic FTT.

Future Measures
During 2014 the European Commission plans to bring forward proposals for Recovery & Resolution for CCPs, measures aimed at facilitating the long-term financing of the EU economy (including proposals for regulation of crowdfunding) and amendments to the Shareholders' Rights Directive. All these measures may affect Group activities to some extent.

T2S
T2S (TARGET2-Securities), a project led by the ECB (European Central Bank), aims to facilitate cheaper cross-border settlement across Europe. The testing phase is expected to start in Q2 calendar year 2014, with delivery of the T2S application to CSDs for the user-testing phase scheduled for 1 October 2014. Migration to T2S will take place in phases, with Monte Titoli participating in the first phase in June 2015.

Regulatory Structure
US
In the US, implementation of the Dodd-Frank Act continues, with rules on regulatory structures, bringing OTC derivatives on to trading venues and into clearing and, increased regulation on the establishment and operation of CCPs. These rules will apply to LCH.Clearnet LLC, Ltd and SA registered as Derivatives Clearing Organisations (DCOs) in the US. In addition, the CFTC applies heightened regulatory standards to systemically important DCOs (SIDCOs), which include the requirement to have recovery and wind-down plans in place. LCH.Clearnet LLC is not a SIDCO but has decided to opt in to the regime for SIDCOs for Basel capital treatment purposes.

UK
The UK regulators (PRA, Bank of England and FCA) are now well established and developing their forward-looking, pre-emptive approach to supervision and regulation. The FCA has recently consulted on its new remit in relation to competition law, giving new impetus to its consumer focused approach.

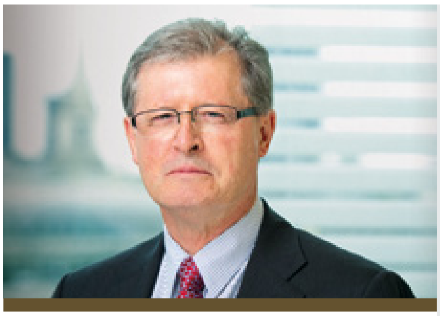
In the Principal Risks and Uncertainties section (page 48), we set out the potential implications for the expanded Group of the key measures we have identified.

Overview of regulatory landscape

The increasing scope of regulation and the breadth of the operations of the Group mean that regulation inevitably has a growing impact on the Group and its activities. Set out below are some of the key areas where there is likely to be some impact or opportunity:

LSEG DIVISION & BUSINESS AREA	LEGISLATION/MEASURE	SCOPE
Capital Markets		
Primary markets	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— SME (Small and Medium-Sized Enterprises) Growth Market proposals to support SME funding and markets
Secondary (trading) markets	FTT non UK but in Italy, France. Commission proposal under negotiation	— To impose transaction tax on equity, bond and derivatives trades that involve one financial institution with its headquarters in the EU FTT zone
	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Non-discriminatory open access to trading venues and CCPs, and non-exclusive licensing of benchmark indices — Extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives — Increased regulatory requirements for high frequency trading strategies and algorithmic trading — Additional organisational, transparency and market surveillance requirements for trading venues — Platform trading obligation for shares and OTC derivatives
	MAD/MAR (political agreement reached at Level I; work on technical aspects, Level II – underway)	— Index manipulation and non-listed issues within Market Abuse regime
Post Trade		
CCPs	EMIR (Level II under implementation)	— Mandates CCP clearing for a wide range of eligible derivatives contracts — Mandates the reporting of derivative trades to Trade Repositories — Establishes harmonised requirements for CCPs and Trade Repositories, so that they can demonstrate safety, soundness and efficiency
	EC regime for recovery and resolution for CCPs (awaiting Commission proposal)	— Commission likely to propose recovery and resolution measures in Q4 2014 for CCPs — May provide regulators with expanded powers to intervene at an early stage, including the power to require an entity to implement measures under its recovery plan — Authorities will also be provided with wide range of resolution tools
Settlement Monte Titoli	CSDR (political agreement reached at Level I agreed; work on technical aspects, Level II – under way)	— Measures to harmonise: – the authorisation and operation of central securities depositories – certain aspects of securities settlement in the EU, including settlement periods and settlement discipline
	T2S (ECB project)	— In November 2011, the ECB agreed the Framework Agreement, which sets out the contractual rights and obligations of the Eurosystem and each contracting CSD. Monte Titoli has already signed the Framework Agreement, reconfirming its positioning in the 'first wave' of the project — The implementation date for phase 1 of the European Central Bank's T2S project, aimed at facilitating cheaper cross-border settlement across Europe, has now been set for June 2015
Information Services		
FTSE	Index Regulation – (Commission proposal under negotiation)	— Regulation of specified benchmarks/indices
	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Access under MiFIR Art 30 requires non-exclusive licensing of benchmarks
Market data	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Post trade consolidated tape (CT) – introduction of requirements for harmonised post trade data reporting to enable "consolidated tape" and data provision on a "reasonable commercial basis"

Chairman's statement



Chris Gibson-Smith
Chairman

"WE NEVER LOSE SIGHT OF THE WIDER ROLE OUR BUSINESS PLAYS IN SOCIETY"

Overview/Execution of strategy

London Stock Exchange Group continued to expand its global footprint and strengthen its position as one of the world's leading, diversified exchange groups. Our portfolio of market infrastructure businesses was further strengthened with the completion of the acquisition of a majority stake in LCH.Clearnet Group, a leading provider of clearing services. We have been pleased with the progress made to date to realise the benefits of the transaction and this will be a major focus in the year ahead. We also made further progress realising the benefits of previous transactions through the global growth of businesses such as FTSE and MTS.

Over the past 12 months, there has been a sense of renewed optimism in capital markets. We have seen companies returning to the IPO markets to raise equity capital, with the highest number of flotations since 2007. 188 companies joined our markets and total money raised was over £34 billion across our equity markets in the past year. The Group provides markets that help a broad range of companies to access equity and debt capital; in particular, we support efforts to help small and medium-sized enterprises (SMEs) access finance to enable their growth and development. The recent launch of ELITE in the UK, a programme dedicated to supporting high growth private companies, builds upon the success of a similar initiative run by Borsa Italiana which has 150 participants. In April, the first 19 companies signed up to the scheme, which will run in partnership with Imperial College Business School, and is a good example of the Group's ongoing commitment to SMEs across Europe.

Our wider role

We firmly believe that the Group's open access business model, which drives a partnership approach with our customers, helps facilitate the operation of stable financial markets which benefit our customers, regulators and society at large. The model also promotes flexibility, transparency and choice which, in turn, helps drive our business forward. LCH.Clearnet Group shares our open access philosophy, and provides its customers with risk management services across a broad range of asset classes, helping them to manage their own risk positions and capital efficiencies. This contributes to a safer and more stable financial system.

We never lose sight of the wider role our business plays in society. Our support for companies of all sizes, for open access and fair and transparent markets, has a significant impact on economic business activity, as well as job and wealth creation, and is core to our approach to corporate social responsibility. In addition, the Group donated £1.66 million to charity in the past year, of which £1.01 million was donated through the Group's charitable Foundation. To celebrate our third annual charity trading day, held in March, the Group invited representatives from our partner charities Habitat for Humanity, In-Presa, Friendship Works and UNICEF to open trading in London.

London Stock Exchange Group continues to look for ways to reduce its carbon footprint and to improve its CSR activities through Group-wide initiatives such as Green Week. We summarise our Corporate Responsibility activities on pages 36 and 37 and in a fuller corporate report, which can be accessed from our website.

Strengthened board/risk management

As a trusted, global financial infrastructure provider, we must ensure that we continue to meet the highest standards of corporate governance and due process. As reported last year, the Group has split its Risk and Audit operating functions and made senior appointments within both teams. We have also operated separate Audit and Risk committees of the Board, both benefiting from contributions from Non-Executive Directors with considerable and specialist experience in these areas.

Following the Group's AGM in July 2013, Baroness (Janet) Cohen, Sergio Ermotti and Gay Huey Evans stepped down as Non-Executive Directors. The Board appreciates the valuable contributions that all three made to the successful strategic development of the business.

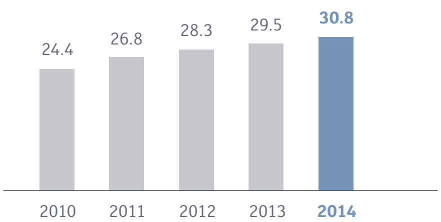
In June 2013, Stephen O'Connor and Stuart Lewis were appointed as Non-Executive Directors. Stephen and Stuart bring considerable experience in credit and market risk, reflecting the significant and growing proportion of the Group's overall business that post trade and risk management now represent. In January 2014, we also welcomed Sherry Coutu and Joanna Shields to the Board, both of whom bring broad international management expertise and a strong track record of entrepreneurship and building businesses.

Financial performance and dividend

The Group delivered a good financial performance, with adjusted income up 42 per cent to £1.21 billion, including contribution from LCH.Clearnet for the first time. Successful delivery on our stated strategy is also reflected in the strong share price performance over the last year.

Dividends per share

pence



The Group is therefore proposing a 4.5 per cent increase in the final dividend to 20.7 pence per share, resulting in a full year dividend of 30.8 pence per share, a 4.4 per cent rise. The final dividend will be paid to shareholders on the register as at 25 July 2014.

Accounting reference date

In order to create alignment of the financial years of LSEG plc and LCH.Clearnet, the Board has approved a change to the Group's accounting reference date, moving from 31 March to 31 December, with effect from 1 April 2014.

Conclusion

It has been a strong year for the Group. We have further expanded our global business, building best in class capabilities as we grow. We expect the substantial benefits of the LCH.Clearnet transaction to continue to work through over the coming year and the improving economic outlook and evolving regulatory landscape present further opportunity to develop our business. We look forward to further growth in the year ahead.

Chris Gibson-Smith
Chairman

Chief Executive's statement

Xavier Rolet
Group Chief Executive

"THE GROUP'S DIVERSIFICATION STRATEGY IS DELIVERING TANGIBLE SUCCESS, REFLECTED IN CONSISTENTLY GOOD FINANCIAL PERFORMANCE AND RETURNS TO OUR SHAREHOLDERS"

Overview

This has been another year of achievement as we continued to grow and diversify the Group on an increasingly global basis, most notably through the successful completion of our transaction with LCH.Clearnet Group. The environment in which we operate has also evolved. We have been encouraged by regulation emerging out of Europe, which will promote competition, empowering investors through enhanced choice, lower costs and greater capital efficiency. The provisions for open access in clearing and access to benchmarks will help reduce the fragmentation of risk in closed silos and promote lower cost, more efficient and robust competitive markets. As the economic recovery continues, we have also seen a return of investors to our equity markets. The Group helped companies raise over £34 billion in new and further equity issues across our markets. Providing companies with the ability to access capital to grow their businesses is a fundamental part of what we do and we continue to develop products and services across asset classes, as well as initiatives such as ELITE, to support small and medium-sized enterprises (SMEs) across Europe to grow and attract investors along the funding ladder. This is also a core underpinning of our approach to corporate responsibility.

LCH.Clearnet

One of the key landmarks for the Group during the past year was the completion of the acquisition of a majority stake in the global clearing house, LCH.Clearnet Group. Risk management is a vital component of stable financial markets and LCH.Clearnet has a strong record of helping its members and customers manage their risk. The business embraces an open access model, which also makes it well positioned to benefit from regulatory change being implemented across the world. By operating a multi-asset global platform, across multiple geographies, LCH.Clearnet provides customers with enhanced collateral efficiency opportunities through services such as portfolio netting and compression. LCH.Clearnet is also particularly well positioned to meet the needs of OTC clearing across a range of asset classes.

Suneel Bakhshi joined as CEO of LCH.Clearnet Group in February 2014, bringing a wealth of risk and change management experience in financial services. Together with his team, he is aiming to further develop opportunities through product innovation and geographic expansion designed to support its global customer base in an evolving regulatory landscape. He is also focused on realising the benefits of the relationship with LSEG and we are very pleased that our work on the integration now means that we are able to extend the expected cost synergies. These are now expected to reach €60 million/£49 million per annum by the end of 2015. In addition, further changes to the operation of the OTC clearing businesses, particularly SwapClear, have resulted in additional revenues for the Group, as well as changes to the share of costs.

Building best in class capabilities

Our portfolio of products and brands enables us to offer our customers innovative solutions across the trading cycle from technology to post trade. In February, UnaVista Trade Repository went live helping customers to meet their obligations under EMIR, receiving approximately ten million reports on behalf of over 2,500 counterparties on day one. In fixed income, we completed the acquisition of a 70 per cent stake in EuroTLX, a retail bond platform, which will enable Borsa Italiana to extend the range of trading services for retail investors. MTS, the European fixed income market, announced plans to launch a new platform, which will give buy-side institutions the ability to trade interest rate swaps electronically.

Turquoise, the Group's pan-European trading platform, expanded its stock universe to include a number of the mid-tier securities, previously only available to trade via domestic exchanges. Turquoise has seen its overall share of trading improve significantly throughout the year with the platform now regularly accounting for more than eight per cent of all volume traded across Europe. The Group also continued to enhance its technology offering with a series of product upgrades to allow improved functionality for users.

Creating a global business

The Group's global reach was further increased during the year with FTSE reinforcing its position as a leading international index provider. FTSE continued to consolidate its leading position in China with $18 billion of assets under management linked to ETFs tracking the FTSE China Index series, as of the end of March 2014. FTSE also made good progress in expanding its operations in North America and further enhanced its fixed income offering with the launch of a new offshore RMB Bond Index Series, in partnership with Bank of China, as well as the recent acquisition of the MTS indices business through its joint venture with TMX.

MTS began trading in the US following the launch of MTS Markets International and took further steps to grow its customer base in the region through the acquisition of Bonds.com, an electronic platform for the trading of US corporate and emerging market bonds.

MillenniumIT recorded a number of wins throughout the year, such as the signing of an agreement to provide post trade technology to SGX, as well as extending existing contracts with London Metal Exchange and TMX.

Developing opportunities

The Group has taken further positive steps to diversify its business. In July 2013, the Group confirmed plans to launch a new central securities depository (CSD) business, based in Luxembourg. The new CSD, globeSettle, has received regulatory approval from CSSF and is on track to commence operations in Summer 2014. It has previously been announced the CSD will provide settlement, custody and asset servicing for J.P. Morgan's international collateral management business.

The Group launched a number of new derivative products, including the introduction of Single Stock Options both in Italy and the UK as well as FTSE UK Large Cap Super Liquid index futures. As noted above, we believe that we are well positioned to benefit from a number of the MiFID II regulations, which promote an open access, competitive model for customers across many of our businesses, including indices and post trade services.

In the UK, we welcomed the Government's decision to abolish stamp duty for AIM-listed stocks, which followed an earlier move to allow AIM securities to be included in ISAs. Initiatives aimed at encouraging greater investment in SMEs among retail investors are vital and we remain firmly committed to supporting high growth, entrepreneurial companies, which are the lifeblood of our economy. In November 2013, we published our inaugural report titled '1000 Companies to Inspire Britain', a landmark study that identified some of the UK's most exciting and dynamic SMEs and, last month, the Group launched ELITE in the UK, based on the success of a similar programme in Italy, which helps small and medium-sized enterprises access finance to enable their future growth and development.

The landscape for global capital markets infrastructure continues to evolve and consolidation remains a key theme. We will continue to seek to expand the Group's global offering, as value-enhancing opportunities arise.

Outlook

I joined the Group five years ago. During this period, the business has transformed through control of the cost base, investment in high performance technology, organic development, innovation and strategic acquisitions. The Group's expansion in capital markets infrastructure is delivering tangible success, reflected in consistently good financial performance and returns to our shareholders. I am particularly pleased how colleagues across the business have embraced the opportunities brought through diversification, working together to identify opportunities and realise the benefits of being part of a global group. We have accelerated our cost savings targets at LCH.Clearnet Group and we see opportunity for growth as the regulatory landscape evolves. I am more optimistic than ever that our truly unique position – as the only global, open access market infrastructure player which works in close partnership with its customers across all of our businesses – will position us well for the future.

Xavier Rolet
Group Chief Executive

Strategy in action

The last year has seen the Group take significant steps forward in all areas of strategic focus. As our clients become increasingly sophisticated and their needs evolve in response to factors such as regulatory change, we are expanding our offering into new asset categories, geographies and client segments. The completion of the LCH.Clearnet acquisition built momentum in the diversification of both client base and revenue and our programme to integrate FTSE has similarly generated new opportunities throughout the Group as well as increased efficiencies. Both of these acquisitions are key drivers for future innovation, service expansion and growth.

Underpinning the business are the capabilities of our people and the infrastructure which drive our services. For the Group, the efficiencies that we are able to bring through low cost, high performance technology and strong cost control throughout the business mean that our people can focus on what they do best: listen, respond to and deliver on the promises we make to our customers, seek out new opportunities and realise the value in the Group's assets. At the heart of our business and key to our success in the future are the strong partnerships that we build with our customers and the highest standards of performance and integrity which we apply to our business globally.

STRATEGY	ACTION
Building best in class capabilities	— We develop the people and skills we need to create innovative solutions and to service our customers around the world — We aim to continuously improve our infrastructure and technology capabilities — We prioritise the highest levels of governance and integrity across our businesses — We deliver value from acquisitions through efficient integration — We follow strong cost discipline
Creating a global business	— We engage with the leading participants in financial markets worldwide to understand their needs and provide solutions — We seek new opportunities to provide services and build our footprint in key geographies — We develop partnerships around the world to extend our customer servicing capabilities
Developing opportunities	— We anticipate customers' evolving needs — We deliver market leading innovation — We capitalise on our assets of intellectual property, financial markets expertise and our global customer and partner network to diversify our offering — We continue to seek new organic and inorganic opportunities to grow our business

PROGRESS

We have built a strong and efficient business

- Implementation of our Risk Management Framework across the Group
- Implementation of our Group-wide strategic client management programme
- Integration programme for LCH.Clearnet delivering tangible cost savings
- Realignment of LCH.Clearnet management to position this key asset for growth
- Benefits derived from FTSE; synergies programme on target
- Corporate responsibility strategy approved by the Group Board and implementation plan agreed

Our footprint is global

- 34 international new issues raising £4.1 billion
- Creation and success of the FTSE TMX Debt Capital Markets venture in Canada, now the third largest fixed income & ETF benchmark provider by assets under management
- Acquisition of Bonds.com by MTS
- FTSE TMX Debt Capital Markets partnership with Bank of China in Hong Kong
- UnaVista Trade Repository ahead of target on EMIR implementation and offering full trade reporting to LCH.Clearnet members and other clients
- Successful launch on LSE of the first direct European-listed China ETF, a FTSE China A50-benchmarked ETF and the world's first RMB bond in FY 2014
- Continued global expansion of MillenniumIT via new contracts with LME, SGX, HKEx and Argentinian CSD
- SwapClear business expansion in the United States and Australia

We are successfully diversifying to take advantage of growth opportunities

- Development of MTS credit platform offering trading on MTS BondVision distribution technology
- Newly formed LSE Derivatives Market launched and FTSE SuperLiquid index futures trading successfully
- New products and services identified through co-operation between LCH.Clearnet, Capital Markets, Information Services and Post Trade divisions
- Innovative clearing services specifically for OTC derivatives developed by LCH.Clearnet
- Elite platform of integrated services for Italian SMEs, now extended to the UK
- UnaVista and NetOTC partner to provide an innovative clearable derivatives risk model
- Establishment of a CSD in Luxembourg, globeSettle, providing custody, settlement and post trade services for international collateral management
- Successful acquisition of EuroTLX; plans in place for integration of Group corporate functions and migration to MillenniumIT technology

Executive management team

The Executive Committee manages the business on a day-to-day basis. The team meets regularly to review a wide range of business matters, including financial performance, development of strategy, setting performance targets, reviewing projects and other developments.

This year, Diane Côté, Group Chief Risk Officer, and Suneel Bakhshi, the newly appointed Chief Executive Officer of LCH.Clearnet, joined the Executive Committee. Both bring a wealth of skills to the team; Diane has many years of experience in senior finance, audit and risk positions, and Suneel has spent over 30 years in international trading, banking and risk management roles.

For further information on Xavier Rolet, David Warren and Raffaele Jerusalmi, who are also members of the Board of Directors, see their biographies on page 54.

Xavier Rolet
Group Chief Executive Officer

Alexander Justham
Chief Executive Officer, London Stock Exchange plc. Joined the Group in 2012 from the Financial Services Authority where he was Director of Markets. Prior to this he worked at J.P. Morgan for 17 years, where he held a number of roles, latterly as a Managing Director at J.P. Morgan Cazenove.

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

David Warren
Group Chief Financial Officer

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

Antoine Shagoury
Group Chief Operating Officer and Chief Information Officer. Joined in 2010 from the American Stock Exchange where he was CIO. Over the preceding 10 years Antoine held several executive technology positions at Instinet, most recently as CTO of Instinet Services. He has over 20 years of technology and financial services experience.

David Lester
Group Director of Corporate Strategy. Joined the Group in 2001. He has over 23 years' experience in financial markets including with Thomson Financial, Accenture and KPMG.

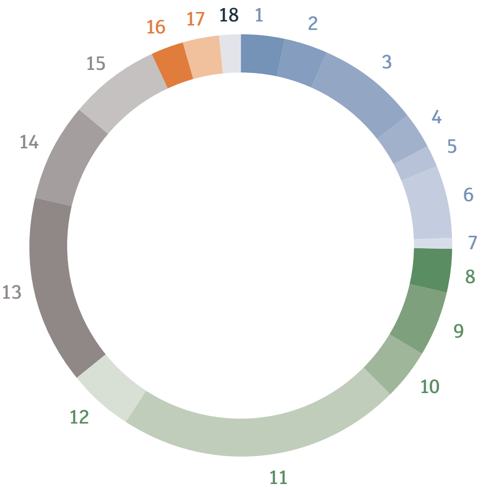
Mark Makepeace
Group Director of Information Services and Chief Executive Officer of FTSE Group. He was a founding Director of FTSE Group in 1995 and joined the Group in 2012. Mark has over 15 years' experience of developing successful joint ventures and has forged alliances with stock exchanges, academics and leading industry groups.

Suneel Bakhshi
Chief Executive Officer, LCH.Clearnet Group. Joined in February 2014 from Citigroup with over 30 years of experience in trading, banking and risk management. Most recently, he was President and CEO, Citigroup Global Markets, Japan. Prior to this, he held several senior risk roles, including leading Citigroup's Emerging Markets Corporate Bank. He also held a number of senior banking and markets roles, including Sales and Trading in CEMEA, Fixed Income Derivatives Trading for Europe and Derivatives in Japan.

Diane Côté
Group Chief Risk Officer. Diane Côté was appointed Chief Risk Officer and joined the Executive Committee on 1 June 2013. Diane was previously Aviva Plc's Chief Finance Operations Officer. Prior to this, Diane held the position of Aviva's Chief Audit Officer. Diane has many years' experience holding senior positions within Aviva and other leading organisations, including Standard Life Assurance.

Introduction to segmental review

Adjusted total income
£ million



	Year ended 31 March 2014
Capital Markets	£m
1 Annual fees	41.2
2 Admission fees	39.9
3 Cash equities trading UK & Turquoise	94.5
4 Cash equities trading Italy	36.1
5 Derivatives trading	19.6
6 Fixed income trading	68.1
7 Other capital markets	10.1
	309.5
Post Trade Services CC&G & Monte Titoli	
8 Clearing – CC&G	40.0
9 Settlement & Custody – Monte Titoli	58.4
10 Net interest income – CC&G	47.6
	146.0
Post Trade Services LCH.Clearnet	
11 Clearing – LCH.Clearnet	263.0
12 Net interest income – LCH.Clearnet	62.2
	325.2
Information Services	
13 FTSE	174.0
14 Real time data	90.8
15 Other information	83.9
	348.7
Technology Services	
16 MillenniumIT	31.5
17 Technology	32.5
	64.0
Other	
18 Other income	19.7
	19.7
Adjusted total income*	**1,213.1**

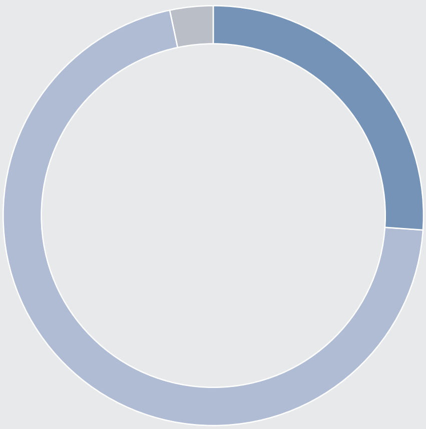
* Adjusted total income excludes unrealised gain/loss.

Capital Markets

Revenues

£309.5m

2013: £267.5m



Key Summary

- Revenues increased by 16 per cent to £309.5 million (2013: £267.5 million).
- Primary markets saw a six year high in IPO activity with revenues up 15 per cent to £81.1 million and 188 companies admitted including Royal Mail, the largest UK capital raising IPO of the year.
- Secondary market revenues increased by 15 per cent on higher cash equity and fixed income trading volumes.
- Turquoise widened its stock universe and added functionality. Value traded increased 68 per cent.
- The Group strengthened its position as the leading venue for ETF trading in Europe by value traded.
- Following a slowdown in some international markets, the value traded on IOB declined six per cent, and derivative contracts traded are down 11 per cent.
- In fixed income, MTS Cash and BondVision volumes increased 48 per cent to €3,580 billion (2013: €2,426 billion).

* Other revenue includes Entrance and Membership fees.
A glossary of terms can be found on pages 144 and 145.
Profitability of each segment can be found in the Financial Review on page 38.

Introduction

London Stock Exchange Group provides access to capital for a wide range of domestic and international businesses.

Our range of primary markets provides a choice for issuers and investors, enabling companies to raise capital efficiently depending on their individual financing needs, as well as increasing their visibility with a wide group of customers and investors. Our secondary markets create a deep pool of liquidity and allow active and efficient trading through our highly competitive trading platforms.

Primary Markets

In the last year, we have seen a six year high in new issue activity with 188 new companies listing or being admitted to trading on our markets (2013: 121). Among the notable high profile businesses were Royal Mail, the largest UK capital raising, and Moncler in Italy. In addition, our markets continue to be at the forefront of international issuance, with listings including Al Noor from United Arab Emirates, Damac from Dubai, Coca-Cola HBC from Greece, and Romgaz, the first Romanian privatisation on the London market. Italy welcomed 20 new companies (2013: seven) including World Duty Free, the global retailer. In January 2014, the Bank of China successfully issued £253 million in Chinese bonds, the largest RMB issue outside China.

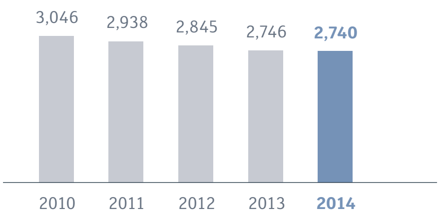
This last year also saw a vibrant market for private equity-backed IPOs on the London market, with 20 businesses successfully joining our markets, including Merlin Entertainments and Foxtons Group plc, raising a combined £6.5 billion. These companies have performed well in the secondary market, and these successful transactions have helped reinforce investor appetite for sponsor-backed issuance and bodes well for other future deals in the pipeline. LSE saw 54 per cent of all financial sponsor-backed IPOs by volume in calendar year 2013 on European exchanges – almost three times that of any other exchange.

The total amount of capital raised across our equity markets, both through IPOs and additional financing, increased 90 per cent to £34.2 billion (2013: £18.0 billion), with the second half of the year showing a strong uptick in activity. Looking ahead, the pipeline of companies looking to hold IPOs remains encouraging. At year end there were a total 2,740 companies on our markets (2013: 2,746), reflecting the new companies joining our markets and the normal attrition through M&A activity.

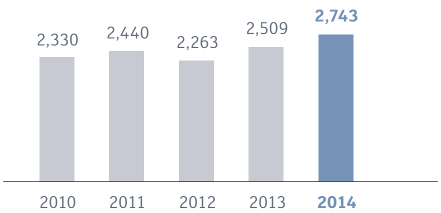
Our Exchange Traded Funds (ETF) and Exchange Traded Products (ETP) markets continue to develop. We have seen new products coming to the market which offer exposures to asset classes that were not accessible previously. For example, we listed a new ETF this year that tracks the Russian corporate bond market and, for the first time, an ETF that directly tracks China A-shares. The total number of ETFs and other ETPs listed remained stable at 1,880 (2013: 1,883).

AIM is one of the world's leading growth markets for small and mid-cap companies. Since its launch in 1995, almost 3,500 companies have joined AIM, raising over £85 billion to fund their growth. This year, 110 companies were admitted to AIM in the UK (2013: 72) and 17 to AIM Italia – MAC (2013: six).

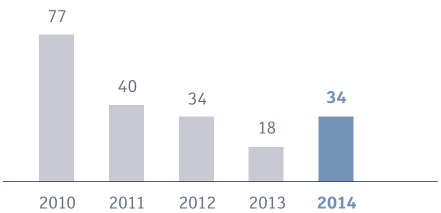
Number of companies listed – Group



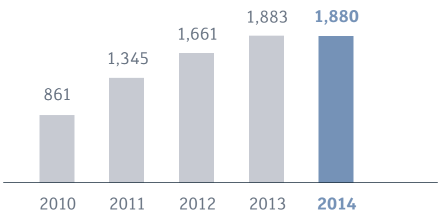
Market capitalisation – Group
£ billion



Equity money raised – Group
£ billion



Exchange Traded Products – Group
number listed



We continue our drive to improve access to equity finance for small and medium-sized enterprises and have engaged with policymakers. The UK Government's decision to abolish stamp duty for companies quoted on growth markets, such as AIM and the High Growth Segment, came into effect on 28 April 2014, and companies admitted to AIM are now eligible for stocks and shares ISAs. We believe these moves will help boost investment in companies admitted to growth markets, and reduce the cost of capital for the UK's fast growing, job-creating businesses. Our AIM and AIM Italia – MAC markets, High Growth Segment and STAR the Italian mid size company segment are of significant importance to economic growth in terms of providing funding opportunities, particularly at a time when bank credit remains restricted.

As part of our continuing focus on promoting growth and supporting the capital raising environment for SMEs, we released the publication of "1000 Companies to Inspire Britain", a celebration of some of the fastest growing and most dynamic SMEs in the UK.

In Italy, our SME offering is further enhanced by our ELITE programme. The programme is aimed at providing support to high quality Italian SMEs, allowing them to boost their appeal and visibility to potential investors. ELITE provides growth companies with a dedicated team of advisors from its 80 partners, including banks, lawyers, auditors and other specialist advisors, including those specialising in public relations and private equity. Launched in April 2012, ELITE now has 150 members with an average revenue of €105 million (as of 7 May 2014). Following completion of the programme in Italy, should they choose to, SMEs are given a fast-tracked access to IPO or bond issuance. So far, three members have issued bonds and several are planning IPOs.

Following the success of ELITE in Italy, the service was also launched in the UK in April 2014. ELITE provides a selection of ambitious, high growth private businesses, drawn across a wide variety of sectors, with access to a unique package of education, business support and supportive investors in order to enhance their growth prospects. Partnering with Imperial College and 50 other partners across the City of London, 19 high growth UK SMEs were admitted in the first cohort of companies to participate in the programme.

STAR is the market segment of Borsa Italiana's equity market (MTA) dedicated to mid size companies. The companies listed on STAR are leaders in their industry and represent Italy's economic diversity and strong competitiveness. The FTSE Italia STAR index has outperformed the Main Market indices in the last year. There are currently 68 companies listed on the STAR segment, which represent 24 per cent of Borsa Italiana's MTA listed companies.

Each year, the annual STAR Conference is a chance for companies listed on the STAR segment to showcase their performance and gain exposure to international investors and the financial community. This year the 12th STAR Conference was held in Milan, with 57 companies meeting 175 international investors for a total of more than 1,200 one-to-one meetings.

We continue to help issuers gain access to a large and diverse range of institutional investors and private client brokers in order to boost their capital raising potential. In the past year, we have held a number of Capital Markets Days, including events focusing on Pakistan, Russia and Asia, highlighting the opportunities for investing in companies based in these countries.

Capital Markets
continued

Secondary Markets

Equity trading

Both UK and Italian cash equity trading activity increased on last year. In the UK, the average daily value traded was up eight per cent to £4.3 billion (2013: £4.0 billion); in Italy, the average daily number of trades was up five per cent to 235,000 (2013: 223,000). The FTSE 100 rose three per cent and the FTSE MIB showed strong recovery up 41 per cent.

Turquoise is our majority owned European cash equities MTF in partnership with the user community. With a single connection to Turquoise, users can trade equities from 18 countries across Europe as well as US stocks and IOB Depositary Receipts. Turquoise offers access to two discrete order books for complementary liquidity, an Integrated Lit book as well as a dark pool. Turquoise Midpoint Dark features size priority and two distinct functionalities: continuous matching at mid-point and Turquoise Uncross, an innovation that provides randomised mid-point uncrossings during the trading day. Average daily value traded increased 67 per cent to €2.8 billion (2013: €1.7 billion). Turquoise's share of European equity trading has risen from 3.0 per cent when acquired to an average of 8.2 per cent for the year.

In the second half of the year, we branded Turquoise Uncross and widened our stock universe by more than 800, including small caps. We enhanced Turquoise by enabling customers to trade the second line of dual-listed securities, i.e. where a security is listed on more than one European exchange, and we enabled the trading of European rights issues. We optimised post trade clearing of internationally traded Spanish equities. We migrated to the latest version of LSEG's MillenniumIT technology, and we introduced several functional improvements to our lit and dark order books. We were delighted to welcome new trading members from continental Europe, Switzerland and the Nordic communities.

Since the branding of Turquoise Uncross in September 2013, values matched using this service increased more than three times (see page 143 for more detail on dark pools and Turquoise Uncross). Turquoise members traded €83.3 billion in March 2014, the largest monthly value since Turquoise launched in 2008. March 2014 saw a Turquoise record 17.9 million trades in 1965 stocks.

The International Order Book (IOB) enables investors to unlock the potential of some of the world's fastest growing markets through a single central electronic order book. It offers easy and cost efficient direct access to securities via depositary receipts from 40 countries, including those in Central and Eastern Europe, Asia and the Middle East. During the year, we saw increased share of trading in Asian stocks, with Samsung Electronics from South Korea remaining the most liquid Asian name. In February 2014, we made changes to the tick size in the IOB to support the increased liquidity of some stocks, changed the opening time to match the rest of LSE, and extended the post closing auction CPX session by 15 minutes. Globally, during the year there has been a widespread slowdown across many emerging markets. This is reflected in IOB value traded which declined six per cent to US$190 billion (2013: US$202 billion).

In London and Italy, we are working with industry initiatives to shorten the standard securities settlement cycle from T+3 to T+2 in October 2014. This means that the cash and securities components of a trade will be exchanged within two days of the trade.

The London Investor Show and Trading Online Expo in Milan were held in October 2013, continuing our commitment to further the understanding of financial markets by retail investors. Additionally, we have a quarterly Private Investor magazine, launched in 2012, which has a wide distribution to retail investors.

In February 2014, LSE welcomed GF Financial Markets (UK) Ltd, one of the largest integrated securities brokerage firms in China, to its markets as the first Chinese member firm focusing on both equity and derivatives trading.

Listed products

The Group has strengthened its position as the leading venue for ETF and other ETP trading in Europe by value traded. Total ETP value traded in the past year increased 11 per cent to £113 billion (2013: £102 billion). There are 23 registered market makers and over 100 other member firms trading ETFs. In December, we launched a new trading service for ETFs which offers our clients the choice of trading in a wide range of currencies and settlement on different venues.

Derivatives

Global derivatives volumes decreased in the last year, largely as a result of lower volatility. Over the past year, the number of contracts traded on LSE Derivatives reduced by 22 per cent to 18.7 million (2013: 24.0 million). This was largely due to the uncertainty in dividend policies in Russian markets. IDEM, the Group's Italian derivatives market, saw volumes decline by three per cent to 34.8 million contracts (2013: 35.9 million). This was in line with other European exchanges and was driven by reduced volumes on single name products. FTSE MIB index products continued to grow, with volumes up nine per cent on last year and FTSE MIB index futures reaching a new monthly all time record in March 2014.

In May 2013, IDEM launched the Pan-European Single Stock Dividend Futures, allowing intermediaries and investors to gain exposure to, or hedge their dividend risk on the main issuers across Europe. Since their introduction, dividend futures on IDEM have traded over 164,000 contracts.

In October 2013, LSE Derivatives launched the FTSE UK Large Cap Super Liquid index (FTSE UK SLQ) futures. This innovative index tracks the performance of the UK equity market through 35 highly liquid stocks offering new opportunities to reduce frictional trading and maintenance costs as well as a tool for new trading opportunities. Since its launch FTSE UK SLQ has traded over 35,500 contracts with a nominal value of nearly £1.7 billion.

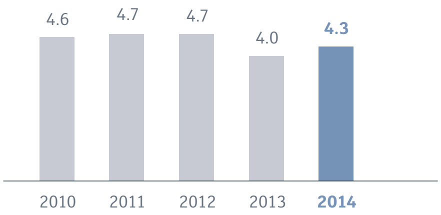
This year, Trading Technologies International, Inc. announced the connectivity agreement to the Group's derivatives markets to provide their clients with the ability to view and trade products across both IDEM and LSE Derivatives through a single gateway.

Fixed income

MTS is a leading regulated electronic trading platform for intermediaries trading European wholesale Government Bonds and other types of fixed income securities. MTS Cash and BondVision volumes have grown significantly, up 48 per cent on last year to €3,580 billion (2013: €2,426 billion), with a record year for BondVision. MTS Repo volumes increased by two per cent to €70.2 trillion (2013: €69.1 trillion). In March 2014, MTS also announced its merger agreement to acquire Bonds.com Group, a US based platform for the electronic trading of US corporate and emerging market bonds. This transaction enhances MTS' position as a global provider of fixed income trading platforms and enables them to meet the ongoing drive

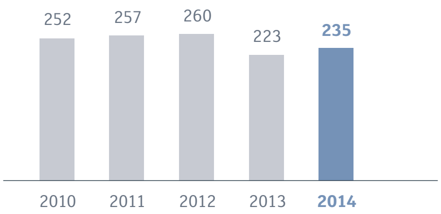
London Stock Exchange – average order-book daily value traded

£ billion



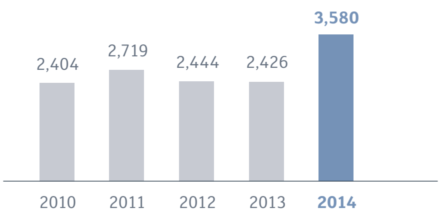
Borsa Italiana – average order-book daily number of trades

thousands



MTS cash and BondVision

volume traded € billion



towards transparency and efficiency in fixed income markets. Its new US subsidiary, MTS Markets International offers US buy-side participants the ability to directly access real time pricing from one of the deepest liquidity pools in Europe and to trade electronically with all the major European dealers via its BondVision platform. 2014 will see the launch of MTS Swaps, a platform for trading swaps products, with clearing provided by LCH.Clearnet's SwapClear. In April 2014, MTS announced that its bond indices are joining FTSE and TMX in their combined fixed income venture FTSE TMX Global Debt Capital Markets.

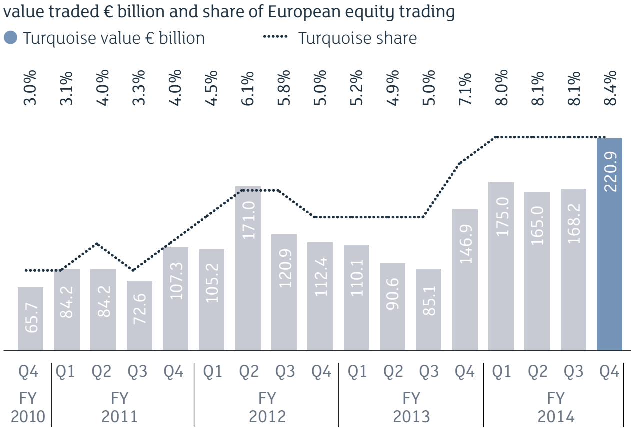
Our electronic LSE Order Book for Retail Bonds (ORB), which celebrated its fourth anniversary in February, has 178 bonds (2013: 176), including 69 gilts. Since the launch of the market, £3.9 billion has been raised through 41 new issues and six secondary issues. Our on-book liquidity grew significantly in the past 12 months, from £112 million to £347 million. We now have 35 specialist retail brokers as ORB members (2013: 30), with 11 dedicated ORB market makers providing continuous two-way tradable prices.

MOT is the most liquid and heavily traded retail fixed income platform in Europe. It is the only Italian regulated market dedicated to the trading of Italian and non-Italian Government securities, domestic and international bank and corporate bonds, supranational securities and asset-backed securities. This year, the Italian Treasury issued further BTP Italia Bonds with subscription through MOT. The fourth issue raised €18 billion in April 2013, with the fifth issue raising €22.3 billion in November 2013, an all time record in Europe for a direct placement. We also introduced a CCP service, managed by CC&G, for bonds denominated in euros that settle through ICSDs. This year saw an increase in the number of bonds listed in ExtraMOT PRO (the professional segment of MOT). MOT has a total of 1,206 bonds listed which saw a nine per cent decline in the number of trades to 5.64 million (2013: 6.22 million).

In September 2013, the Group acquired a majority stake in EuroTLX, an Italian multilateral trading facility (MTF) operating in the European retail fixed income market. Over the next 12 months, EuroTLX will be fully migrating to MillenniumIT technology and will complement the fixed income part of the Group.

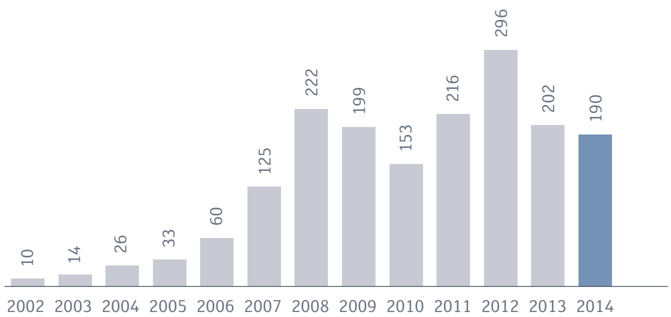
Turquoise – European equity trading

value traded € billion and share of European equity trading



International Order Book

value traded US$ billion



Post Trade Services

CC&G and Monte Titoli

Income

£146.0m

2013: £208.5m

- Clearing
- Interest
- Settlement & Custody

Key Summary

- Revenues grew by seven per cent to £98.4 million.
- Total income (including net treasury income) fell by 30 per cent to £146.0 million, reflecting a change of investment policy.
- CC&G clearing revenues grew by 11 per cent to £40.0 million as a result of increased trading volumes in equities and fixed income.
- Monte Titoli processed 58.3 million settlement instructions, up 5.4 per cent on the previous year reflecting higher trading levels in Italian equity and fixed income markets.
- Monte Titoli is the largest CSD entering the first wave of TARGET2-Securities from June 2015. In addition, from October 2014, settlement of contracts executed on the Italian market will move to T+2.
- The new international CSD in Luxembourg (globeSettle), utilising Monte Titoli's expertise, is on track to commence operation in Summer 2014 having received regulatory approval from the CSSF – J.P. Morgan has already signed up as the first user of settlement, custody and asset servicing services.

A glossary of terms can be found on pages 144 and 145.
Profitability of each segment can be found in the Financial Review on page 38.

Introduction

Post Trade Services in Italy are crucial to the securities trading industry. Our post trade businesses in Italy, Monte Titoli and CC&G, provide the markets with settlement, depository, custody, risk and collateral management, clearing and central counterparty (CCP) services in order to mitigate risk and ensure the efficient running of capital markets.

The post trade regulatory landscape is undergoing significant changes, emphasising the importance of the role of clearing houses and Central Securities Depositaries (CSDs) in post-crisis financial markets. It also creates opportunities for growth in this area, as more reliance is placed on post trade infrastructure providers. Our continued strong service in volatile market conditions emphasises the high quality of our risk management and post trade processes.

CC&G

CC&G provides risk management, open access clearing and CCP services for 14 markets, including services to non-Group markets, and has 150 clearing members. CC&G eliminates counterparty risk, acting as buyer toward the seller and vice versa, becoming the guarantor of the final settlement of the contracts. CC&G provides services across a diverse range of asset classes including cash equities, derivatives, closed-end funds, fixed income, energy products and, most recently, agricultural commodity derivatives. CC&G has an interoperability agreement with LCH.Clearnet SA for European Bond and Repo markets.

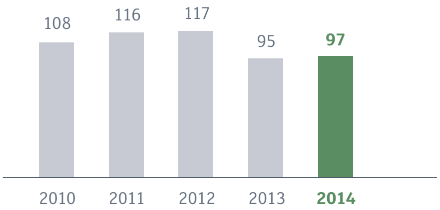
As a result of increased trading volumes in equities and fixed income, clearing revenues increased by 11 per cent to £40.0 million (2013: £36.1 million).

CC&G generates net treasury income by investing the cash margin it holds. Average daily initial margin rose by 18 per cent to €11.9 billion for the period (2013: €10.1 billion). As we entered the year CC&G had started to change its investment policy in terms of where the cash margin it holds is invested. This change was made to meet new regulatory technical standards for the European Market Infrastructure Regulation (EMIR). By September 2013 CC&G met these standards with 95 per cent of cash invested on a fully collateralised basis. In last year's report we stated that we expected a reduction in net treasury income, and income for the year amounted to £47.6 million, down 59 per cent on the previous year (2013: £116.7 million). CC&G has been increasing the range of international services and markets it serves. In October 2013, we extended our CCP service to clear bonds denominated in euros settled via international CSDs, offering a pan-European settlement system. The service offers clients a more efficient post trade management process, allowing CC&G operators and customers to benefit from significant savings on settlement commissions.

Given the importance of the role of CCPs in post-crisis financial markets, CCPs have come under scrutiny with increased regulatory requirements. CC&G received recertification authorisation under EMIR in May 2014. This process will lead to increased minimum capital requirements which CC&G will meet through existing capital resources.

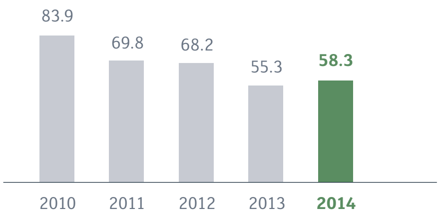
Trades and contracts cleared

million



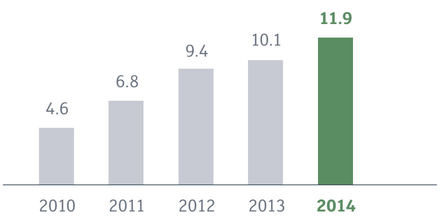
Settlement instructions

million



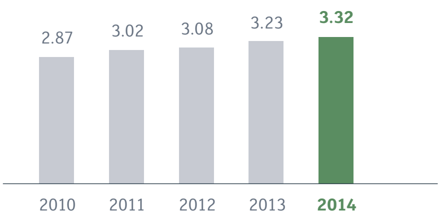
Initial margin held

average € billion



Assets under custody

€ trillion



Monte Titoli

Monte Titoli, our Central Securities Depository (CSD), is a leading provider of efficient and secure pre-settlement, settlement, custody, asset servicing and collateral management services. It is a leader in the post trade industry with an AA rating from Thomas Murray, the specialist custody rating, risk management and research firm, and has €3.32 trillion in assets under custody.

Monte Titoli processed 58.3 million settlement instructions, up five per cent on the previous year reflecting higher trading levels in the Italian equity and fixed income markets (2013: 55.3 million). Monte Titoli continued to provide a low cost and efficient settlement system, with a settlement rate of 99.2 per cent of trades (2013: 99.4). Monte Titoli's settlement rate exceeds the European settlement standards.

Monte Titoli has signed the TARGET2-Securities (T2S) Framework Agreement and will participate in the first wave of T2S, scheduled to go live in June 2015. T2S will be the new centralised settlement platform for securities, developed and operated by the Eurosystem (the European Central Bank and the national central banks of the Eurozone), created to provide settlement services for any type of transaction in Central Bank money. In March 2014, 13 institutions signed a declaration to become Directly Connected Participants (DCP) of Monte Titoli in Wave 1, signalling strong interest for the Monte Titoli offering since the launch of the T2S platform.

Monte Titoli is the largest CSD entering in the first wave of T2S and will be able to offer major European players access to settle cross-border contracts as if they were domestic, eliminating problems such as delays and errors in the interaction of different settlement systems. In the past year, Monte Titoli has been working to harmonise its processes in view of T2S. As part of this, in October 2014, settlement of contracts executed on the Italian market will move from T+3 to T+2, meaning that the intended settlement date shall be no later than the second business day after a trade takes place.

Monte Titoli has an extensive customer base, comprising 232 banks, brokers, CCPs, trading venues and 2,174 issuers and provides asset servicing in relation to a wide range of financial instruments. Assets held under custody at Monte Titoli increased by 2.8 per cent to €3.32 trillion (2013: €3.23 trillion).

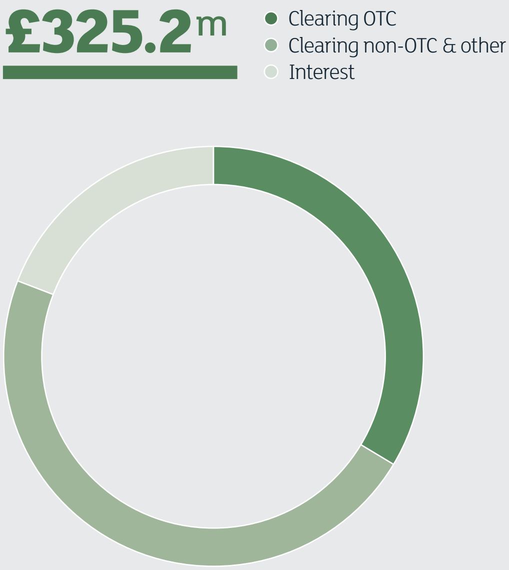
In July 2013, the Group confirmed plans to launch globeSettle, a new central securities depository (CSD) business, based in Luxembourg. The new CSD is on track to commence operation in Summer 2014, having received approval from the CSSF. It has already confirmed that it will provide settlement, custody and asset servicing for J.P. Morgan's international collateral management business.

Post Trade Services

LCH.Clearnet

Adjusted income*

£325.2m



Key Summary

- The Group acquired a majority stake in LCH.Clearnet in May 2013.
- LCH.Clearnet's income for the 11 month period was £325.2 million, with OTC clearing revenues of £109.6 million, non-OTC revenues of £153.4 million, and net treasury income of £62.2 million.
- SwapClear, the world's leading interest rate swap clearing service, cleared $526 trillion notional.
- SwapClear obtained a license to provide OTC rate clearing services to Australian member banks, and will be further expanding its service globally to cater for different timezones.
- RepoClear, one of Europe's largest fixed income clearers, cleared €72.3 trillion in nominal value.
- EquityClear clearing volumes increased to 384.7 million trades due to increases in trading activity, as well as an increase in venues and customers. It also became the first CCP to offer OTC Equity Contracts for Difference (CFDs).
- In May 2013, LCH.Clearnet began clearing for NASDAQ OMX NLX, the new London-based single market for trading the full European interest rate curve.
- Enhanced its compression offering via SwapClear to include multilateral compression, which enables customers to reduce outstanding positions and lower their counterparty exposure and capital costs.

* Adjusted income excludes unrealised gain/loss.
A glossary of terms can be found on pages 144 and 145.
Profitability of each segment can be found in the Financial Review on page 38.

Introduction

On 1 May 2013, the Group completed the acquisition of a majority stake in LCH.Clearnet. LCH.Clearnet is a leading multinational clearing house, with clearing operations in the UK (LCH.Clearnet Limited), the Eurozone (LCH.Clearnet SA), the US (LCH.Clearnet LLC) and an expanding presence in the Asia-Pacific region. LCH.Clearnet provides services to mitigate counterparty risk across multiple asset classes for sell-side clearing members and buy-side clients operating on major exchanges and platforms as well as a range of OTC markets.

As central counterparties (CCPs), LCH.Clearnet operating companies sit in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, the relevant CCP owns the defaulter's risk and becomes accountable for its liabilities. During the life of a trade, or that of a portfolio of trades, the LCH.Clearnet operating companies process all cash flows and mark the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.

The Group's revenue base continues to diversify across its products and services. Fundamental to LCH.Clearnet's risk process is its collection of quality collateral from clearing members and clients as insurance to recover or replace defaulted risk.

Suneel Bakhshi was appointed as the Group Chief Executive Officer for LCH.Clearnet, joining in February 2014. Upon taking up his position, Mr Bakhshi also became a member of LSEG's Executive Committee.

LCH.Clearnet was named Risk Magazine's 2014 Clearing House of the Year after fulfilling criteria which included risk management, customer satisfaction, responsiveness to new regulations, engagement with regulators, liquidity provision and creativity.

OTC derivatives

SwapClear, the world's leading interest rate swap clearing service, led the move to mandatory central clearing, delivering high levels of efficiency and liquidity to an increasing roster of members and clients. At year end, SwapClear cleared $526 trillion total notional and compressed a further $168 trillion of interest rate derivatives. During the year, SwapClear cleared $67.5 trillion of client notional, bringing the total to date to $95 trillion client notional, nearly four times the level of its nearest competitor.

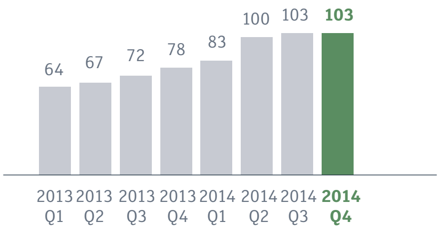
During the year, membership increased by 25 members to 103, with 142 market makers now using the service. Total clearing revenue for the 11 month period was £91.5 million.

SwapClear introduced real time trade registration, currency and tenor extensions to its Overnight Index Swap (OIS) offering, and a timely initial margin recalibration to ensure optimal risk management performance in a range of interest rate environments.

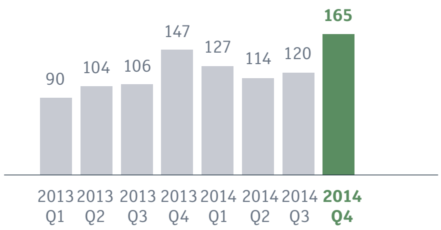
In the US, SwapClear expanded its global footprint with the launch of LCH.Clearnet LLC, a US-domiciled Derivatives Clearing Organisation (DCO) and the new SwapClear US-domiciled service.

In the coming months, SwapClear plans to expand and adapt its service globally to cater for more time zones, develop its proprietary compression offering, and introduce inflation-linked swaps and other product extensions. On recertification of LCH.Clearnet, SwapClear will be rolling out more customer protection offerings under EMIR.

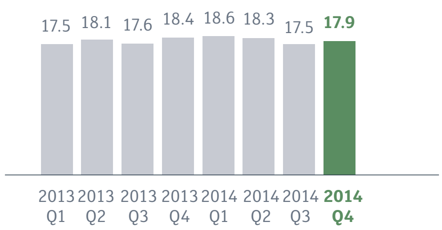
SwapClear
members



SwapClear total notional cleared
US$ trillion



Fixed Income
nominal value cleared € trillion



CDSClear offers industry leading default management provisions and clears the broadest set of European credit indices. In July 2013 CDSClear extended its reach to offer clearing to European clients and US clearing members. In December 2013, the CFTC granted LCH.Clearnet SA registration as a Derivatives Clearing Organisation (DCO), enabling the service to provide US client clearing for broad based indices. In the same month, CDSClear's product set was expanded with the introduction of 187 single-name CDS. CDSClear cleared €153.8 billion notional value in the last year, with open interest standing at over €28.3 billion. CDSClear has 11 members and over the next year will expand the product offering to include the new ISDA definitions, CDX/US Single names and Financials.

ForexClear is LCH.Clearnet's market-leading service clearing interbank foreign exchange (FX) non-deliverable forwards (NDF) in multiple currencies. During the year ForexClear cleared US$832 billion. The service offers the only 24-hour OTC FX clearing service for 20 members. In 2013, the service became fully US compliant through the implementation of real time trade registration, and launched client clearing. In the upcoming year, ForexClear will be working with industry participants to define settlement solutions to expand the clearing of FX products in line with regulatory requirements and will look to expand its global offering.

In April 2014, the SwapClear, ForexClear and CDSClear services' arrangements were amended (with effect from 1 January 2014) to ensure they met EMIR and other regulatory requirements for clearing houses, as well as recognising the changing economics and increased regulatory capital for running OTC derivatives clearing services. The surplus share arrangements in the SwapClear and ForexClear services have been replaced with revenue share arrangements.

Non-OTC Clearing

Fixed Income

LCH.Clearnet is the leading clearer of European repo and cash bond markets, clearing €72.3 trillion in nominal value in the last year (2013: €71.5 trillion), comprising 15 European government repo and cash bond markets. LCH.Clearnet SA has an interoperability agreement with CC&G for Italian Government Bond and Repo markets. Total revenue for the 11 month period was £31.8 million.

In March, LCH.Clearnet SA launched €GCPlus, a central clearing services for the tri-party repo market, in collaboration with Euroclear and Banque de France. The new service enables fixed income trading desks, treasurers and other market participants to efficiently manage Eurosystem eligible collateral and to generate liquidity in a cleared environment.

RepoClear is LCH.Clearnet Limited's market leading service clearing cash bond and repo trades across a number of European markets. RepoClear is one of Europe's largest clearers of fixed income and plays an important role in the facilitation of interbank liquidity.

RepoIQ, a new Value at Risk (VaR) margin methodology with a margin simulator, was introduced to all RepoClear members during April 2014. Additionally, RepoCalc, the new margin monitoring and simulation tool has been launched, providing greater margin requirement visibility and simulation capabilities.

Commodities and Listed Derivatives

LCH.Clearnet provides clearing services for interest rate and equity derivatives as well as a range of commodities markets, including power and associated energy markets, base and precious metals and agricultural products. It also provides clearing for OTC forward freight agreements for the most actively traded routes. Total revenue for the 11 month period was £82.1 million.

Clearing for the London Metal Exchange, a major part of the commodities clearing performed by LCH.Clearnet, is expected to cease from September 2014, as this business is migrated to LME's own clearing house.

In 2013, LCH.Clearnet Limited launched clearing for NLX, a new Nasdaq OMX MTF offering a range of both short-term interest rate (STIRs) and long-term interest rate (LTIRs) euro and sterling-based listed derivatives. As expected, the clearing of derivatives on the LIFFE market by LCH.Clearnet ceased in June 2013, while a Euronext continental derivatives agreement was signed to extend clearing of listed derivatives until December 2018.

Cash Equities

LCH.Clearnet provides equity clearing services for a wide coverage of European regulated exchanges and MTFs including LSE, Turquoise, Euronext, SIX Swiss Exchange, Oslo Børs, BATS Chi-X Europe, AQUIS and other venues. LCH.Clearnet is uniquely positioned to provide risk management and clearing services from Asian market hours through European Trading to the close of the US markets. It has been at the forefront of industry initiatives to introduce competition and provide cost efficiencies for users of the European cash equities markets through the implementation of interoperable arrangements with other CCPs. Total revenue for the 11 month period was £32.4 million.

In the last year, clearing volumes increased to 384.7 million trades (2013: 327.9 million). This is due to increases in trading activity, as well as an increase in venues and customers. In October 2013, LCH.Clearnet became the first CCP to offer clearing of OTC Equity Contracts for Difference (CFDs), helping investors to access the best market price for a trade while benefiting from reduced counterparty risk, collateral efficiencies and cross-margining opportunities between cash equities and CFDs.

LCH.Clearnet also provides interoperability with three other clearers (SIX, EuroCCP NV and Oslo Clearing). Clearing members benefit from margin off-sets and collateral efficiencies from centralised clearing. Also members will benefit from reduced clearing costs with increased volumes through the global incremental tariff.

Net Treasury Income

Net treasury income is the result of revenue earned on assets posted to the clearing house, less interest paid to the members on their initial margin and default fund contributions. The primary role of the investment function is the protection of client assets. Prudent investment and robust liquidity risk management remain at the core of LCH.Clearnet's investment strategy with risk parameters set by independent risk committees and regulatory requirements. Total income from Net Treasury Income for the 11 month period was £62.2 million.

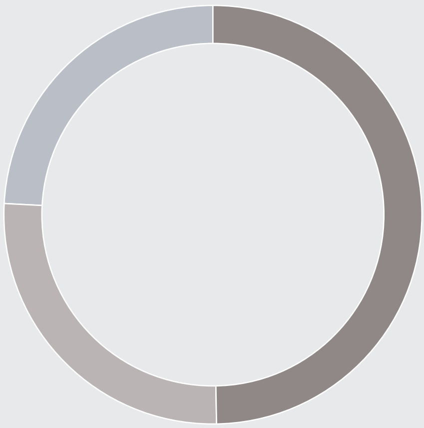
Information Services

Revenues

£348.7m

2013: £306.3m

- FTSE
- Data charges
- Other information



Key Summary

- Revenues increased by 14 per cent to £348.7 million, representing growth in North America and Asia, and the completion of Vanguard's $209 billion benchmark switch to FTSE, one of the largest ever switches of benchmarks.
- FTSE entered into an agreement with TMX to create FTSE TMX Global Debt Capital Markets in April 2013.
- FTSE also increased its China offering, with continued development of the FTSE China Index series, the leading benchmark for Chinese ETFs, and the launch of the FTSE BOCHK Offshore RMB Bond.
- Real time data revenue declined six per cent to £90.8 million. Other Information Services products performed well, with revenues up by 11 per cent to £83.9 million.
- UnaVista increased its user base to over 30,000 (2013: 9,000). It became the largest approved reporting mechanism in Europe by trade volumes and client numbers.

A glossary of terms can be found on pages 144 and 145.
Profitability of each segment can be found in the Financial Review on page 38.

Introduction

Our Information Services division meets the needs of financial market participants for fast, reliable and accurate market information. We offer a wide range of other services, including real time trading data, global indices and post trade confirmation and reporting services.

This year, we have continued integrating FTSE, our global index business, into the Group. We have seen continued growth in North America and emerging markets, with an increase in ETF assets linked to FTSE benchmarks.

FTSE

FTSE is a leading worldwide provider of information solutions. It is a high growth, high quality global index business with over 250,000 indices calculated across 80 countries and is the number three provider of indices worldwide by revenue. FTSE earns around 60 per cent of revenue from annual subscription fees and 40 per cent from licensing for index-based products. Clients include both active and passive fund managers, consultants, asset owners, sell-side firms and data vendors. FTSE's products are used extensively by market participants worldwide for investment analysis, performance measurement, asset allocation and hedging. Leading pension funds, asset managers, ETF providers and investment banks work with FTSE to benchmark their investment performance and use FTSE's indices to create world-class ETFs, index tracking funds, structured products and index derivatives. FTSE also provides many exchanges around the world with their domestic indices. Total revenue for the last year increased 30 per cent to £174.0 million (2013: £134.1 million).

FTSE's presence in the US continues to grow, with a significant portion of its revenue coming from operations in North America. There has been continued development of the FTSE China Index Series, with launches of ETFs based on the FTSE China A50 Index on various exchanges including London Stock Exchange.

In April 2013, FTSE and TMX combined their fixed income businesses in a new venture, FTSE TMX Global Debt Capital Markets. FTSE TMX fixed income indices are used as benchmarks for more than $1 trillion in assets. Additionally, MTS bond indices have become part of the FTSE TMX venture, and these indices will be rebranded in the coming months. This year FTSE launched the FTSE BOCHK Offshore RMB Bond Index series, in partnership with the Bank of China (Hong Kong).

FTSE products cover a range of asset classes and vary from traditional market capitalisation weighted indices to an expanding range of thematic and alternatively weighted indices.

In 2013, FTSE won the titles of Index Provider of the Year at the European Pensions Awards and Most Recognised ETF Brand (Asia) at the Global ETF Awards for China A50.

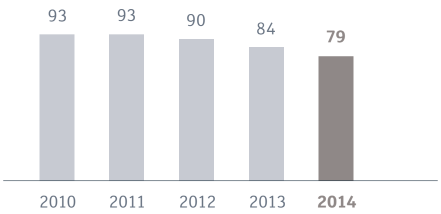
FTSE expects to issue a statement with respect to its compliance with IOSCO's Principles for Financial Benchmarks, by July 2014.

Real Time Data

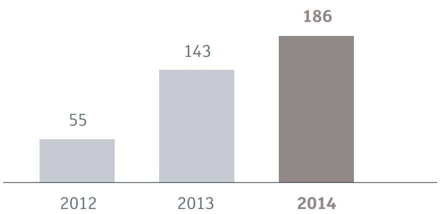
Our Real Time Data service provides the primary reference data for UK and Italian equities, delivered by our advanced market data platform. This real time, tick by tick data is used by traders, brokers and fund managers around the globe. Total revenue for the last year declined six per cent to £90.8 million (2013: £96.9 million).

The number of professional users accessing real time data across our direct network, or through our network service providers and market data vendor partners, decreased by six per cent to 79,000 professional terminals for

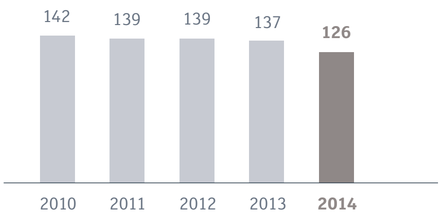
LSE terminals
thousands



ETF assets under management benchmarked to FTSE indices
US$ billion



Borsa Italiana terminals
thousands



London Stock Exchange (2013: 84,000) and by eight per cent to 126,000 professional terminals for Borsa Italiana (2013: 137,000). These declines were largely the result of headcount reductions and general cost cutting in the sector. Declining terminal revenue is to some extent offset by increasing use of real time data by many non-display applications, including algorithmic/black-box trading. Private investor appetite for real time data continues to grow, with increasing interest in LSEG data on digital platforms such as Google.

This year our focus has been on increasing customer accessibility and promoting harmonisation between data services. We have been progressing with our Group Ticker Plan project, which will offer access to all of our markets via a single feed. LSE sits on the Market Model Typology (MMT) steering committee which, in collaboration with other exchanges and data distributors and trading participants, is promoting the design of a new data standard to enable clearer comparisons to be made between post trade equity data from trading venues across Europe.

Other Information Services
UnaVista is the Group's secure platform for all matching, validation and reconciliation needs. It offers services for regulatory reporting, trade confirmations, reconciliations and reference data. In the last 12 months, UnaVista has increased its user base to over 30,000 (2013: 9,000). Our multi-asset class MiFID Transaction Reporting service processes over 1.5 billion trades annually, making it the largest Approved Reporting Mechanism in Europe by trade volumes and client numbers.

This year, we launched our EMIR Trade Repository solution, approved by ESMA as a repository across all asset classes and geographies. We also launched the UnaVista Rules Engine to help clients meet their wider regulatory reporting needs. In February, the Hellenic Exchanges Group selected UnaVista Rules Engine and Trade Repository solutions to assist it with EMIR trade reporting. Over the next year, UnaVista plans to launch other solutions to assist clients manage their evolving regulatory reporting needs including the Alternative Investment Fund Managers Directive (AIFMD) and the Regulation on Energy Market Integrity and Transparency (REMIT).

SEDOL is our global, multi-asset class numbering system, providing reference data and unique identification codes for global equity, derivatives and fixed income securities. The SEDOL Masterfile Service database provides clients with access to reference data on over five million live and almost 50 million historical instruments. In an extension to its duties as a national numbering agency, London Stock Exchange was sponsored by the Financial Conduct Authority (FCA) to be a Local Operating Unit (LOU) for the global allocation of the new Legal Entity Identifier (LEI), which uniquely identifies every legal entity or structure, in any jurisdiction, which is party to a financial transaction. The LEI is mandatory for a number of global regulations and UnaVista technology is being used to allocate and maintain the codes. Since launch in mid 2013, we have become the third largest LOU and have allocated over 20,000 LEIs globally across six continents.

Proquote is our cost effective, global market data provider and offers a wide range of trading services through its trading platform and electronic execution gateway. Proquote has a partnership programme with companies including Factset, SunGard, Liquid Metrix and Digital Look, offering solutions for mobile services, risk, surveillance, and best execution. This year, Proquote also partnered with Web Financial Group to form Obsidian IR Ltd, which will deliver content and technology specifically tailored to meet companies' increasing demand for sophisticated investor relations solutions. In October, Proquote launched a global order routing network for retail brokers, allowing them to route care orders and direct market access instructions through a community of 170 sell-side brokers by connecting into the LSE hub.

RNS is a leading high quality service for UK regulatory news announcements and global press releases. RNS helps companies and their intermediaries to fulfil their UK and other global regulatory disclosure obligations in the most effective and time-efficient way. Over 70 per cent of all regulatory and potentially price-sensitive UK company announcements are published using RNS. Our 2013 customer survey found that over 99 per cent of RNS customers were either satisfied or very satisfied with the service. Of the 120 IPOs in 2013, 118 registered to become RNS customers. Over 265,000 announcements were processed by RNS during FY 2014 (2013: 256,605), covering the majority of UK company announcements. RNS operates as a Primary Information Provider and is regulated by the FCA.

Total revenue for the last year increased 11 per cent to £83.9 million (2013: £75.3 million).

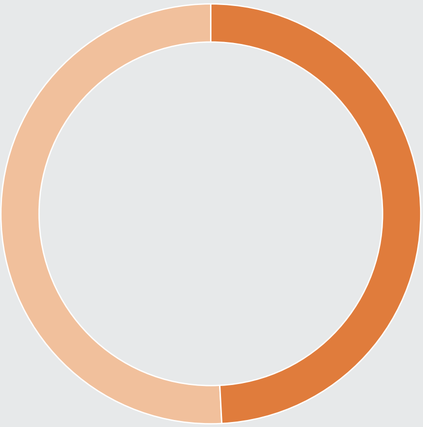
Technology Services

Revenues

£64.0m

2013: £56.1m

- MillenniumIT and Global Business Development
- Exchange Technology



Key Summary

- Revenues increased 14 per cent to £64.0 million.
- Our cash equity markets use the Millennium Exchange trading platform, Turquoise, which has an average latency of 102 microseconds (2013: 99 microseconds), remaining one of the fastest operating trading platforms in the world. LSE has average latency of 111 microseconds (2013: 106 microseconds), slightly higher than Turquoise due to the more diverse range of products, customers and the advanced functionality that it offers.
- MillenniumIT increased revenue by 17 per cent to £31.5 million (2013: £26.9 million).
- Canada's TMX went live with MillenniumIT Smart Order Router to aid compliance with Canadian regulation. It was also recently rolled out as the Orion Central Gateway platform for Hong Kong Exchanges and Clearing Limited.
- MillenniumIT also successfully launched the Compliance Monitoring System (CMS) for the London Metal Exchange, and extended Millennium Exchange to Burgundy, the Nordic MTF.
- In July 2013, the Group was selected as the business development and technology partner by the Argentinian Central Securities Depository (CSD), Caja de Valores S.A.

A glossary of terms can be found on pages 144 and 145.
Profitability of each segment can be found in the Financial Review on page 38.

Introduction

The Group's Technology Services provides high speed trading platforms, post trade platforms, real time market data and infrastructure products and services to our own markets and to a wide range of customers including banks, specialist trading firms and other exchanges.

Exchange Technology

All of our cash equity and retail bond markets have now been migrated and upgraded to the latest version of the Millennium Exchange trading platform. This migration has helped reduce our cost base and increased opportunities for customers to benefit from enhanced functionality and further expansion of our co-location services. As a consequence of technology upgrades, we are able to modernise and develop at lower costs and have seen a 100 per cent uptime for all markets. The next stage will be to further improve efficiency for other Group platforms.

Our UK cash equity and Turquoise platforms continue to exhibit excellent technical performance attributable to our Millennium Exchange technology. Our Turquoise markets have an average latency of 102 microseconds, remaining one of the fastest operating trading platforms in the world. On the UK cash equities platform, average latency is 111 microseconds, slightly higher than Turquoise due to the more diverse range of customers and the advanced functionality that it offers.

In Post Trade Services, our IT systems and processes are on track for the migration to TARGET2-Securities (T2S), with testing due to commence later this year. T2S is a project of the European Central Bank, which aims to facilitate cheaper cross-border settlement across Europe. Phase 1 of T2S, of which the Group is a participant, is due to start in June 2015.

Our Group Ticker Plant (GTP) project launched this year. This high speed technology platform provides a single, normalised real time market data protocol for broadcast of market data from across the Group, regardless of asset class, trading platform or geography. The launch represents a significant step in our technology strategy. It will allow customers to connect to our markets or data products including indices via a single interface. The FTSE Low Latency Index Series will introduce the lowest latency calculation of the leading FTSE UK Series indices. Driven by client requests following consultation, the FTSE 100 Low Latency and FTSE 250 Low Latency indices will initially be calculated by the GTP, directly at the creation of the underlying data in the Group's data centres.

Our Sponsored Access service allows non members a direct technical connection to the LSEG's equity order books under the trading codes of a Sponsoring Firm.

GATElab, our Italian and UK based technology company supplies advanced trading, market access and post trade technology globally.

GATElab's multi-asset cross-markets suite of components, MiFID compliant, fulfils the needs of buy-side, sell-side and hedge-fund partners: from a fast single-click trading front-end to a flexible and easily-programmable automated trading and quoting engine, from a dealer-to-broker fix interconnection and a fast Execution Management System (EMS) and Order Management System (OMS), to a real time forwarding of captured trades/ orders to position and back-office systems.

EuroTLX, a European Retail Bond trading platform, which joined the Group in September 2013, will be migrated to Millennium Exchange in Italy later this year.

In 2014, Exchange Technology revenue increased by 11 per cent to £32.5 million (2013: £29.2 million).

MillenniumIT
MillenniumIT offers pre- to post trade, multi-asset, ultra-low latency, agile capital market solutions. MillenniumIT technology powers trading venues, banks, broker dealers and post trade institutions and its systems are live in over 30 organisations around the world. The MillenniumIT model is to invest in technological innovation to give clients a competitive advantage. MillenniumIT has been part of the Group since 2009 and this year opened a new state-of-the-art, 40,000 sq ft software development building on its existing Sri Lanka campus, to better support the building of best in class technology.

MillenniumIT's suite of capital market products includes Millennium Exchange, our flagship low latency multi-asset trading engine; Millennium SOR an intelligent smart order router and gateway solution; Millennium Surveillance, providing powerful multi-market, multi-asset class market monitoring; Millennium MarketData, providing ultra-fast and efficient data for financial markets; and Millennium PostTrade, offering multi-asset clearing, settlement, risk and depository solutions in real time. MillenniumIT also provides enterprise systems integration and low latency infrastructure services to customers in Sri Lanka and beyond.

In 2014, MillenniumIT revenue increased by 17 per cent to £31.5 million (2013: £26.9 million).

Highlights this year include:
- Millennium PostTrade was selected by Singapore Stock Exchange (SGX) to support its clearing, settlement and depository services. The new system will allow SGX to clear, settle and safe-keep assets in a quicker and easier way in multiple currencies and across asset classes, allowing SGX to improve customer access and roll out new products much faster.
- Millennium SOR went live in Canada's TMX to aid compliance with Canadian regulation. It is also supporting the Orion Central Gateway platform for Hong Kong Exchanges and Clearing Limited.
- Millennium Surveillance went live in the London Metal Exchange, powering the Compliance Monitoring System (CMS).
- Millennium Exchange was rolled out in Burgundy, the Nordic MTF owned by Oslo Børs.

Global Business Development
The Global Business Development team develops and implements business opportunities with other exchanges and business partners, leveraging the assets of the Group to generate new revenues and establish long term strategic partnerships.

In July 2013, the Group was selected as the business development and technology partner by the Argentinian Central Securities Depository (CSD), Caja de Valores S.A. (CVSA). CVSA acts as the technology provider to the newly formed Bolsa & Mercados Argentinos exchange (B&MA). MillenniumIT, will supply capital markets technology across asset classes, including its ultra low latency, highly scalable trading platform, Millennium Exchange. London Stock Exchange Group will also provide a range of ancillary services alongside the trading technology agreement to help further develop the Argentinian capital markets.

We continue to assist the Mongolian Stock Exchange's (MSE) project to modernise the country's capital markets infrastructure. We are currently working with the Ghanaian Central Securities Depository (CSD (Gh)) and Ghana Stock Exchange to help develop their five year strategic plans and help contribute to the economic growth in Ghana and its sub region.

Interest from markets worldwide is strong, including from frontier and emerging markets looking to develop and promote their capital markets.

Our wider responsibility

The Group plays a vital economic and social role in enabling companies to access funds for growth and development. As such, integrity and trust in our markets, and across the Group, are at the core of what we do.

Below, we summarise our approach to corporate responsibility and outline some of our key achievements during the year. We have also produced a detailed corporate responsibility (CR) report, which can be downloaded at www.lseg.com/corporate-responsibility/corporate-responsibility.htm.

Managing the business in an effective and sustainable manner
Integrity and trust are at the core of what we do. For more than 200 years, we have operated under the banner of 'My word is my bond'. This overriding principle is still relevant today as a provider of open, trusted, reliable, independent and user-neutral services. Exchanges underpin global economic growth and fulfil an important social purpose by supporting funding and development of SMEs, encouraging market transparency, benchmarking investments and by advocating sustainable best practice in corporate behaviour. Environmental, social and governance (ESG) factors are core to efficient, transparent, resilient and well governed capital markets.

Environment
Over the last three years, we have achieved considerable improvements in our approach to environmental sustainability. The Group's primary GHG emissions arise from energy, waste and water in our offices and data centres around the world, from staff travel, and indirectly from our supply chain (please see the Environment section of our CR report for details on emissions and targets).

We are taking an active approach to emissions management, with our global Environmental Management Group measuring GHG impacts across our 51 location property portfolio, including managed offices where possible. We report performance quarterly via our Intranet, and annually disclose to the Carbon Disclosure Project, DJSI, FTSE4Good and on our website.

Global FY14 GHG Emissions (1 April 2013 to 31 March 2014) (tCO_2e)	
Total Scope 1 & 2 Emissions (as per below)	22,843
per m^2 [1]	0.26
per FTE	7.20
per £m Revenue	20.99
Combustion of fuel and operation of facilities[2]	1,392
Purchase of electricity, heat, steam and cooling by the Group for its own use[3]	21,451

1 Total building floor space, including data centres.
2 Scope 1 including Natural Gas, Diesel, LPG and Fleet Vehicles.
3 Scope 2 (the Group does not purchase heat, steam or cooling).
Note: FY2014 GHG emissions will form the new baseline for GHG emissions due to significant changes in the LSEG, incorporating FTSE and LCH.Clearnet.

Our emissions are calculated using GHG Protocol and UK Government Environmental Reporting Guidelines, including mandatory greenhouse gas emissions reporting guidance. We use DEFRA UK Government GHG Conversion Factors, US Environmental Protection Agency eGrid, and International Energy Agency factors.

The emissions stated above are all of the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for any emissions sources that are not included in our consolidated statement.

Social
People
Our people are at the heart of what we do and drive the success of our business. Attracting, developing and retaining the skills we need to deliver on our strategy of being the most trusted market expert is a key imperative for the Group. We are dedicated to unifying our growing company and supporting our employees' talent in an environment built on partnership, integrity, innovation and excellence.

This year, we invested significantly in implementing our Group Behavioural Framework, which underpins our values, Code of Conduct and Group CR policy by driving behaviours that are key to our long term success. Further information on our approach to developing and retaining our people is detailed in the CR report.

Diversity/Equal Opportunities
We value diversity as a driver for development and innovation. Our operations span four continents, with offices in Canada, France, Hong Kong, India, Italy, Japan, Sri Lanka, the UK and the US. We have employees of 51 different nationalities, reflecting both the growing international scale of our business and the diversity of our customer base. Six nationalities are represented on our Executive Committee.

Gender Diversity

	Female	Male
LSEG plc Board[1]	**2**	**12**
LSEG Subsidiary Boards[1,3]	10	126
Executive Commitee and Leadership Teams[2,3]	19	94
All staff	**898**	**1,869**
Total	917	1,963

1 Mix of staff and Non-Executive Directors.
2 Executive Committee and leadership teams in LSEG and LCH.Clearnet.
3 The LSEG Subsidiary Board members and the Executive Committee and Leadership Teams together comprise the "Senior Managers" for the purposes of 414C(10)(b) Companies Act 2006.

Human Rights

London Stock Exchange Group prides itself on its high standards of social responsibility. To that effect, the Group respects and seeks to adhere to the principles covered by the Universal Declaration of Human Rights together with the International Labour Organisation Conventions and the Voluntary Principles on Security and Human Rights within its working environment in each location where it operates. The Group strongly supports these conventions which aim to abolish forced labour and child labour and promote freedom of association and equality. Human rights considerations are included in our Group-wide Code of Conduct.

Community

Our global presence continues to expand, both in terms of the companies that join our markets and the countries in which we operate. As part of this progression, we are dedicated to engaging with the growing number of communities that we become a part of. Whether through our charitable programmes, reducing our environmental footprint, or encouraging an open dialogue with our stakeholders, we are committed to serving our communities.

The Group established the London Stock Exchange Group Foundation in 2010 which provides a single channel for the Group's charitable giving and for promoting and facilitating staff engagement with the community. The Community section of the Group CR report outlines some of the work that the Foundation supports.

This year, the Group donated £1,661,000 to charity (2013: £1,193,000), an increase of 39 per cent on last year (excluding charitable donations made through LCH.Clearnet, the increase in donations was 17 per cent). This year's total donations are equivalent to £577 per employee, in line with £593 last year. Our donation per employee is 16 per cent higher than the level calculated in research by the London Benchmarking Group, which showed that the average amount donated per employee by leading UK corporate donors in 2013 was £499.

Governance

We are committed to the highest standards of corporate governance. Given our central role in a constantly evolving global economic landscape, it is important to us that we foster confidence in our markets and in the services we provide. Our Group-wide Code of Conduct sets out the ethical and behavioural framework governing the Group's activities and the behaviours we expect from our directors and staff. Complying with the framework ensures that we maintain our reputation and that our employees apply the highest standards when dealing with our stakeholders. The Group also complies with the UK Corporate Governance Code (see page 57 for further details).

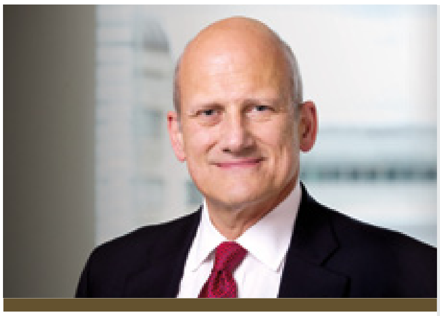
Given the size and scope of our businesses, we face a wide and expanding universe of risks. In particular, our presence in post trade services increases our direct and indirect exposure to the volatility of financial markets. We also face technology risks such as cyber threats, systems resilience, and technological innovation; and political, regulatory and macro-economic risks, which include the impact of the actions of our competitors. To pursue our growth strategy in this dynamic environment requires best in class risk management. Our governance and risk management structures have evolved to meet this need (see pages 61 and 62 for further details).

Looking ahead

As our business expands and diversifies, we continue to review our approach to corporate responsibility. In the coming year, we plan to promote sustainable, responsible and effective business management through each of our core business activities. In addition to quantitative environmental, social and governance targets, we are dedicated to achieving the following aims:

Our Markets	— Continue to support the development of SMEs on our markets, including cleantech companies. — Encourage further good governance practices on our markets.
Our Services	— Further develop our offering of tools to help investors incorporate ESG considerations within their investment process and across all assets. — Further integrate our services to increase efficiencies for market participants.
Our People	— Focus on innovation through collaboration by leveraging our Group's talent and business diversity and promoting staff engagement. — Further embed our values and ethical behaviours within our business globally.
Our Communities	— Increase the impact of our charitable giving approach. — Focus on our short- and long-term environmental targets.

Financial review



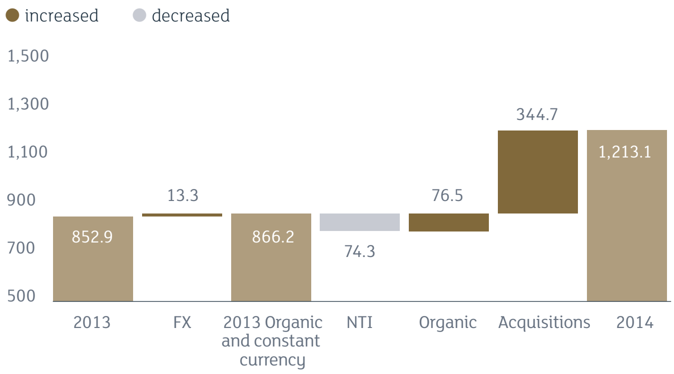
Highlights

- Adjusted total income up 42 per cent at £1,213.1 million (2013: £852.9 million) and total revenue rose 50 per cent to £1,088.3 million (2013: £726.4 million), including eleven months' contribution from LCH.Clearnet. On an organic constant currency basis adjusted total income was flat with increases in revenue from the core business segments offset by a reduction in net treasury income.
- Operating expenses increased 65 per cent to £698.4 million (2013: £422.7 million) including £245.2 million of costs relating to businesses acquired of which LCH.Clearnet was £240.6 million. On an organic constant currency basis costs were up six per cent (including inflation and growth in cost of sales) reflecting continued good cost control.
- Adjusted operating profit up 20 per cent at £514.7 million (2013: £430.2 million).
- Operating profit rose one per cent to £353.1 million (2013: £348.4 million).
- Adjusted basic earnings per share increased by two per cent to 107.1 pence. This included the benefit of one-time items of 2.4 pence relating to the release of provisions for Lehmans debtors and the exit from a leasehold property and 2.2 pence from the sale of a non-core asset (2013: 105.3 pence which included the benefit of 5.4 pence from a one-time prior years' tax adjustment).
- Basic earnings per share fell 22 per cent to 63.0 pence (2013: 80.4 pence) as a result of increased amortisation, transaction costs and interest payments following the acquisition of a majority stake in LCH.Clearnet Group and higher tax charges mainly due to a financial industry surcharge in Italy.
- Cash generated from operations increased six per cent to £515.4 million (2013: £487.5 million).
- Year end operating net debt to adjusted EBITDA at 1.9 times (2013: 1.2 times), within the Group's normal target range of one to two times following the debt financing of the acquisition of a majority stake in LCH.Clearnet and its subsequent capital raise.

David Warren
Group Chief Financial Officer

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency[3] %
Capital Markets	**309.5**	267.5	16	12
Post Trade Services – CC&G and Monte Titoli	**98.4**	91.8	7	4
Post Trade Services – LCH.Clearnet[1]	**263.0**	–	–	–
Information Services	**348.7**	306.3	14	10
Technology Services	**64.0**	56.1	14	12
Other	**4.7**	4.7	0	(2)
Total revenue	**1,088.3**	726.4	50	10
Net treasury income				
– CC&G	**47.6**	116.7	(59)	(61)
– LCH.Clearnet	**62.2**	–	–	–
Other income	**11.5**	9.8	17	19
Total income	**1,209.6**	852.9	42	0
Adjusted total income excluding unrealised losses[2]	**1,213.1**	852.9	42	0
Operating expenses[2]	**(698.4)**	(422.7)	65	6
Adjusted operating profit[2]	**514.7**	430.2	20	(6)
Operating profit	**353.1**	348.4	1	(12)
Adjusted basic earnings per share[2]	**107.1p**	105.3p	2	
Basic earnings per share	**63.0p**	80.4p	(22)	

Adjusted total income[2]
£ million



1 LCH.Clearnet results represent 11 months ended 31 March 2014.
2 Before amortisation of purchased intangibles, non-recurring items and unrealised net investment gains/losses at LCH.Clearnet.
3 Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes EuroTLX, FTSE TMX Global Debt Capital Markets, GATElab and LCH.Clearnet. The Group's principal foreign exchange exposure arises from translating our European based euro reporting businesses into sterling.

Capital Markets

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency %
Primary Markets				
Annual Fees	**41.2**	38.5	7	6
Admission Fees	**39.9**	32.3	24	21
Total Primary Markets	**81.1**	70.8	15	13
Secondary Markets				
Cash equities: UK & Turquoise	**94.5**	86.0	10	10
Cash equities: Italy	**36.1**	32.7	10	7
Derivatives	**19.6**	19.1	3	0
Fixed income	**68.1**	51.8	31	17
Total Secondary Markets	**218.3**	189.6	15	10
Other	**10.1**	7.1	42	38
Total revenue	**309.5**	267.5	16	12
Operating expenses	**(164.8)**	(148.6)	11	
Operating profit	**144.7**	118.9	22	

Capital Markets revenue, which comprises primary and secondary market activities, increased 16 per cent to £309.5 million (2013: £267.5 million). Primary markets revenue was up 15 per cent to £81.1 million (2013: £70.8 million) following the highest IPO activity seen in the last six years, and secondary market revenues increased by 15 per cent on higher equity and fixed income trading volumes and the inclusion of revenue from EuroTLX in which a majority stake was acquired in September 2013.

In primary markets, the total amount of capital raised across our equity markets, both through new and further issues, increased by 90 per cent to £34.2 billion (2013: £18.0 billion). This reflected a strong recovery, particularly in the second half of the year, in equity issuance for both domestic and international companies across our markets. In total, 57 issuers (2013: 40) joined our main markets in London, 20 companies (2013: seven) came to market in Italy and 111 companies (2013: 74) were admitted to trading on AIM. Looking ahead, the pipeline of companies looking to join our markets remains encouraging.

In secondary markets, both the UK and Italian equity trading activity increased on last year with average order book daily value traded in the UK up eight per cent to £4.3 billion (2013: £4.0 billion) and order book volume in Italy up five per cent to 235,000 trades per day (2013: 223,000). Trading on Turquoise, our pan-European equities platform, delivered a 67 per cent rise in average daily equity value traded to €2.8 billion (2013: €1.7 billion). Global derivatives volumes decreased in the last year, with 23 per cent and four per cent declines in the UK and Italy respectively, largely as a result of lower market volatility.

Fixed Income produced a good performance despite MOT volumes down nine per cent, while MTS grew strongly with MTS Repo volumes up two per cent and MTS Cash and BondVision value traded up 48 per cent. In September, the Group acquired a majority stake in EuroTLX, an Italian MTF operating in the European fixed income market, and six months of revenue (£6.6 million) is included in Fixed Income (£5.8 million) and Admission Fees (£0.8 million). Other capital markets revenues of £10.1 million (2013: £7.1 million) primarily comprise fees for membership of and connectivity to our markets.

Operating expenses (including cost of sales and Euro TLX costs) were up 11 per cent to £164.8 million (2013: £148.6 million) in line with increasing revenue and operating profit was up 22 per cent to £144.7 million (2013: £118.9 million).

Post Trade Services – CC&G and Monte Titoli

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency %
Clearing (CC&G)	**40.0**	36.1	11	7
Settlement (Monte Titoli)	**16.4**	15.5	6	2
Custody & other	**42.0**	40.2	4	1
Total revenue	**98.4**	91.8	7	4
Net treasury income	**47.6**	116.7	(59)	(61)
Inter-segmental income	**0.9**	–		
Total income	**146.9**	208.5	(30)	(33)
Operating expenses	**(63.4)**	(64.2)	(1)	
Operating profit	**83.5**	144.3	(42)	

Post Trade Services – CC&G and Monte Titoli, saw an expected sharp decline in net treasury income following completion of the migration to a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £146.9 million (2013: £208.5 million).

Clearing revenues grew by 11 per cent to £40.0 million, following the recovery in trading volumes in equities and fixed income. Similarly settlement revenues increased by six per cent with Monte Titoli processing 58.3 million settlement instructions, up five per cent on the previous year.

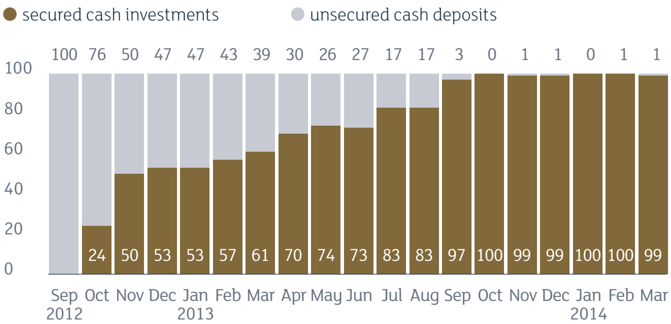
In the Monte Titoli CSD business the average value of assets under custody grew by three per cent, leading to an increase in year on year revenues from Custody on a constant currency basis. The main increase in assets under custody came in Government Bonds and Equity, the latter mainly due to increases in market capitalisation.

Financial review
continued

Secured investments

(excludes cash deposited with LCH.Clearnet SA through CC&G's interoperability arrangement)

%



CC&G generates net treasury income by investing the cash margin it holds, retaining any surplus after members are paid a return on their cash collateral contributions. The average daily initial margin rose 18 per cent to €11.9 billion for the period (2013: €10.1 billion). CC&G completed the move to a minimum 95 per cent secured investment level for cash margin, required to meet EMIR regulatory standards, with a subsequent reduction in yields. Net treasury income, as a result of this change, decreased by £69.1 million to £47.6 million (2013: £116.7 million).

Operating expenses were down one per cent to £63.4 million and combined with the decline in net treasury income resulted in a 42 per cent decrease in operating profit to £83.5 million (2013: £144.3 million).

Post Trade Services – LCH.Clearnet

Year ended 31 March (eleven months) Revenue	2014 £m
OTC	**109.6**
Non-OTC	**146.3**
Other	**7.1**
Total revenue	**263.0**
Net treasury income	**62.2**
Other income	**(3.5)**
Total income	**321.7**
Operating Expenses	**(240.6)**
Operating Profit	**81.1**

The Post Trade Services – LCH.Clearnet segment comprises the Group's majority owned global clearing business which was acquired on 1 May 2013. In the 11 month period as part of the Group, the division contributed revenue of £263.0 million and net treasury income of £62.2 million, offset by operating expenses of £240.6 million and resulted in an operating profit of £81.1 million.

OTC revenue of £109.6 million includes revenue from SwapClear, the world's leading interest rate swap clearing service, CDS Clear, which clears European credit indices and ForexClear, clearing interbank foreign exchange non-deliverable forwards in multiple currencies. SwapClear membership increased to 103 members in 2014 (2013: 78 members) while CDSClear had 11 members and ForexClear 20 members, an increase in the year of three members and five members respectively.

In April 2014, the SwapClear, ForexClear and CDSClear services' arrangements were amended (with effect from 1 January 2014) to ensure they met EMIR and other regulatory requirements for clearing houses, as well as recognising the changing economics and increased regulatory capital for running OTC derivatives clearing services. The surplus share arrangements in the SwapClear and ForexClear services have been replaced with revenue share arrangements. The impact for the period to 31 March 2014, including changes to CDSClear, has been to increase OTC revenues by £14.0 million with a corresponding increase in operating expenses of £10.2 million; this reflects the move to a revenue share and LCH.Clearnet is now recognising in full the assets and their associated amortisation relating to these businesses. In 2014, it is expected that LCH.Clearnet's overall share from the three OTC services in aggregate will be over 50 per cent, while SwapClear will be over 60 per cent. The new arrangements will become increasingly beneficial as the cost base is controlled and the OTC businesses continue to grow, through fee increases for new services and products, geographic expansion and an increased number of customers using the services.

Non-OTC revenue contributed £146.3 million in 11 months including £82.1 million from clearing services for interest rate and equity derivatives as well as a range of commodities markets, £32.4 million from cash equities which provides clearing services for a wide coverage of European regulated exchanges and multilateral trading facilities and £31.8 million from clearing cash bond and repo trades across a number of European markets.

Net treasury income is earned by investing the cash margin held, retaining any surplus after members are paid a return on their cash collateral contributions. This income for the 11 month period was £62.2 million with LCH.Clearnet investments remaining at over 95 per cent secured throughout the period.

The Group has identified significant additional cost savings as part of the integration process that commenced following completion of the acquisition. We have increased the cost synergies from the original €23 million (£19 million) target, to €60 million (£49 million) to be achieved in 2015 (from an expected annualised 2013 cost base of €306 million (£251 million), just prior to last year's acquisition). One-time costs to achieve the savings are expected to be €43 million (£35 million), with €31 million (£26 million) of this included in non-recurring items in the Group's March 2014 results.

These savings are being achieved through a number of measures, including restructuring of operations, procurement efficiencies, combination of group functions and other headcount reductions. These savings will more than offset expected cost increases over the same period, principally from higher depreciation charges from investment in systems and processes necessary to meet EMIR requirements and other operational needs.

Information Services

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency %
FTSE revenues	**174.0**	134.1	30	22
Real time data	**90.8**	96.9	(6)	(7)
Other information services	**83.9**	75.3	11	11
Total revenue	**348.7**	306.3	14	10
Operating Expenses	**(179.0)**	(159.2)	12	
Operating Profit	**169.7**	147.1	15	

Information Services provides fast, reliable market information including global indices products, trade processing operations, desktop and workflow products. In the last year Information Services revenue rose 14 per cent to £348.7 million (2013: £306.3 million) reflecting a strong performance from FTSE as well as growth in other products.

FTSE's revenue increased 30 per cent to £174.0 million (2013: £134.1 million) driven by an increase in subscription revenues from net new business and the completion of Vanguard's benchmark switch to FTSE. Growth was boosted from the inclusion of the new FTSE TMX fixed income indices joint venture in April 2013. We remain on track to achieve the three year aggregate target of £28 million set for FTSE global revenue and cost synergies, with the SEDOL business benefiting in particular through the FTSE sales network.

Real time data revenue declined six per cent year on year as a result of fewer users in both the UK and Italy, down six per cent and eight per cent respectively. These falls were largely the result of headcount reductions and general cost cutting in the sector. Other Information Services performed well, in particular UnaVista which increased its user base to over 30,000 in the last year (2013: 9,000). UnaVista also launched its EMIR trade repository solution to assist clients manage their evolving regulatory and reporting needs.

Operating expenses of £179.0 million (2013: £159.2 million) are up 12 per cent on 2013 levels reflecting increased cost of sales, up 25 per cent, and staff costs following strong growth in the FTSE business. Operating profit rose 15 per cent to £169.7 million (2013: £147.1 million).

Technology Services

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency %
MillenniumIT	**31.5**	26.9	17	21
Technology	**32.5**	29.2	11	3
Total revenue	**64.0**	56.1	14	12
Intersegmental revenue	**10.9**	21.3	(49)	(45)
Total income	**74.9**	77.4	(3)	(2)
Operating expenses	**(63.1)**	(57.2)	10	
Operating profit	**11.8**	20.2	(42)	

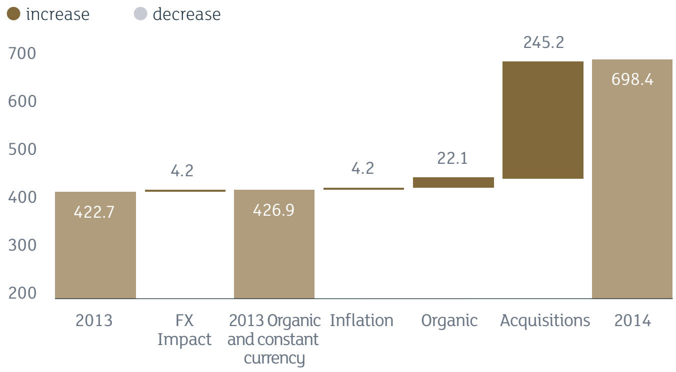
Technology Services comprises technology connections and data centre services, along with the MillenniumIT business, based in Sri Lanka, which provides technology and enterprise services for the Group and third parties. Revenues for Technology Services increased by 14 per cent to £64.0 million (2013: £56.1 million).

MillenniumIT third party revenue rose 17 per cent to £31.5 million (2013: £26.9 million) mostly relating to growth in the Enterprise Service Provision (ESP) operation. The business continued to perform well, launching new technology and building new relationships with Singapore Stock Exchange and Canada's TMX among others.

Revenue from other technology services grew by 11 per cent to £32.5 million (2013: £29.2 million) including a full year's contribution from the GATELab business (acquired in December 2012), which supplies advanced trading and post trade technology globally.

Operating expenses were up 10 per cent to £63.1 million (2013: £57.2 million), primarily due to an increase in cost of sales relating to growth in ESP revenues, and operating profit was down 42 per cent to £11.8 million (2013: £20.2 million).

Operating expenses
£ million



Operating expenses before amortisation of purchased intangibles and non-recurring items rose 65 per cent to £698.4 million (2013: £422.7 million), mainly reflecting the inclusion of £240.6 million of costs relating to 11 months of LCH.Clearnet and costs of £4.6 million from other acquired businesses (FTSE TMX, EuroTLX and GATELab) for a full year.

Organic costs on a constant currency basis remained well controlled, up six per cent (including inflation), mainly attributable to investments in staff, higher project-related professional fees and an increase in cost of sales. Offsetting these cost increases were one-time items of £8.4 million for the release of provisions relating to Lehmans debtors and the exit from a leasehold property.

We remain committed to maintaining high levels of cost control, including realising synergies as part of the LCH.Clearnet acquisition, where we have increased annualised target cost savings from €23 million (£19 million) to €60 million (£49 million) by the end of 2015.

Finance income and expense and taxation

Net finance costs were £68.8 million, up £19.3 million on the prior year, principally reflecting the full year cost of the £300 million retail bond (issued in November 2012), the drawing of credit facilities to fund the acquisition of the majority stake in LCH.Clearnet in May 2013 (and its subsequent capital raise), 11 months' interest cost on the LCH.Clearnet Preferred Securities and also arrangement fees totalling £3 million for new bank facilities, signed in July 2013.

Financial review
continued

The Group's effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 28.2 per cent, which is slightly lower than last year (2013: 29.0 per cent). This reflects the ongoing reduction in the UK statutory corporation tax rate of 23.0 per cent (2013: 24.0 per cent) and a slight change in the taxable profit mix towards the UK following the majority acquisition of LCH.Clearnet. This downward move is offset by a temporary increase in the Italian corporate tax rate for certain of the Group's Italian entities and the expansion of the Group into new markets (France and Canada) following the majority acquisitions of LCH.Clearnet and FTSE TMX Global Debt Capital Markets. Both of these jurisdictions have higher statutory rates of corporate tax than the UK.

Cash flow and balance sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from operations up six per cent to £515.4 million. Total investment in the year, net of dividends received, was £28.0 million principally due to the Group investing £376.5 million in the majority acquisitions of LCH.Clearnet, EuroTLX and FTSE TMX along with £90.9 million on capital expenditure offset by acquired cash from acquisitions of £432.0 million. The Group purchased shares for £28 million to cover long term incentive plan commitments; however, in future years it is expected that we will issue shares in combination with cash purchases to meet these requirements.

At 31 March 2014, the Group had net assets of £1,956.9 million (2013: £1,599.0 million). Intangible assets increased by £426.7 million, mainly reflecting goodwill and purchased intangibles recognised from the purchase of LCH. Clearnet. The central counterparty clearing business assets and liabilities within LCH.Clearnet and CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

Net debt, facilities and credit rating

	2014 £m	2013 £m
Gross borrowings	**1,223.7**	796.8
Cash and cash equivalents	**(919.2)**	(446.2)
Net derivative financial liabilities/(assets)	**0.7**	(0.7)
Net debt	**305.2**	349.9
Regulatory and operational cash	**803.6**	200.0
Operating net debt	**1,108.8**	549.9

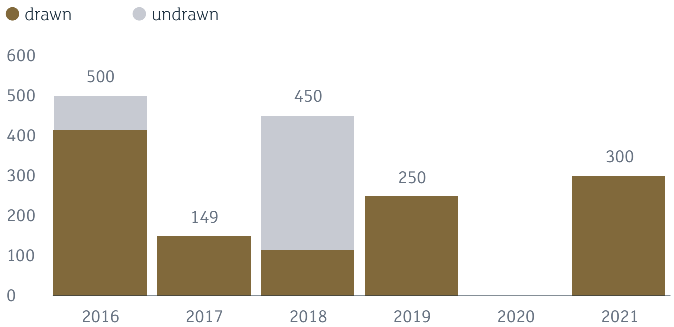
At 31 March 2014, the Group had operating net debt of £1,108.8 million after adjusting for £803.6 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents held by LCH.Clearnet together with a further £200 million covering requirements at other LSEG companies.

The Group's gross borrowings increased by £426.9 million reflecting the financing of the acquisition of the majority stake in LCH.Clearnet including our participation in its subsequent capital raise to fund increased regulatory capital needs, the consolidation of the LCH.Clearnet Group Preferred Securities, the investment in the FTSE TMX Debt Capital Markets joint venture and the acquisition of a 70 per cent interest in EuroTLX.

In July 2013, the Group took advantage of favourable market conditions and signed a new £700 million unsecured, committed revolving bank facility package, on improved terms, to replace its existing credit lines. The new facility comprises a mix of three and five year commitments which extend the Group's debt maturity profile and underpin its financial flexibility. At 31 March 2014, the Group had drawn debt and committed credit lines totalling £1.65 billion, with maturities extending to July 2016 or beyond. With £422 million of undrawn bank lines available, together with continuing strong cash generation, the Group remains well positioned to fund future growth.

Debt maturity profile

£ million



The Group's interest cover (the coverage of net finance expense by earnings before interest, taxation, depreciation and amortisation, both before non-recurring items) reduced to 8.6 times (2013: 9.5 times) due to the increase in net finance costs during the year being only partially covered by the growth in EBITDA. However, the Group's cash generation remained strong, which resulted in an improvement in leverage in the second half of the year following the material increase in borrowings in the first half. As at 31 March 2014, operating net debt to adjusted EBITDA of 1.9 times (2013: 1.2 times) is back within the Group's target range for leverage of one to two times.

The Group's long term credit ratings remained unchanged during the year. Standard & Poor's concluded its watch reviews over both LSEG and LCH.Clearnet on 3 May 2013, following the majority acquisition of LCH.Clearnet, by affirming its A- rating for LSEG, and moving the A+ rating of LCH.Clearnet back to a stable outlook. However, following the introduction of new global criteria published later in 2013 (that examines the risks to LSEG around its businesses in Italy – given that the sovereign state is rated lower than LSEG, at BBB) and reflecting its caution, in the short term, around the achievement of key financial metric targets set for the Group Standard & Poor's has placed LSEG on credit watch with negative implications. This credit watch also applies to the A+ rating of LCH.Clearnet with the watch review period to the end of May 2014.

Moody's affirmed its rating of Baa2 during the year and assigned a stable outlook following completion of the LCH.Clearnet Group acquisition.

Foreign exchange

	2014	2013
Spot £/€ rate at 31 March	**1.21**	1.18
Average £/€ rate for the year	**1.19**	1.23

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

The acquisition of a majority stake in LCH.Clearnet has increased the exposure the Group has to the euro. In addition, the growth of LCH.Clearnet and the FTSE businesses during the year has also increased, but to a lesser extent, our foreign exchange exposure to the US dollar. The Group manages its translation risk exposure by matching the currency of its debt (including debt effectively swapped from sterling into currency) to the currency of its earnings, where possible, to ensure its key financial metrics are protected from material foreign exchange rate volatility.

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation of purchased intangible assets, non-recurring items and unrealisable gains/losses on investments, of 107.1 pence, up two per cent including an increase of one-time items of 2.4 pence from the £8.4 million release of provisions relating to Lehmans debtors and the exit from a leasehold property and 2.2 pence from £6.9 million sale of a non-core asset (2013: 105.3 pence including 5.4 pence relating to the one-time prior years' tax adjustment). Basic earnings per share decreased by 21 per cent to 63.0 pence (2013: 80.4 pence) as a result of increased amortisation, transaction costs and interest payments following the acquisition of a majority stake in LCH.Clearnet and higher tax charges mainly due to a financial industry surcharge in Italy.

Risk management oversight

We are subject to a variety of risks, the management of which is fundamental to the successful execution of our Strategic Plan. As our Group has grown we have continually enhanced our risk management capabilities to ensure that we maintain our trajectory while protecting the value of our business.

The LSEG Enterprise-wide Risk Management Framework
During FY2014 the Group has further embedded its Enterprise-wide Risk Management Framework (ERMF). This Framework is designed to allow management and the Board, as part of our business model, to identify and assess LSEG principal risks and ensure better decision taking by informing the Board and other key stakeholders of the key risks related to the execution of our strategy.

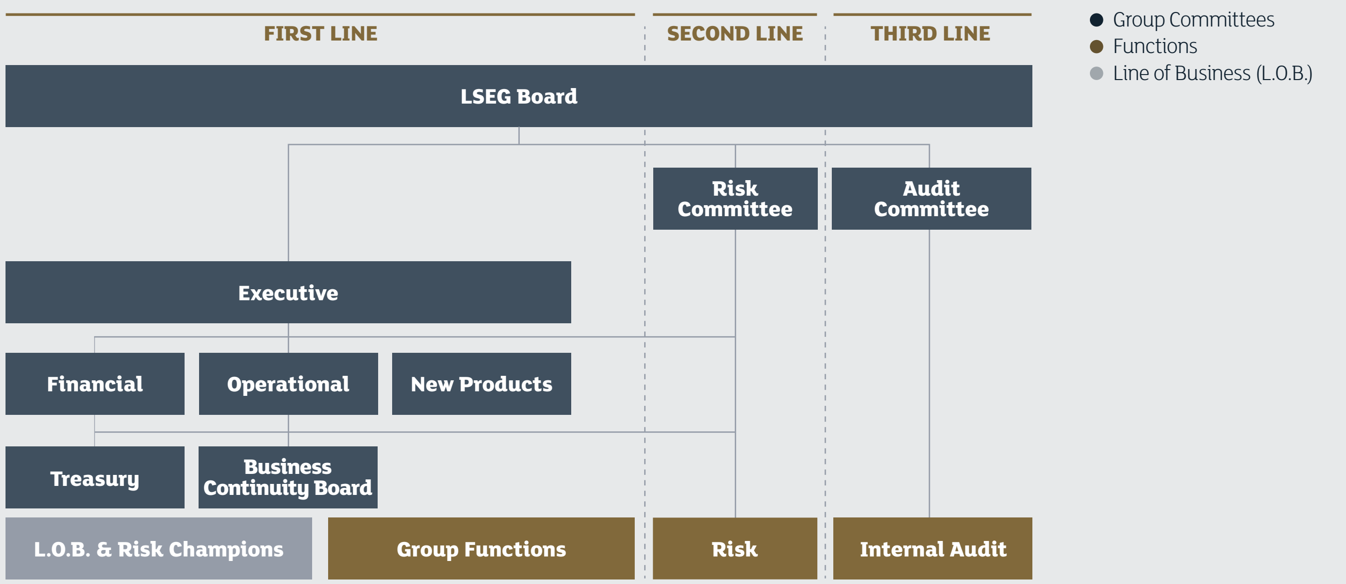
The ERMF also enables the Board and executive management to maintain, and attest to the effectiveness of, the systems of internal control and risk management as set out in the UK Corporate Governance Code.

The components of the ERMF are as follows:

- The Board is responsible for determining the Group Risk Appetite (see Risk Management and Internal Control Section page 62). This defines the nature and extent of the risks LSEG is willing to take to achieve its strategic objectives while reinforcing the risk culture.
- The Board Risk and Audit Committees have been separated to strengthen the oversight provided over Group risk management following the acquisition of LCH.Clearnet.
- The ERMF defines roles and responsibilities for risk management oversight and activities, including for the Board, the Executive Committee (ExCo) and sub-Committees thereof.
- There are three Executive Risk sub-Committees covering financial, operational and new product (and market) risk to provide the appropriate level of risk oversight across the organisation.
- The **Financial** and **Operational Risk Committees** monitor and report on the financial and operational risk profile of the Group, review and challenge the application of the Group risk framework, recommend risk appetite statements to the Executive Committee and monitor compliance with the relevant risk policies.
- The **New Product (and Market) Committee** reviews and recommends business cases to the Executive Committee ensuring product innovation and new market risks are appropriately identified and assessed.
- **LSEG's risk control** structure is based on the 'three lines of defence' model:

  The **First line**, management, is responsible and accountable for identifying, assessing and managing risk.

LSEG Governance structure



The **Second line** (Risk Management and Compliance functions), is responsible for defining the risk management process and policy framework, and providing challenge to the first line on risk management activities, assessing risks and reporting to the Group Board Committees on risk exposure.

The **Third line** of defence (Internal Audit) provides independent assurance to the Board and other key stakeholders over the effectiveness of the systems of controls and the Risk Framework.

— Group-wide risk policies have been enhanced across the whole business. These policies contain the level of risk we are willing to take against our risk appetite statements. They also set out the principles, minimum standards and risk management activities LSEG requires the Group's businesses and functions to follow to manage their business within risk appetite. The Group CCPs are independently managed and have risk policies aligned to the high level requirements set in the Group-wide polices.

Strategic Risk Objectives

The Strategic Risk Objectives of the Group have been defined as follows:

— **Maintaining stable earnings growth:** ensuring the strategic growth of the business is delivered in a controlled manner with long term value enhancement and low volatility to the underlying profitability of the Group.

— **Maintaining capital requirements:** ensuring the Group has sufficient capital resources to meet regulatory requirements, to cover unexpected losses and to meet the Group's strategic ambitions.

— **Maintaining liquidity:** the Group retains or has adequate access to funding to meet its obligations taking into account the availability of funds.

— **Adhering to regulatory requirements:** the Group conducts activities at all times in full compliance with its regulatory obligations.

— **Maintaining operational stability, facilitating orderly market operations:** the Group's operations are delivered in a secure and efficient manner without disruption.

— **Maintaining stakeholder confidence:** to ensure that stakeholders have confidence in the ability of the Group to deliver its strategic objectives with robust and effective governance and operational controls.

— **Maintaining a risk aware culture throughout the Group:** ensuring the risk management framework is embedded within Divisions and Functions engendering a risk aware culture.

Risk Appetite

LSEG defines Risk Appetite as the level of risk that the Group is prepared to sustain in pursuit of its Strategic Objectives. The Group Risk Appetite Statement is proposed by the Executive Committee, is approved by the Board on at least an annual basis and is determined in conjunction with the Group's overall business strategy.

The risk appetite can be modified by the Board at any time (details on page 62).

Risk Identification

The Group is subject to a variety of risks and uncertainties which may impact its ability to execute its strategy and deliver its expected performance. Group-wide risks are classified into the following three categories:

— Strategic Risks: Risks related to our strategy (quality of the strategy, the implementation of strategic initiatives and external threats to the achievement of our strategy). This category also includes the risks associated with reputation or brand values.

— Financial Risks: The risks of financial failure, reputational loss, loss of earnings and/or value as a result of investment activity, lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial results, taxation and regulatory information.

— Operational Risks: The risk of loss, regulatory censure, or other adverse consequences to the business, resulting from inadequate/non-compliant or failed internal processes, people and systems, or from external events.

The Group promotes a risk culture that identifies and manages risk at all levels of the business. We set out clear roles and responsibilities for our people within our risk policies to ensure risks are consistently identified and captured across the Group.

Risks are identified at source and recorded in each business unit and division by "Risk Champions". These are employees in the business responsible for facilitating the application of the Group risk management framework. Risk identification is regularly reviewed and challenged by the risk function to ensure completeness. For high velocity, high impact risks, Key Risk Indicators (KRIs) are established to enable the business to monitor the risk on an ongoing basis.

Risk management oversight
continued

Risk Assessment
The risk identification and assessment process allows for the monitoring of risk trends and management actions at all levels and also facilitates the decision making process. Management is required to escalate and take mitigating actions in respect of incidents, control failures and policy breaches as and when they are identified. In addition, the Group regularly performs bottom-up and top-down risk assessments, with risks identified at legal entity, divisional and Group levels. Divisional and entity level risk reports are reviewed by the Operational Risk Committee; Group risk reports are reviewed by the Executive Committee each quarter and are also reviewed by the Risk Committee (RC) at least three times a year and by the Board at least twice a year.

Financial risks are monitored and managed on a frequent basis (daily for key risks) at the Business Unit level and across the Group in aggregate. Thresholds for capital sufficiency, capital commitments and limits in respect of various aspects of treasury management are set out in the Group Capital and Treasury policies.

CCP risks are assessed according to the metrics determined both by the CCPs and also by the Group, including Group-level risk appetite and key risk indicators for clearing related activities.

Significant new products, and proposed initiatives in new markets, are now reviewed by the New Product/Market Committee prior to approval by the Executive Committee.

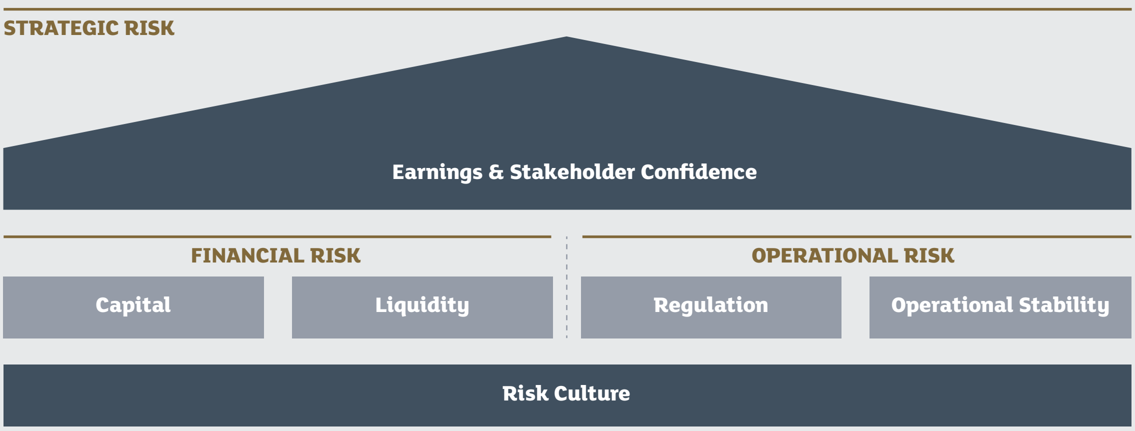
The Reports of the Audit and of the Risk Committees, on pages 66-69, provide details on the work carried out to assist the Board in fulfilling its oversight responsibilities for risk management and systems of internal control.

Risk Management
Each Group-level risk is owned by a member of the Executive Committee who is responsible for managing or mitigating the risk in order to remain within risk appetite. The Board and the Risk Committee receive presentations on material risks and related mitigants as appropriate.

Risk Reporting/Monitoring
The risk profile of the Group is reported to the Board via the Risk Committee quarterly. Risk reporting across the Group is aligned to the Risk Committee governance structure and is divided between financial and operational risk. Quantitative and qualitative risk limits and tolerances, identified within the overarching Group Risk appetite statement, form the basis of the key reporting metrics used across the Group.

- Financial Risk Reporting – CCP liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee and Board, including limits and Risk Appetite. An enhanced weekly report including market commentary and member health monitoring is distributed to the Executive Committee and to certain Board members.
- Extensive financial risk reports are produced for the Financial Risk Committee on a monthly basis.
- Operational Risk Reporting – Business units produce a risk register on a quarterly basis considering the key residual risks facing their business area. Group risk consolidates and reports this information to the Group's Operational Risk Committee on a quarterly basis.

LSEG Risk Pillars



- The Group Risk Report is produced on a quarterly basis and presents the Group's aggregate risk profile (Operational and Financial) to the Board via the Risk Committee. This report considers the key residual risks facing the Group, aggregated across all the Group's subsidiaries.

- CCP financial risks are monitored both at the CCP level and centrally according to the specific quantitative metrics set out in the CCP Financial Risk Policy, including Group-level risk appetite and key risk indicators for clearing related activities. Reporting requirements for capital sufficiency, capital commitments and various aspects of treasury management are set out in the Group Capital and Treasury policies.

Business Continuity Management (BCM)
The Group has a BCM framework in place which is managed and maintained through a fully established Business Continuity Programme. The Business Continuity Programme is overseen by the Business Continuity Board, a sub-committee of the Operational Risk Committee. The Business Continuity Board receives the self certification results of all the Group's Business areas which define the status of Business Continuity within each business area. The BCM Board regularly challenges the request from all the business areas. The Risk Committee and the Audit Committee are regularly updated as to the status and progress of the Business Continuity Programme.

Principal risks and uncertainties

Overview of Principal Risks:

Strategic Risks	Financial Risks	Operational Risks
Global economy	Liquidity risk (Clearing)	Technology
Competition	Latent market risk (Clearing)	Change management
Regulatory change and compliance	Settlement and custodial risks	Security threats
Transformation risk	Capital management	Employees

Strategic Risks

Risks related to our strategy (including the implementation of strategic initiatives and external threats to the achievement of our strategy). The category also includes risks associated with reputation or brand values.

RISK DESCRIPTION	MITIGATION
Global economy The improving economic environment in the UK has had a positive impact on the Group's business, and has increased the activity on our primary markets. There are concerns caused by persistently low inflation levels in the Eurozone and mixed economic indicators. Ongoing geopolitical tensions are introducing additional uncertainty in the markets and may impact investors' confidence.	The Group performs regular analyses to monitor the markets and the potential impacts on the business. Activities include Key Risk Indicator tracking, stress testing, and a hedging strategy. The Financial Risk Committee closely monitors and analyses multiple market scenarios and action plans in order to minimise the potential impacts stemming from a potential deterioration of the macroeconomic environment. The Eurozone crisis and geopolitical concerns are regular items on the agenda of the Financial Risk Committee and the Group's exposure to these risks is closely monitored. In Sri Lanka the Group maintains regular contact with key Governmental parties, and has appropriate contingency plans in place to ensure key technology operations are not dependent on a single geography. Business Continuity Management (BCM) and crisis management procedures would be invoked to manage the response to an unexpected event.
For more information, see Market Position and Outlook, pages 8-13, and note 2 to the accounts: Financial Risk Management on pages 113-117.	
Competition We operate in a highly competitive industry. Continued consolidation has fuelled competition including between groups in different geographical areas. In our Capital Markets operations there is a risk that competitors will improve their products, pricing and technology in a way that erodes our businesses. There is increasing competition for primary listings from other global exchanges and regional centres. In Post Trade Services the consolidation of clients has led to a concentration of revenues. Any future loss of liquidity or reduction in volumes on exchanges may impact clearing revenues. In Information Services, consolidation within the industry is expected over the next three to five years. Client migration to competitors could lead to a loss of revenue. In Technology Services, there is intense competition across all activities and there are strong market players in some areas where we are establishing a presence.	Competitive markets are, by their very nature, dynamic, and the effects of competitor activity can never be fully mitigated. Senior management actively engages with clients and the Group undertakes constant market monitoring and period pricing revision to mitigate risks. Commercial initiatives are aligned with our major clients and this is complemented by an ongoing focus on new technology deployment and cost reduction. The Group's track record of innovation and diversification ensures the Group offers best in class services with a global capability. We maintain a dedicated international marketing team focused on key target markets who promote the benefits of listing on our markets to international issuers, the global advisory community and other stakeholders.

RISK DESCRIPTION	MITIGATION
Regulatory change The Group and its exchanges, CCPs and other regulated entities operate in industries that are highly, and increasingly, regulated by governmental, competition and regulatory bodies at European, federal, national and provincial levels. Delivery of the G20 agenda in the EU has resulted in a large number of measures which may impact our business directly or indirectly. The European Commission has adopted proposals for the regulation of financial benchmarks; to address potential issues in the system of credit intermediation ("shadow banking"), by issuing Regulations on Money Market funds (MMFs) and securities financing transactions ("SFTs"). Towards the end of 2014, it is planning to propose measures for resolving CCPs. Following political agreement of MiFID and MiFIR, the rule-making work will continue through much of 2014. In the UK, the financial services industry has been operating under a new regulatory structure since 1 April 2013 with the FSA being replaced by three separate regulatory bodies: the Bank of England, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). These bodies are now well-established and are pursuing a policy of proactive regulation. For example the FCA has recently consulted on its new remit in relation to Competition Law. The CCPs have focused on the analysis of the potential impact of the new Basel III rules on capital requirements for banks' exposure to CCPs. This could have an impact on the clearing volumes, with implications for the Group's revenues.	**Regulatory change** Changes in the regulatory environment form a key input into our strategic planning, including the impact on our growth strategies, both organic and inorganic. We monitor regulatory developments continually and engage directly with regulatory and governmental authorities at a national, EU and international level. We continue to develop our relationships with the key political stakeholders, particularly at EU and national level. Potential impacts from regulatory change are assessed and, depending on the impact, opportunities are developed and mitigating strategies and actions are planned. As the various regulatory initiatives progress, there will be greater certainty about their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment. The implications of capital requirements on clearing members have been analysed and future actions put in place. The CCPs have performed analytical work to test the methodologies proposed by the Basel framework and have contributed to the consultations launched by the BCBS.
Compliance There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.	**Compliance** The Group continues to maintain systems and controls to mitigate compliance risk. Compliance policies and procedures are regularly reviewed to ensure that Group entities and staff are compliant with applicable laws and regulations and uphold our corporate standards.

For more information on regulatory changes see "Market Position and Outlook" on pages 10-13.

Transformation risk The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) given the current levels of change and alignment activity currently taking place across the Group. As part of the alignment processes the Group targets specific cost savings and revenue increases. A failure to successfully align the businesses of the Group may lead to an increased cost base without a commensurate increase in revenue; a failure to capture future product and market opportunities; and risks in respect of capital requirements, regulatory relationships and management time. With regards to M&A and alignment activities, the additional projects and workstreams could have an adverse impact on day-to-day performance and/or key strategic initiatives and could damage the Group's reputation. The scale and complexity of the LCH.Clearnet business as part of the Group has contributed to an increase in the risk profile associated with change management and transformation risk.	The governance of the enlarged Group is aligned and strengthened as appropriate. The Group performs regular reporting of change performance, including ongoing alignment activity. LSEG has set up a programme management framework to deliver the LCH.Clearnet transaction objectives which includes close implementation oversight by an executive team representative of LSEG and LCH.Clearnet; this steering group includes the LSEG Group CFO, CRO and COO as well as the LCH Group CEO, CFO and CRO. The LSEG Enterprise-wide Risk Management Framework covers the whole Group, including LCH.Clearnet, and was designed to ensure appropriate risk management across the whole of the enlarged Group.

Principal risks and uncertainties continued

Financial Risks

The risk of financial failure, reputational loss, loss of earnings and/or capital as a result of investment activity, lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial results, taxation and regulatory information.

RISK DESCRIPTION	MITIGATION
Liquidity risk (clearing) The Group's clearing providers hold a significant amount of cash and securities deposited by clearing members as margin or default funds. To ensure optimum ongoing liquidity and immediate access to funds, the CCPs deposit the cash received in highly liquid and secure investments, as mandated by the EMIR regulations. Potential liquidity risks faced by the Group CCPs include: — Margin payments: Margins (Initial and Variation) are settled at least daily. The CCPs must ensure that sufficient funds are available to fulfil their obligations. — Collateral switches and excess cash margin cover: Members can choose whether to post margin in cash or securities, and may choose to over-collateralise. — Market disruptions: Such as unusual market volatility driving large margin movements; liquidity squeezes in the cash or securities markets and central bank actions. — Failed cash settlements: Arising, for instance, from mismatches in settlement dates for the CCPs' own activities.	Under the ERMF, CCP investments must be made in compliance with the Group CCP Financial Risk Policy as well as Policies issued pursuant to the governance of the CCPs themselves. These Policies stipulate a number of risk management standards including concentration limits and minimum ratings. Committees overseeing CCP investment risk meet regularly. Group CCPs have put in place EMIR compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. Group CCPs have multiple layers of defence against liquidity shortfall including minimum cash balances, access to contingent liquidity arrangements and for certain CCPs, access to central bank liquidity. CCP liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee and Board, including limits and status rating. An enhanced report including market commentary and member health monitoring is produced each week and distributed to the LSEG Executive Committee and Board. All four group CCPs report their liquidity position via the Group Financial Risk Committee each month. Each CCP monitors liquidity needs daily under stressed and unstressed assumptions. Breaches, if any, are reported and discussed monthly at the Committee.
Latent market risk (clearing) Our clearing services guarantee final settlement of trades and manage counterparty risk for a range of assets and instruments including cash equities, derivatives, energy products and Government bonds. Therefore the Group is exposed to country risk, credit risk, issuer risk, market risk, liquidity risk, interest rate risk and foreign exchange risk. There is a risk that one of the parties to a cleared transaction defaults on their obligation; in this circumstance the CCP is obliged to honour the contract on the defaulter's behalf and thus an unmatched risk position arises. The CCP may suffer a loss in the process of work-out (the 'Default Management Process') if the market moves against the CCP's positions.	Under the ERMF, CCP latent market risk must be managed in compliance with the Group CCP Financial Risk Policy as well as policies issued pursuant to the governance of the CCPs themselves. Latent market risk is part of the agenda of the CCP risk Committees. The financial risks associated with clearing operations are mitigated by: — Strict CCP membership rules including supervisory capital, technical and organisational criteria. — The maintenance of prudent levels of margin and default funds to cover exposures to participants. Each member pays margins, computed at least daily, to cover the theoretical costs which the clearing service would incur in order to close out open positions in the event of the member's default. Clearing members also contribute to default funds. CCP liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee and Board, including limits and RAGs. An enhanced report including market commentary and member health monitoring is produced each week and distributed to the Executive Committee and Board. Committees overseeing latent market and member risks meet on a regular basis.

RISK DESCRIPTION	MITIGATION
Settlement and custodial risks The Group offers post trade services and centralised administration of financial instruments through its CSD subsidiary, Monte Titoli. Monte Titoli offers pre-settlement, settlement and custody services. These activities carry counterparty risk (in particular asset commitment risk), operational risk and custody risk (including asset servicing risk). Monte Titoli does not provide intraday settlement financing to its members.	Asset commitment risk is mitigated through pre-positioning (availability of security) and pre-funding (availability of cash). Operational risk is minimised via highly automated processes reducing administrative activities and formalised procedures for all services. Monte Titoli mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers. Liquidity for Monte Titoli's operations is provided by the Bank of Italy.
For more information on these risks see the "Post Trade Services" section of the Segmental Review (on pages 28-31), and Note 2 to the accounts, "Financial Risk Management" (on pages 113-117).	
Capital Risk The Group incorporates a number of regulated and unregulated entities within its structure. Principal risks to managing its capital are: — In respect of regulated entities, capital adequacy compliance risk (the risk that regulated entities do not maintain and report sufficient qualifying capital to meet regulatory requirements) and capital reporting compliance risk (the risk that regulated entities fail to comply with capital reporting and regulatory obligations). If a regulated entity in the Group fails to ensure sufficient capital resources are maintained to meet regulatory requirements this could lead to loss of regulatory approvals. — In respect of regulated and unregulated entities, commercial capital adequacy and quality risk (the risk that Group and solo entities do not maintain both sufficient quantity and quality of capital to meet commercial requirements) and investment return risk (the risk that capital is held in subsidiaries or invested in projects that generate a return that is below the Group's cost of capital). — Availability of debt or equity (whether specific to the Group or driven by general financial market conditions).	The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and solo entity levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources. The Group maintains an ongoing review of the capital positions of its regulated entities and operates within capital limits which are overseen by the Treasury Committee, the Financial Risk Committee, the Executive Committee and the Board. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. The Group makes regular assessments of debt and equity market conditions. To maintain sufficient financial strength to access new capital at reasonable cost, and meet its objective of maintaining an investment grade credit rating. The Group is mindful of potential impacts on its key metrics when considering changes to its capital structure.
For more information on this risk see Note 2 to the accounts, "Financial Risk Management" (on pages 113-117).	

Principal risks and uncertainties continued

Operational Risk

The risk of loss, or other adverse consequences to the business, resulting from inadequate or failed internal processes, people and systems, or from external events.

RISK DESCRIPTION	MITIGATION
Technology Secure and stable technology performing to high levels of availability and throughput continues to be critical to the support of the Group's businesses. Technology failures impact our clients and can potentially lead to a loss of trading and clearing volumes and adversely impact the Group's reputation and brand. The Group continues to consolidate its IT development and operations in the MillenniumIT infrastructure to provide greater control and efficiency. This focus of activity means there is a risk of resource over-stretch to meet both the requirements of the Group and those of third parties. Continued innovation and investment in new trading/information systems can lead to further resource stretch in coping with increased volumes and new product development. The Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, clearing, data and other systems.	The performance and availability of the Group systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues. The Group's technology teams mitigate this risk by ensuring prioritisation of all development and operations activities, and resource utilisation and allocation are kept under constant review. The MillenniumIT systems are designed to be fault tolerant and alternative standby computer facilities are maintained to minimise the risk of system disruptions. The robust change management procedures and capacity monitoring provide assurance that Group technology changes are effectively managed. The Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect the Group's businesses. Where possible the Group has identified alternative suppliers that could be engaged in the event of a third party failing to deliver on its contractual commitments.
For more information see the "Technology Services" section of the Segmental Review, on pages 34 and 35. For information on LCH.Clearnet see section of the Segmental Review on pages 30 and 31.	
Change management The considerable change agenda is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation and consolidation. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes. There are a significant number of major, complex projects and strategic actions underway concurrently, that, if not delivered to sufficiently high standards and within agreed timescales, could have an adverse impact on the operation of core services, and revenue growth, as well as damaging the Group's reputation. The volume of simultaneous change could also lead to a loss of client goodwill if the execution is not managed appropriately. Synergies and cost benefits may not be delivered to anticipated levels.	The senior management team is focused on the implementation of the Group's strategy and the project pipeline in view of their importance to the Group's future success. Each major project is managed via a dedicated project office overseen by members of the Executive Committee. Software design methodologies, testing regimes and test environments are continuously being strengthened to minimise implementation risk.
For more information see the Chairman's statement, on pages 14 and 15, and the Chief Executive's review, on pages 16 and 17.	
Security threats The Group is reliant upon secure premises to protect its employees and physical assets as well as appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure. The threat of cyber crime requires a high level of scrutiny as it may have an adverse impact on our business. Terrorist attacks and similar activities directed against our offices, operations, computer systems or networks could disrupt our markets, harm staff, tenants and visitors, and severely disrupt our business operations. Civil or political unrest could impact on companies within the Group. Long-term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage. Security risks have escalated in recent years due to the increasing sophistication of cyber crime.	Security threats are treated very seriously. The Group has robust physical security arrangements, and extensive IT measures are in place to mitigate technical security risks. The Group is a member of the Centre for the Protection of National Infrastructure (CPNI), with both physical and IT security teams monitoring intelligence and liaising closely with police and global Government agencies. The Group has well established and regularly tested business continuity and crisis management procedures. The Group risk function assesses its dependencies on critical suppliers and ensures robust contingency measures are in place.

RISK DESCRIPTION	MITIGATION
Employees The calibre, quality and retention of employees are critical to the success of the Group. Failure to adequately manage and retain staff resulting in unacceptable levels of staff turnover leads to increased costs of attracting replacement staff and undue distraction of senior management time in recruiting replacements. The loss of key members of staff could have an adverse impact on the Group's operations and ability to deliver its strategy. The Group's ability to attract and retain high quality individuals depends on the condition of recruitment markets and corresponding compensation packages of financial services, technology firms and regulators with which the Group competes for the same key staff.	The Group operates a performance management and appraisal system, and Executive development opportunities are provided with the Nominations Committee responsible for considering succession plans for key senior positions. A performance related annual bonus and pay review process is in place for all employees. Regular benchmarking of reward and incentive systems is performed to ensure they are competitive. The Group also offers Long Term Incentive Plans for high performers and critical staff and turnover is monitored. A centralised training budget allows a co-ordinated approach to development across the Group. A programme of succession planning is operated by the Group to minimise the impact of the loss of key staff critical to the operation of the business. We have also enhanced our talent management approach in the last year and will keep doing so while rolling out our succession plans and HR systems to LCH.Clearnet during the next 12 months.

For more information see "Our wider responsibility", on pages 36 and 37 and Remuneration Report, on pages 70-97.

Board of Directors

Board structure

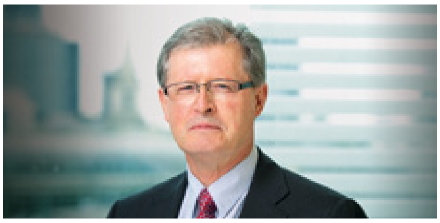
The Board comprised:

- Non-Executive Chairman, who was independent on appointment
- Non-Executive Deputy Chairman, who is also the Senior Independent Director
- Nine other independent Non-Executive Directors
- Three Executive Directors.

Board and Committees

Meetings in	FY 2014	FY 2013
Board	**9**	15
Supporting committees		
– Audit and Risk[1]	**1**	5
– Audit	**3**	n/a
– Risk	**2**	n/a
– Remuneration	**5**	4
– Nomination	**1**	1

1 The Board appointed separate audit and risk committees on 18 July 2013. Prior to that date, the Board operated a combined Audit and Risk Committee.

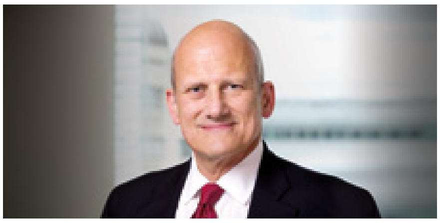


Chris Gibson-Smith
Chairman of the Company and of the Nomination Committee (age 68)
Appointed to the Board in May 2003

Committee membership: Remuneration, Nomination (Chair)
Skills and experience: Chairman of Partnership Assurance Group. He was Chairman of The British Land Company plc from 2007 until 2012, and he was also previously Non-Executive Director of Qatar Financial Centre Authority from 2006 to 2012, Chairman of National Air Traffic Services Ltd from 2001 to 2005, Non-Executive Director of Lloyds TSB plc from 1999 to 2005, Group Managing Director of BP plc from 1997 to 2001, and a past Trustee of the Institute of Public Policy Research and the arts charity Arts & Business.
Other current appointments: Chris is Chairman of the Advisory Board of Reform Research Trust.

Xavier Rolet
Group Chief Executive Officer (age 54)
Appointed to the Board in March 2009 and appointed Chief Executive in May 2009

Committee membership: Group Executive
Skills and experience: Xavier was a senior Executive at Lehman Brothers from 2000 to 2008 and, latterly, Chief Executive Officer of Lehman in France. Prior to Lehman Brothers, he held senior positions at Dresdner Kleinwort Benson from 1997 to 2000, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994.
Other current appointments: Xavier is a member of the HM Treasury Financial Services Trade and Investment Board, a member of the Columbia Business School Board of Overseers and an Honorary Fellow of the Chartered Institute for Securities and Investments, FSCI (Hon).

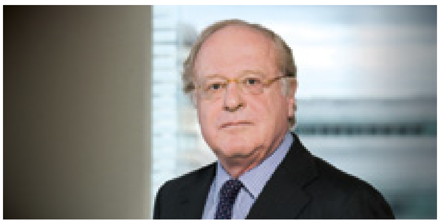


David Warren
Group Chief Financial Officer (age 60)
Appointed to the Board in July 2012

Committee membership: Group Executive
Skills and experience: Prior to being appointed Chief Financial Officer of London Stock Exchange Group, David was CFO of NASDAQ OMX from 2001 to 2009 and Senior Advisor to the NASDAQ CEO from 2011 to 2012. He was Chief Financial Officer at Long Island Power Authority of NY from 1998 to 2001, Deputy Treasurer of the State of Connecticut from 1995 to 1998 and a Vice President at CS First Boston from 1988 to 1995.
Other current appointments: None.

Raffaele Jerusalmi
Executive Director (age 53)
Appointed to the Board in June 2010

Committee membership: Group Executive
Skills and experience: Chief Executive Officer of Borsa Italiana S.p.A., Vice Chairman of Monte Titoli and Director of Capital Markets of London Stock Exchange Group. He is also Vice-Chairman of MTS and CC&G, a Director of Monte Titoli and Institore of the LSEGH (Italy) group of companies. Prior to joining Borsa Italiana in 1998, he was Head of Trading for Italian Fixed Income at Credit Suisse First Boston from 1993 to 1998. From 1996, he was a member of their proprietary trading group in London. From 1997 to 1998, he was a Director of MTS S.p.A., representing Credit Suisse First Boston, and from 1989 to 1993 he was head of trading for the fixed income and derivatives divisions at Cimo S.p.A. in Milan.
Other current appointments: Raffaele is a venture partner of the Advisory Committee of Atlantic Capital Partners GmbH.



Paolo Scaroni
Non-Executive Deputy Chairman and Senior Independent Director (age 67)
Appointed to the Board in October 2007

Committee membership: Remuneration, Nomination
Skills and experience: Paolo was CEO of eni from May 2005 to May 2014 and was also previously CEO of Pilkington plc from 1997 to 2002, Non-Executive Director of BAE Systems plc from 2000 to 2004 and of Invensys plc from 2001 to 2002. He was also CEO of Enel from 2002 to 2005, Non-Executive Director of Alliance Unichem plc from 2002 to 2005 and then Chairman from 2005 to 2006.
Other current appointments: Paolo is currently Non-Executive Director of Assicurazioni Generali, Veolia Environnement, Fondazione Teatro alla Scala and Member of the Board of Overseers of Columbia Business School.

Jacques Aigrain
Non-Executive Director (age 60)
Appointed to the Board in May 2013

Committee membership: Audit
Skills and experience: Chairman of LCH.Clearnet Group Limited and a director of Qatar Financial Centre Authority. Previously, he was a Non-Executive Director at Resolution from 2010 to 2012 and CEO of Swiss Re from 2006 to 2009, having joined in 2001 as Head of Financial Services, New York. Prior to this, he spent 20 years, from 1981 to 2001, with J.P. Morgan Chase, working in the New York, London and Paris offices and holding a number of senior roles including Head of Global Health & Chemicals, Co-Head of Global M&A and Co-Head, Client Management.
Other current appointments: He is a Supervisory Board Member of Deutsche Lufthansa and Swiss International Airlines. He is also a Supervisory Board Member of LyondellBasell NV, a Non-Executive Director of WPP plc and serves as a Senior Advisor at Warburg Pincus.

Sherry Coutu CBE
Non-Executive Director (age 50)
Appointed to the Board with effect from 17 January 2014

Committee membership: None
Skills and experience: Non-Executive Director of Cambridge Temperature Concepts, Cambridge Assessment, Cambridge University Press, Raspberry Pi, and Artfinder. Sherry was an investor and a Director of New Energy Finance from 2006 to 2009, and was a Non-Executive Director and Senior Independent Director of RM Plc from 1998 to 2007, where she also served as Chairman of the Remuneration Committee and as a member of the Audit Committee. From 2006 to 2010, Sherry was a Trustee of NESTA National Endowment for Science, Technology and Arts. In 1995, Sherry founded Interactive Investor International and served as CEO and Chairman from 1995 to 2001.
Other current appointments: Sherry currently serves on the Advisory Boards of Linkedin.com, Care.com and is an external member of the University of Cambridge finance committee.

Paul Heiden
Non-Executive Director and Chairman of the Audit Committee (age 57)
Appointed to the Board in June 2010

Committee membership: Audit (Chair), Risk
Skills and experience: Non-Executive Chairman of Intelligent Energy Holdings plc and was previously Chairman of Talaris Topco Limited from 2009 to 2012, Non-Executive Director of United Utilities Group plc from 2006 to 2013 and Chief Executive Officer of FKI plc from 2003 to 2008. Paul was an Executive Director of Rolls-Royce plc from 1997 to 1999 and Group Finance Director from 1999 to 2003. He has also had previous senior finance roles at Hanson plc and Mercury Communications and was a Non-Executive Director of Bunzl plc from 1998 to 2005 and Filtrona plc from 2005 to 2006.
Other current appointments: Paul is a Non-Executive Director of Meggitt plc.

Stuart Lewis
Non-Executive Director (aged 48)
Appointed to the Board in June 2013

Committee membership: Risk
Skills and experience: Chief Risk Officer and Member of the Management Board at Deutsche Bank AG, where he previously held senior roles. From 1992 to 1996, he worked at Credit Suisse Financial Products in Credit Risk Management and, from 1990 to 1991, at Continental Illinois National Bank.
Other current appointments: None.

Andrea Munari
Non-Executive Director (age 51)
Appointed to the Board in October 2007

Committee membership: Risk
Skills and experience: CEO of Credito Fondiario SpA. Andrea was previously General Manager of Banca IMI, the investment arm of Intesa Sanpaolo Group from March 2006 to December 2013. He was also previously Managing Director of Morgan Stanley Fixed Income Division and CEO and General Manager of Banca Caboto (now Banca IMI). In addition, he was a Director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January to September 2007.
Other current appointments: None.

Stephen O'Connor
Non-Executive Director and Chairman of the Risk Committee (age 52)
Appointed to the Board in June 2013

Committee membership: Risk (Chair)
Skills and experience: Chairman of the International Swaps and Derivatives Association, a position held since 2011, having been appointed as a Non-Executive Director in 2009. Previously, he worked at Morgan Stanley in London and New York from 1988 to 2013, where he was a member of the Fixed Income Management Committee and held a number of senior roles including Global Head of Counterparty Portfolio Management and Global Head of OTC Client Clearing. Stephen was a member of the High Level Stakeholder Group for the UK Government's review of the Future of Computer Trading in Financial Markets. He was a Non-Executive Director of OTC DerivNet Ltd from 2001 to 2013 and was Chairman from 2001 to 2011.
Other current appointments: Member of the US CFTC Global Markets Advisory Committee and Vice-Chairman of the Financial Stability Board's Market Participants Group on Financial Benchmark Reform.

Joanna Shields OBE
Non-Executive Director (aged 51)
Appointed to the Board with effect from 17 January 2014

Committee membership: None
Skills and experience: Veteran technology executive and entrepreneur. In October 2012, she was appointed by the Prime Minister to lead the UK Government's Tech City UK, previously served as its CEO and is now Chairman. She is also UK Ambassador for Digital Industries. Prior to this, she led international expansion for Facebook as Vice President and Managing Director, and she held executive positions at Time Warner/Aol, Inc. including President of People Networks after the acquisition of Bebo, where she served as CEO. She was also Managing Director at Google EMEA, Vice President and Managing Director at Decru, Inc., VP and Managing Director, EMEA at RealNetworks and CEO of Veon Inc, a start-up she built and led to its acquisition by Philips NV. Joanna started her career in Silicon Valley in 1989 at EFI, Inc and, over the next decade, held various executive roles.
Other current appointments: Joanna is a Non-Executive Director of TalkTalk Telecom Group Plc and serves on the Mayor's London Smart Board.

Massimo Tononi
Non-Executive Director (age 49)
Appointed to the Board in September 2010

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

Robert Webb QC
Non-Executive Director and Chairman of the Remuneration Committee (age 65)
Appointed to the Board in February 2001

Committee membership: Remuneration (Chair), Nomination
Skills and experience: General Counsel of Rolls-Royce plc. Robert was Chairman of Autonomy Corporation plc from 2009 to 2011 and of BBC Worldwide from 2009 to 2012. He served as General Counsel of British Airways from September 1998 to April 2009 where he was responsible for law, Government affairs, safety, security and risk management. Robert was a Non-Executive Director of Argent Group plc from 2009 to 2012 and of the Emerging Health Threats Forum from 2006 to 2012. He was also Chairman of Sciemus Ltd from 2010 to 2011. He was Head of Chambers and a practising QC at 5 Bell Yard, London from 1988 to 1998.
Other current appointments: Non-Executive Director of the Holdingham Group Ltd. He is also a Bencher of the Inner Temple, a Trustee of Comic Relief and of the Migratory Salmon Fund.

Corporate governance

The Corporate Governance Report which follows is intended to give shareholders an understanding of the Group's corporate governance arrangements and how they operated during the year ended 31 March 2014, including how the Group complied with the principles of the Code.

Changes to the Board and succession planning

I and the Board have continued to work to ensure that the balance of skills and experience on the Board remains appropriate.

During the financial year ended 31 March 2014, the Company made a number of appointments to the Board. Jacques Aigrain, Chairman of LCH.Clearnet was appointed on the completion of the acquisition of a majority stake in LCH.Clearnet and confirmed by shareholders at the AGM on 18 July 2013. Stuart Lewis, Stephen O'Connor, Sherry Coutu CBE and Joanna Shields OBE were all appointed as Non-Executive Directors during the year following the engagement of external recruitment consultants. A shortlist of candidates met with the Chairman, Chief Executive and a selection of Non-Executive Directors.

Mr Lewis and Mr O'Connor each have experience in credit and market risk and their appointments reflect the significant and growing proportion of the Group's overall business that post trade and risk management now represent. Additionally, both Ms Coutu and Ms Shields have broad international management experience and, in particular, deep knowledge of the information technology sector, reflecting the Group's continued focus on delivering innovative technology solutions to its customers around the world, as well as its ongoing commitment to supporting entrepreneurs and small and medium-sized businesses (SMEs) to find appropriate and sustainable financing solutions. The collective experience of our new Non-Executive Directors deepens the overall skills, experience and diversity of the Board. Confirmation of each of their appointments will be sought at this year's AGM.

Baroness (Janet) Cohen, Sergio Ermotti and Gay Huey Evans have stepped down from the Board. The Board is grateful to each of them for their contribution.

Board focus

The Board has continued to oversee the Group's strategy, risk framework, financial performance and Board succession planning. Further detail on matters considered by the Board can be found on page 58.

The Board has also continued its programme of visiting its overseas businesses and meeting local management. The Board carried out a trip to Milan (the main office of Borsa Italiana) in September and March to hold its regular meetings and meet with customers and stakeholders.

Diversity

I stated last year that the Board was focused on ensuring the balance of its membership reflected diversity of experiences, business backgrounds, nationalities and gender, recognising the benefits this brings to the Group. The Board appointments made during the year reflect this focus. The female appointments also reflect the Board's ongoing commitment to strengthening female representation at Board level, including requesting headhunters to ensure that a significant proportion of Board candidates are female.

Board effectiveness

This year, the Board carried out an internal review of its own effectiveness. The process and findings are described on page 61. Following this review, I am satisfied that the Board continues to perform well.

Investor engagement

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

Chris Gibson-Smith
Chairman

Corporate governance report

Complying with the provisions of the Code

The Group is committed to high standards of corporate governance and business integrity in all of its activities. Throughout the year ended 31 March 2014, the Company has complied with all provisions of the UK Corporate Governance Code ("the Code"), other than for a period following the resignations of Sergio Ermotti and Gay Huey Evans when the Remuneration Committee comprised two Independent directors and the Chairman. Sherry Coutu has since the year end been appointed to the Committee.

The Code sets out guidance in the form of main principles and more specific provisions for good governance in relation to Board leadership, effectiveness, accountability, remuneration and relations with shareholders. The Code applies to all companies with a premium listing of equity shares in the UK and requires companies to disclose, in relation to the Code, how they have applied its main principles and whether they have complied with all relevant provisions throughout the year. Where the relevant provisions have not been complied with, companies must provide an explanation for their non-compliance. Further information on the UK Corporate Governance Code can be found on the Financial Reporting Council's website, at www.frc.org.uk. This Corporate Governance Report forms part of the Corporate Governance Statement on pages 98 and 99 of the Directors' Report.

Board of Directors

Role of the Board

The Board is the principal decision-making forum for the Group and is responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. Directors act in a way they consider will promote the long-term success of the Company for the benefit of shareholders as a whole, with regard to the interests of the Group's employees, the impact of the business on the community and environment and the interests of stakeholders. The Board has adopted a formal schedule of matters specifically reserved to it. Key matters reserved to the Board are set out in the table opposite.

Key matters reserved to the Board

The Board maintains a list of matters reserved to it, including:

Strategy and Management	— Responsibility for the overall oversight of the Group, including approval of the Group's long-term objectives and commercial strategy — Approval of the Group's annual operating and capital expenditure budgets and any material changes — Review of performance in light of the Group's strategy, objectives, business plans and budgets
Contracts	— Approval of significant acquisitions and disposals
Structure and Capital	— Changes relating to the Group's capital structure and major changes to the Group's corporate structure
Financial reporting and Controls	— Approval of financial statements
Internal controls	— Ensuring maintenance of a sound system of internal control and risk management
Board membership and other appointments	— Ensuring adequate succession planning for the Board and senior management — Appointments to the Board, following recommendations by the Nomination Committee
Remuneration	— Determining the remuneration of the Non-Executive Directors, subject to the articles of association and shareholder approval, as appropriate
Corporate Governance	— Undertaking a formal review annually of its own performance, that of its committees and individual directors and determining the independence of directors

The Board also views the brands and reputations of its subsidiaries as important assets of the Group and accordingly protection of the brand and reputation of the Group and its subsidiaries, including ensuring that subsidiaries continue to meet local regulatory requirements, is also a key part of the Board's role.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Company's business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business. The current key responsibilities of both the Chairman and the Chief Executive are set out on page 59.

Corporate governance continued

Matters considered by the Board in FY2014

Each meeting	Annually	Throughout the year
Reports from the Chief Executive on performance in each of the business areas, together with Risk, Regulation, Legal, HR and Strategy	Health and safety	Monitoring the progress of integrating LCH.Clearnet into the Group
Reports from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury matters	Three Year Business Plan and annual Budget	Discussion and approval of Group strategy
Updates from the Board committees	Off-site strategy day	Detailed consideration and approval of the acquisition by Borsa Italiana of a majority stake in EuroTLX SIM S.p.A.
	FCA's risk mitigation programme together with a presentation by the FCA	Considering the LSEG Balance Sheet and changes to the Group's Financial Risk Model
	Evaluation of Board Effectiveness	Discussion on the implementation of the Enterprise-wide Risk Management Framework and related policies
	Review of independence of Directors pursuant to the UK Corporate Governance Code	Approval of the Group Risk Register and Risk Appetite
		Review of quarterly financial forecasts and funding of acquisitions
		Executive and Non-Executive succession planning, including the appointment of new Non-Executive Directors
		Presentations on the Group's approach to risk management in current financial markets
		Review and approval of full year and interim results and quarterly IMS prior to market release
		Discussion and approval of the change of the Group's accounting reference date to 31 December

Key responsibilities

Chairman

- Acts as an independent Non-Executive Director and chairs the Board of the Company;
- Forges an effective Board as to composition, skills and competencies;
- Ensures, in collaboration with the Chief Executive, that the Board considers the strategic issues facing the Company in a timely manner and is presented with sound information and analysis appropriate to the decisions that it is asked to make;
- Acts as a sounding board for the Chief Executive and provides general advice relating to the management and development of the Company's business; and
- Supports the commercial activities of the Company by, inter alia, maintaining contact with the Company's key stakeholders and maintaining dialogue with other industry participants.

Chief Executive

- Formulates the strategic direction of the Company and periodically agrees this with the Board;
- Ensures proper financial and business control is exercised within the Company;
- Chairs the Executive Committee;
- Ensures there is a clear management structure with appropriately delegated responsibilities staffed by suitably experienced and qualified staff;
- Ensures appropriate reporting and communication systems are established across the Company;
- Ensures key performance objectives are set for all operational departments, action plans and budgetary controls are established and, where necessary, corrective action is taken to maximise the performance of the Company;
- Ensures the Company's strategy and values are effectively understood and applied by management and staff; and
- Ensures an appropriate risk management framework is in operation.

Board and Committee meetings in FY2014

The Board held six scheduled meetings, three additional meetings on short notice and a dedicated off-site strategy day. On a number of occasions throughout the year, the Chairman met Non-Executive Directors without the presence of Executive Directors. The Chairman and Non-Executive Directors also meet without the Executive Directors at the start of each Board meeting to discuss the business of that meeting and other issues. Throughout the year, the Chairman also met with Non-Executive Directors individually to discuss business-related matters.

Board meeting attendance in the year ended 31 March 2014

	Scheduled	Ad hoc	Strategy Day	Total
Chris Gibson-Smith	6/6	3/3	1/1	10/10
Xavier Rolet	6/6	2/3	1/1	9/10
Raffaele Jerusalmi	6/6	3/3	1/1	10/10
David Warren[1]	6/6	3/3	1/1	10/10
Paolo Scaroni	6/6	3/3	0/1	9/10
Paul Heiden	6/6	2/3	1/1	9/10
Andrea Munari	6/6	2/3	1/1	9/10
Massimo Tononi	5/6	2/3	1/1	8/10
Robert Webb	5/6	2/3	1/1	8/10
Jacques Aigrain[1]	6/6	3/3	1/1	10/10
Stephen O'Connor[2]	5/5	2/3	1/1	8/9
Stuart Lewis[2]	4/5	2/3	0/1	6/9
Joanna Shields OBE[3]	1/2	–	1/1	2/3
Sherry Coutu CBE[3]	2/2	–	1/1	3/3
Directors who left the Board in the year 31 March 2014				
Sergio Ermotti[4]	2/2	1/3	–	3/5
Baroness (Janet) Cohen[4]	2/2	1/3	–	3/5
Gay Huey Evans[4]	1/2	2/3	–	3/5

1 Joined the Board on 1 May 2013.
2 Joined the Board on 12 June 2013.
3 Joined the Board on 17 January 2014.
4 Left the Board on 18 July 2013.

When arranging meetings on short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors are able to attend all such meetings. The majority of meetings where Directors have been unable to attend were the three additional meetings called on short notice.

When Directors have not been able to attend meetings due to conflicts in their schedule, they received and reviewed papers to be considered at the relevant meeting. Where they had comments or concerns on the matters to be discussed, they provided these to the Chairman of the Board or Committee in advance of the meeting. The Chairman of the Board engages with Directors between Board meetings to discuss business and strategic issues.

Corporate governance continued

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. The Company maintained a Directors' and Officers' liability insurance policy throughout the year ended 31 March 2014. This policy covers the Directors for any such liabilities in respect of which they are not indemnified by the Company and, to the extent to which it has indemnified the Directors, also covers the Company. This insurance cover has been renewed. Neither the Company's indemnity nor insurance provides cover for a Director in the event that the Director is proved to have acted fraudulently or dishonestly.

Board balance and independence

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

The Board considers that the Directors possess a strong range of business experience and that the Board has the right mix of skills and experience given the Group's increasing diversification, scale and reach. The Board considers that the appropriate balance of skills and experience is best achieved by balancing continuity of experience and new joiners and also by drawing Directors from a wide range of backgrounds, including in the financial markets in which the Group operates, and in broader business.

Non-Executive Director Changes

The following changes have taken place over the past 12 months:

— the appointment of Jacques Aigrain (Non-Executive Director) on 1 May 2013;

— the appointment of Stuart Lewis and Stephen O'Connor (Non-Executive Directors) on 12 June 2013;

— the appointment of Sherry Coutu CBE and Joanna Shields OBE (Non-Executive Directors) on 17 January 2014; and

— the resignation of Baroness (Janet) Cohen, Sergio Ermotti and Gay Huey Evans (Non-Executive Directors) on 18 July 2013.

It is likely that the Board will continue to include Non-Executive Directors with current or recent experience in financial markets, as the Board believes it benefits from this expertise. The Board also believes that the Group benefits from having directors with a mixture of tenures and backgrounds.

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

The Code requires a company to state its reasons if it determines that a director is independent in certain circumstances, including where a director indirectly has a material business relationship with the Company as a director of a body that has such relationship with the Company, or has had in the last three years, and where a director has served on the Board for more than nine years.

Jacques Aigrain is currently Chairman of LCH.Clearnet Group. LCH.Clearnet Group is a non-wholly owned subsidiary of the Company with whom the Company has a material business relationship. Mr Aigrain brings vast experience in the area of post trade which greatly assists the Board. Following the departure of LCH.Clearnet Group's CEO, Ian Axe, Mr Aigrain was appointed as Executive Chairman from October 2013 to 3 February 2014. During this period Mr Aigrain did not participate in the Company's Executive Committee. It was felt that Mr Aigrain's appointment to this role on a temporary basis was the best way to manage any risks following Mr Axe's departure. Any potential conflicts of interest arising as a result of Mr Aigrain's appointment to the Board are governed by the terms of a conflicts memorandum of understanding between LCH.Clearnet and the Company.

Andrea Munari was, until 31 December 2013, employed by Intesa San Paolo, which is a customer of the Group. While the Company values its relationship with Intesa as a customer, given the size of Intesa, it is believed that Intesa's relationship with the Company and its subsidiaries is not material to Intesa. The Board benefits greatly from Mr Munari's current experience in financial markets and the Risk Committee also benefits from Mr Munari's experience of risk in a financial services company.

Stuart Lewis is employed by Deutsche Bank AG, which is a customer of the Group. While the Company values its relationship with Deutsche Bank, it is believed that Deutsche Bank's relationship with the Company and its subsidiaries is not material to Deutsche Bank. Additionally, given his role as Chief Risk Officer, Mr Lewis does not work in an area of Deutsche Bank which has customer relationships with the Group.

Stephen O'Connor was, until June 2013, employed by Morgan Stanley, which is a customer of the Group. While the Company values its relationship with Morgan Stanley, it is believed that Morgan Stanley's relationship with the Company and its subsidiaries is not material to Morgan Stanley.

In particular, in the case of Mr Lewis and Mr O'Connor, following the acquisition of a majority stake in LCH.Clearnet, the Board believes it is important to have members who have current or recent experience in credit and market risk.

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

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

Directors who retired during the year

Baroness (Janet) Cohen and Sergio Ermotti, who each retired from the Board on 18 July 2013, were considered by the Board to be independent throughout the year. Baroness (Janet) Cohen had served on the Board since 2001 and Mr Ermotti was CEO of UBS Group, which is a customer of the Group. Given the size of UBS and the large number of markets in which it operates, its relationship with the Company is not material to UBS. In the case of Baroness (Janet) Cohen, as set out previously, the Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service.

Board effectiveness and leadership

The Board carried out an internal review of its own effectiveness and that of its committees and directors. The Board has carried out effectiveness reviews since 2005 and has acted on the results of each review.

The evaluation process was conducted by the Group Company Secretary using a detailed questionnaire. The review also included a separate assessment of the Chairman's performance with feedback provided to the Chairman.

The results of the review were used to highlight areas of strength and weakness, assist in consideration of the future development of the Board, its Committees and its individual directors and further improve their performance.

Further to the discussions arising out of the 2013 review, the Board identified that the key area for Board development was ensuring that it had appropriate skills to govern a more diversified Group which included a greater number of post trade assets. The Board recruited members with experience in risk and clearing (Mr Aigrain, Mr Lewis and Mr O'Connor) together with information technology (Ms Coutu and Ms Shields). The Board also constituted separate Audit and Risk Committees (previously combined) to reflect an even greater focus on risk. The Board has also received regular updates and training in relation to CCP risks. Given these substantial changes during the year, the 2014 board effectiveness review concluded that the Board, its Committees and its individual directors were working effectively and did not identify any significant issues. The Board will continue to evaluate its effectiveness annually and address any actions.

Board development

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

Directors are encouraged to continually update their skills and knowledge of the business, and briefings are given at Board meetings on particular parts of the business. During the year, the Board also continued its practice of undertaking formal visits to its overseas businesses so that the Directors can experience first-hand key aspects of the Group's operations.

Conflicts of interest

The articles of association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Company has established procedures whereby actual and potential conflicts of interest are regularly reviewed, appropriate authorisation is sought prior to the appointment of any new Director and new conflicts are dealt with. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success. Potential conflicts of interest arising as a result of Jacques Aigrain's appointment to the Board are governed by the terms of a conflicts memorandum of understanding between LCH.Clearnet Group and the Company. The Board believes that, during the year ended 31 March 2014, these procedures operated effectively.

Board Committees

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

Remuneration Committee

Details of the Committee's remit and activities are set out in a separate Remuneration Report on pages 70-97.

Audit Committee

Details of the Committee's remit and activities are set out in a separate Audit Committee Report on pages 66-68.

Risk Committee

Details of the Committee's remit and activities are set out in a separate Risk Committee Report on page 69.

Nomination Committee

Details of the Committee's remit and activities are set out in a separate Nomination Committee Report on page 65.

Corporate governance continued

Risk Management and Internal Control

The Board has overall responsibility for the risk management framework and for ensuring that management maintains an adequate system of internal control appropriate for the Group's business and the risks to which it is exposed. The Audit Committee and the Risk Committee assist the Board in discharging this responsibility by reviewing and assessing the Group's risk framework, systems of internal controls and risk management process. The Company has implemented a three lines of defence governance model. Under this model, executive management is the first line of defence and is responsible for designing, operating and monitoring the system of internal controls. The system of internal controls is designed to manage the business within the Board's risk appetite rather than eliminate the risk of failure to achieve the Group's objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations.

Risk management and compliance constitute the second line of defence and define the risk management framework to keep the business activities within the Group's risk appetite. Finally, the internal audit function provides the independent assurance on controls, risk and governance as the third line of defence. The system of internal controls is amended as appropriate in response to changes in the Group's business and associated risks. The key elements of the Group's systems of internal controls are described below.

Further detail on the Group's risk management oversight can be found at pages 44-47.

Organisational structure

The day-to-day running of the Group is managed by an Executive Committee, which is chaired by the Group Chief Executive Officer. The Group operates a matrix structure designed to optimise resource allocation and organisational capacity. Each Executive Committee member is responsible for one of the Group's operating divisions or a major area of strategic importance and each legal entity is responsible for engaging with local regulators and ensuring regulatory compliance. The Executive Committee meets regularly to review business and financial performance, risk exposure and to approve key decisions. The Executive Committee is supported by three main committees:

- **The Financial Risk Committee,** chaired by the Group Chief Financial Officer which is responsible for monitoring the financial risk exposure, including liquidity and counterparty risks of the Company and to make recommendations to the Executive Committee and to the Risk Committee for changes to its risk appetite or limits.
- **The New Product and Market Committee**, chaired by the Group Chief Risk Officer, which is responsible for the review of proposals to launch new products or expand its activities into new markets.
- **The Operational Risk Committee,** chaired by the Group Chief Operating Officer, monitors the adequacy of the controls in place to manage key operational risks across the Group.

Under the matrix structure, lines of responsibility have been clearly defined and an appropriate framework of delegated authorities is in place. The Group continues to monitor the functioning of and implement improvements to its risk management framework to ensure it is fit for purpose for its new size and current ambitions.

Risk management framework

The risk management process is governed by a Board-approved Enterprise-wide Risk Management Framework, which was implemented last year. Executive management is accountable for risk identification, analysis, evaluation, mitigation, monitoring and reporting in its area within the framework established by the Board. A combined bottom-up and top-down risk management approach is adopted, with risks identified at a business unit, divisional and Group level. Divisional and legal entity risk profiles are reviewed by the Risk Committees of the Executive Committee and the Group's consolidated risk profile is reviewed by the Executive Committee and reported to the Risk Committee three times a year. In FY14, it was reviewed by the Risk Committee twice, as the committee was only established in September. It was also reviewed once by the Audit and Risk Committee before the change in committee structure. The Group risk profile is reviewed by the Board at least every six months following an updated assessment of the risk management process by both the Audit Committee and the Risk Committee.

Each Group risk is owned by a member of the Executive Committee, who is responsible for managing or mitigating the risk to a level within the Group's risk appetite. Executive Committee members present their division's risk management processes and latest risk registers to the Risk Committee every six months on a rotational basis. On a semi-annual basis, a divisional internal control and risk management self-certification process is also performed. Each business unit is required to confirm that it is in compliance with the Group's policies and governance procedures. Any exceptions are reported to the Audit Committee and to the Risk Committee. Internal audit provides regular reports to the Audit Committee on the adequacy and effectiveness of the Group's system of internal controls and the Group's risk framework.

An overview of the principal risks and uncertainties of the Group is provided on pages 48-53.

Risk Appetite
The Board sets an overall risk appetite for the Group for each of its risk categories (Strategic, Financial and Operational) and also in six strategic risk objectives (see page 45 for further information on the strategic risk objectives). The Risk Appetite Framework (RAF) is used to delegate the Group Appetite down to the Group's component businesses. Each area of the business is expected to manage its exposures within risk appetite as approved by the Board.

The Group defines an overall risk appetite as part of the execution of the strategic business plan of LSEG while achieving its strategic risk objectives (see page 45):

Strategic Risk
The Group acknowledges that strategic risks could be driven by external factors over which the Group may have limited influence. As a result, the Group may have to accept the risk exposure. The Group will manage these risks in order to provide the best risk reward option, while minimising the downside impact.

Financial Risk
The Group has limited appetite to undertake activities which may impact the delivery of its financial plan, or affect its ability to meet its liquidity, regulatory capital or contractual requirements under extreme but plausible market stress scenarios. The Board has no appetite to breach the regulatory requirements set out for the management of CCP financial risks. Group concentration limits will respect each CCP's own limits and will be monitored accordingly.

Operational Risks
The Group will maintain a governance framework and an effective system of internal controls to mitigate its operational risks within its risk appetite limit. The Group has zero risk appetite for unethical behaviour.

Policies and procedures
A framework of Group policies and procedures has been established for all aspects of the Group's activities, supplemented by additional local policies where appropriate. The policies are reviewed and updated on an ongoing basis, or at least once a year, to reflect changes in the Group's risk profile and appetite. Key policies are emphasised in the employee induction process and regularly reinforced through targeted training.

Financial Risks
Comprehensive financial reporting and review procedures are in place, with financial and key performance indicators reviewed against operational budgets on a monthly basis at a group, divisional and business unit level. The CFO monthly management report used by the Executive Committee is shared with the Group Board and any key issues are reviewed at each Board meeting. Investment opportunities are evaluated following a clearly defined investment appraisal process. The Financial Risk Committee and the New Products (and Market) Committee, during the year, oversaw the risks related to entering new markets, treasury, capital, investments and counterparty risks. The CCP counterparty, investments, and liquidity risks are also overseen by each CCP's own board and risk committees. As part of its remit, the Financial Risk Committee oversees the activities of the Group's Treasury function through its Treasury Committee, which is chaired by the Chief Financial Officer. The Treasury Committee operates within Board approved policy and meets regularly to review the management of the Group's credit, market and liquidity risks. Further details on financial risk management are provided in note 2 to the accounts.

Operational Risk
The Group manages and monitors operational risks through the setting of risk appetite, clear definition of roles and responsibilities, policies and procedures, and through reporting of exposures. The Group has in place an Operational Risk Committee which is responsible for monitoring the Group's operational risk exposure, including controls that could have an impact on financial reporting, and ensuring risks remain within appetite. The Group has in place key operational controls strategies that are overseen by the Business Continuity Committee and Technology project committees. These committees meet on a regular basis and ensure the business continuity programmes and the change management approach are aligned with industry best practice and are fit for purpose for the operations of the Group and of its subsidiaries. Further details on operational risks are provided in note 2 to the accounts.

Corporate governance continued

Regulatory monitoring

Regulatory and compliance risks in the markets in which the Group operates are monitored by local compliance functions. These regulatory teams work closely with the FCA and the Bank of England in the UK, CONSOB and Banca d'Italia in Italy, ACPR and the Banque de France in France, the CFTC in the USA and other regulators in countries where we operate. The compliance functions are managed independently from the customer facing business units and report on a regular basis to the Group Risk Committee and to local and Group Boards.

Internal audit

The Internal Audit function provides reliable, objective and reasonable assurance to management, Audit Committee members, Risk Committee members and Group Board members on the adequacy and effectiveness of the system of internal controls, the governance model and the risk management framework in place to manage risks within the Group's risk appetite and achieve the Group's business objectives. As a third line of defence, the function has no operational responsibilities over the entities/processes that it reviews.

The independence of the internal audit function is achieved through the following means:

- the Group Head of Internal Audit reports to the Chairman of the Audit Committee of the Board and to the CFO for administrative matters and has direct access to the Chairman of the Board;
- the Audit Committee must be consulted on the appointment or the dismissal of the Group Head of Internal Audit; and
- the Audit Committee approves the annual budget for internal audit.

Conclusion

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

Relations with shareholders

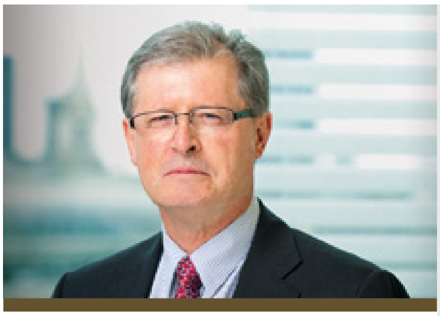
The Company conducts a comprehensive Investor Relations (IR) programme, ensuring regular contact with existing and potential shareholders, together with sell-side analysts that produce investment research relating to the Group. The IR programme typically consists of meetings, calls, presentations and information releases on a regular basis throughout the year, based around the Group's financial reporting calendar and following major corporate events and news flow.

The IR function, reporting to the CFO, is responsible for planning and executing the IR programme and day-to-day contact with the market. The CEO and CFO engage with investors, through meetings and presentations, to discuss strategy, performance and other matters. The Chairman, Senior Independent Director and Chairman of the Remuneration Committee are also available to meet major investors, particularly to discuss corporate governance and remuneration, as required. Over the past year, senior management and the IR team held more than 280 meetings and calls with shareholders and potential investors from around the world.

The Board receives a report on IR matters at each of its scheduled meetings, including market expectations of financial performance, share register composition and feedback from major investors. Sell-side analyst research notes are circulated to the Board following publication. The Group's corporate brokers and a specialist IR advisory firm provide the Board with advice on shareholder relations and share register analysis. The AGM provides the opportunity for all shareholders to meet Directors and to put questions to the Board, and the procedures for the AGM are compliant with the UK Corporate Governance Code. Voting at the AGM is by way of a poll to ensure all shareholders' views are taken into account.

The Investor Relations section of the Group's website, www.lseg.com, is the primary source of regularly updated information about the Group. Annual and interim reports and accounts, interim management statements, news releases, presentations and other documents are available on the website together with a list of analysts producing research on the Company and a summary of analysts' forecasts of performance. Presentations of preliminary and interim results are accessible by all shareholders via webcasts in real time and also via replay for a period after the event.

Report of the Nomination Committee



Chris Gibson-Smith
Chairman of the Nomination Committee

The Nomination Committee members as at 31 March 2014 were: Chris Gibson-Smith (Chairman), Robert Webb, Paolo Scaroni and Massimo Tononi. The Committee's role is to review the size and structure of the Board, consider succession planning and make recommendations to the Board on potential candidates for the Board.

Nomination Committee meeting attendance in the year ended 31 March 2014

	Total
Chris Gibson-Smith	1/1
Paolo Scaroni	1/1
Robert Webb	1/1
Massimo Tononi	1/1

The Committee spent the majority of its time during the year overseeing the process for the appointment of new Non-Executive Directors described elsewhere in the Governance Report. The Committee agreed the role description for the new Non-Executive Directors and interviewed candidates for the various Non-Executive Director appointments throughout the year. The Committee members then gave feedback to the Chairman and recommendations were made to the Board. The Committee used an executive search agency, Spencer Stuart, to help identify potential candidates. Prior to being engaged by the Company to carry out the search, Spencer Stuart carried out the Board Effectiveness Review in FY2012. The Committee also considered senior management succession planning.

The Committee formally met once in the year. Nomination Committee members also held a number of informal discussions with the Chairman during the year.

Gender Diversity
The Board supports the Davies Review's conclusion that greater efforts should be made in improving the gender balance of corporate boards and that quotas for female Board representation are not the preferred approach.

The Committee and the Board have sought to ensure that appointments are of the best candidates to promote the success of the Company and that appointments are based on merit, with due regard for the benefits of diversity on the Board, including gender (while also meeting the requirements of the Equality Act). Subject to these requirements, the Board made a commitment in 2013 to further strengthening female representation on the Board. At Board level, this has included requesting headhunters to ensure that as far as practicable, a significant proportion of the long list of candidates are female. Further to this commitment, Joanna Shields OBE and Sherry Coutu CBE were appointed during the year. The Board's diversity policy can be found at http://www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance.

Chris Gibson-Smith
Chairman

Report of the Audit Committee

Paul Heiden
Chairman of the Audit Committee

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

In 2013, the previous Audit and Risk Committee of the Board was separated into two separate committees: the Audit Committee and the Risk Committee. As the Chairman of the Audit Committee, I sit on the Risk Committee in order to improve the coordination of information between the two committees. The new set-up of the committees reflects the growing importance of risk management and the clear separation of duties between the second and third line of defence within the Group. This separation has increased the efficiency and effectiveness of each committee.

Priorities in the forthcoming year will include: establishing a successful working relationship with the new external auditor, further aligning the control environment of the Group's recent acquisitions with the LSEG framework, optimising the coordination with the Risk Committee and reviewing the Committee's meeting arrangements to further improve its effectiveness.

Paul Heiden
Chairman of the Audit Committee

Role and responsibilities of the Audit Committee

1. Financial reporting

The Committee recommends the financial statements of the Group to the Board, including the annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing the significant financial reporting judgements that they contain.

2. Internal controls and risk management systems

The Committee keeps under review the effectiveness of the Group's system of internal control and risk management. In order to do this, the Committee considers reports from management and the internal audit function. The Audit Committee makes recommendations to the Board regarding the effectiveness of the Group's internal control and risk management systems and recommends to the Board the statements to be included in the Annual Report concerning internal controls and risk management (in collaboration with the Risk Committee).

3. External auditors

The Committee oversees the relationship with the external auditor and meets with the external auditor at the start of each Committee meeting, without management being present, to discuss their remit and any issues arising from their audit. The Committee reviews and approves the annual audit plan, ensures that it is consistent with the scope of the audit engagement and reviews the findings of the audit with the external auditor. The Committee ensures that the external audit services contract is put out to tender on a periodic basis in line with existing best practices. The Committee oversees the selection process for new auditors and if an auditor resigns the Committee investigates the issues leading to the resignation and decides whether any action is required.

4. Other matters

Treasury

The Committee, with the Risk Committee, reviews proposed changes to the Group Treasury Policy, approves the taking of any actions which fall outside the scope of policy and considers material financing and treasury transactions reserved for the Board ahead of review by the Board.

Whistleblowing and fraud

The Committee reviews the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

Composition and meetings

The Committee meets the requirements of the UK Code. It is comprised of three independent Non-Executive Directors who all bring recent and relevant financial experience. It is chaired by Paul Heiden who is a qualified chartered accountant with a career in a variety of senior finance roles. The other members are Jacques Aigrain and Massimo Tononi who have each previously held various executive management roles in financial institutions. (Baroness (Janet) Cohen and Gay Huey Evans both stepped down from the Board, and from the Audit and Risk Committee, on 18 July 2013). The skills and experience of each Committee member are provided on page 55.

The Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Chief Risk Officer and the external auditors are all invited to attend all Audit Committee meetings. In addition, various other managers are invited from time to time to present specific strategic issues relevant to the Committee's purview. The external auditors did not attend the Audit Committee meeting on 18 March 2014 as it was dedicated to the selection of the new external auditors.

The Group Head of Internal Audit meets privately with the Committee at the end of each Committee meeting without management being present.

Attendance at Audit Committee meetings in FY2014[1]:

	Scheduled	Ad hoc[4]	TOTAL
Paul Heiden	3/3	1/1	4/4
Jacques Aigrain	3/3	1/1	4/4
Baroness (Janet) Cohen[2]	0/1	–	0/1
Gay Huey Evans[3]	1/1	–	1/1
Massimo Tononi	3/3	1/1	4/4

1 The Board appointed separate audit and risk committees on 18 July 2013. Prior to that date, the Board operated a combined Audit and Risk Committee.
2,3 Baroness (Janet) Cohen and Gay Huey Evans each stepped down from the Board, and the Audit Committee, on 18 July 2013.
4 The ad hoc meeting was dedicated to the selection of the external auditor on 18 March 2014.

Activities in FY2014

The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. During the year, the Committee discharged its responsibilities as set in its terms of reference by performing the following:

Financial matters:
- Reviewed and approved key accounting judgements
- Reviewed and approved the half year and full year financial results
- Reviewed the capital management policy
- Discussed the post completion planning of the LCH.Clearnet acquisition
- Reviewed and discussed the Treasury update reports
- Reviewed and approved the goodwill impairments
- Reviewed and discussed management's view of commitments and contingencies and the adequacy of the proposed disclosures

Internal controls:
- Reviewed compliance with the UK governance code – internal controls (including whistle blowing) at half year and year end
- Reviewed updates on internal audit plans
- Approved the three year internal audit plan (2013-2016)
- Reviewed reports on the performance of internal audit
- Reviewed group risk reports

External auditors:
- Reviewed reports from the external auditor
- Approved the services provided by the external auditor
- Reviewed and approved the audit and non-audit fees
- Reviewed the effectiveness of the external auditor
- Reviewed and approved the Group audit plan
- Oversaw and approved the selection of the new external auditor

Other matters:
- Assessed its own effectiveness
- Reviewed and updated its own terms of reference
- Reviewed and discussed an update to the Group's business continuity and crisis management plans
- Reviewed and discussed the Annual Report and the procedures implemented to ensure it is fair, balanced and understandable

Significant judgments in the Annual Report

Significant judgements for FY2014	How the Committee reviewed these matters
Goodwill impairment assessment	The Audit Committee considered the approach and methodology applied to measuring the impairment of Goodwill, including the key assumptions for short and long-term growth rates, and the discount rate used for the Group's cost of capital. As a result, a reconsideration of appropriate cash generating units in Italy was made and the Committee reviewed and approved the changes proposed. The Audit Committee also considered various scenarios to evaluate the impact of changes in assumptions on the models' results. The impairment review was also an area of focus for the external auditors, who reported their findings to the Committee. As a result of these activities, the Committee agreed that there was no impairment to be recorded in the FY2014 accounts. More details can be found in note 13 on pages 124-125.
Going concern	The Audit Committee satisfied itself that the Group has adequate financial resources for the future by reviewing and challenging the Group's committed funding and liquidity positions, its ability to generate cash from its various activities, the quality of its risk management and its ability to raise external funding. The Committee relied on the detailed working capital process, the FY2015 Budget and the three year business plan. The Committee considered the assumptions made by management in its evaluation of future cash flows under stress including possible mitigating actions under the control of management. The Committee subsequently recommended to the Board the adoption of the going concern statement for inclusion in the Annual Report and Accounts.

Significant judgements for FY2014	How the Committee reviewed these matters
Recognition and measurement of goodwill on acquisitions	The Audit Committee considered which method was appropriate to recognise the goodwill for the acquisitions during the year that involved less than 100 per cent of the target by considering the key criteria used to make the determination. Based on discussions with management and the external auditors, the Audit Committee agreed that the fair value approach should be used for LCH.Clearnet while the proportionate share method would be used for the smaller acquisitions. Results can be found in note 28 on pages 136 and 137.
Purchase price allocation on acquisitions	The Audit Committee satisfied itself on the validity of the methodology to allocate the purchase price for acquisitions based on detailed discussions with management, with the external auditor and after consideration of the advice of external third party valuations. These discussions focused on the reasonableness of the model and assumptions used in comparison with best practices. The results can be found in note 28 on pages 136 and 137.
Commitments and Contingencies	The Audit Committee considered the facts and circumstances surrounding commitments and contingencies, in particular with respect to LCH.Clearnet. It considered the nature of the correspondence and discussions which had taken place and after due consideration, the Committee agreed that no provision should be recorded in the FY2014 accounts.

Report on external auditors

A breakdown of audit and non-audit service fees paid and payable to the external auditor for the year ended 31 March 2014 is provided below and in note 32 to the accounts on page 141:

	2014 £m	2013 £m
Audit services:		
Audit of parent company and consolidated accounts	**0.5**	0.2
Audit of subsidiary companies	**1.1**	1.0
Audit related assurance services	**0.4**	0.4
Other non-audit services:		
– Taxation	**0.6**	0.2
– Corporate finance	**0.2**	0.6
– Other assurance services	**–**	0.1
Total expenses	**2.8**	2.5

In the year ended 31 March 2014, the majority of other non-audit services provided by PricewaterhouseCoopers LLP were in relation to taxation. These services were mostly for compliance and VAT advice for LCH.Clearnet and included other smaller tax-related projects.

The Committee reviewed each of these individual appointments on their merits, prior to PricewaterhouseCoopers LLP being engaged. (LCH.Clearnet had engaged PwC to provide tax services prior to the Group's acquisition of a majority stake. These services were retrospectively reviewed and approved by the Chair of the Audit Committee within the context of the Group policy).

The review process involved considering management's assessment of:

— which accounting firms had the appropriate experience and expertise to undertake the work;

— whether there were any conflicts of interest for PricewaterhouseCoopers LLP;

— whether the conflicts of interest that existed for other potential firms, which were advising other parties to the transactions or were auditors of the other company, could be appropriately managed; and

— the quantum of non-audit fees in the context of the overall audit fee and relative significance to PricewaterhouseCoopers LLP in the context of its total client fees.

In each case the Audit Committee concluded, on the balance of risks, that the appointment of PricewaterhouseCoopers LLP represented the most effective, secure and efficient way of obtaining the necessary advice and services, given its knowledge of our business and the Group's structure and accounting and tax affairs together with its wider knowledge of our industry sector.

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

In light of the increasing diversification, scale and reach of the Group, and also in line with the Corporate Governance Code and UK Competition Commission proposals regarding periodic tenders, the Audit Committee agreed on 18 September 2013 that a tender process should be conducted for the position of the Group's external auditor. The Audit Committee reviewed and approved the tender process, governance and selection criteria.

As a result of the tender, the Audit Committee recommended to the Board that Ernst & Young LLP (EY) be appointed as the Group's external auditor. Such appointment of EY will take place under the casual vacancy basis by the Board shortly after the completion of the audit of LSEG's consolidated accounts for the year ended 31 March 2014 by PwC, and the appointment of EY will be recommended to shareholders for approval at the Annual General Meeting in July 2014.

Report of the Risk Committee

Stephen O'Connor
Chairman of the Risk Committee

This report is intended to give an understanding of the role of the Risk Committee in assisting the Board to fulfil its oversight responsibilities for risk management and the adequacy of the systems of internal controls in place to mitigate key risks.

The Committee was established in September 2013 following a split of responsibilities of the former Audit and Risk Committee. From 1 April to September, the Audit and Risk Committee considered the risk matters. During the year the Committee met twice and oversaw the implementation of new frameworks, systems and tools to manage the risks of the enlarged Group following the acquisition of a majority stake in LCH.Clearnet. This included the further roll-out and embedding of the Enterprise-wide Risk Management Framework introduced last year.

In order to avoid potential duplication of coverage and, more importantly, to reduce the potential for non coverage of important risk matters, by either the Audit or the Risk Committees, the Committee membership includes the Chairman of the Audit Committee.

Priorities in the forthcoming year will include the Group's ongoing efforts to: further embed its Enterprise-wide Risk Management Framework and ensure appropriate application throughout the Group; further develop and implement risk tools and VaR models; further align the LSEG and LCH.Clearnet risk frameworks; and, embed the enhanced risk appetite framework.

The Committee will review, on a rotational basis, the risk profile of each of its main lines of business and key legal entities.

Stephen O'Connor
Chairman of the Risk Committee

Risk Committee meeting attendance in the year ended 31 March 2014

	Scheduled	Ad hoc	Total
Steven O'Connor	2/2	0	2/2
Paul Heiden	2/2	0	2/2
Stuart Lewis	2/2	0	2/2
Andrea Munari	2/2	0	2/2

Composition and responsibilities

The Committee is chaired by Steven O'Connor who provides recent and relevant financial and risk management experience through his career in a variety of senior executive roles in the financial industry. In addition, the Board is satisfied that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively. The names, skill and experience of the members of the Risk Committee are provided on pages 54-55.

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

Activities

The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. During the year the Committee discharged its responsibilities as set out in its terms of reference by reviewing the following:

- The reports on risk exposures of the Company and on emerging risks
- The development and implementation of the Company's counterparty risk Group-wide aggregation and monitoring tool
- The adequacy of proposed actions to mitigate certain risk exposures
- The effectiveness programme in place to further align the risk management framework of the Group and its subsidiaries
- Regulatory compliance reports and the actions in place to ensure ongoing compliance
- The effectiveness of the Risk function and roll-out status of the new risk framework and test results
- The programme in place to consolidate Group risks including the risks from the newly acquired majority stake in subsidiary LCH.Clearnet
- The adequacy of the treasury limits in the area of financial risk management and approved changes to the treasury policy
- Papers on the potential impact of the regulatory requirements on the CCPs of the group and related mitigating plans
- Compliance with the Group risk management procedures as described in the section on internal controls on pages 62-64.

In addition the Committee oversaw the process that led to the ratification of the Group Risk Appetite by the Board.

Risk Management function

During the year, the risk function continued the roll-out of the new Group Enterprise-wide Risk Management Framework launched during the previous year. The Committee has been monitoring the roll-out programme.

As part of its mandate the Committee reviews, at least three times a year, the risk profile of the Group and comments on the adequacy of the processes in place to identify and report on key risks. The Board as a whole reviews the Group risk profile at least twice a year. It also received reports on compliance with relevant regulatory requirements for each regulated entity of the Group.

The risk management function is headed by the Chief Risk Officer who oversees all aspects of risk management in the Group. She reports to the Chief Executive Officer and, for independence purposes, to the Chairman of the Risk Committee. The Committee must be consulted on the appointment or the dismissal of the Chief Risk Officer.

Directors' Remuneration Report

Statement by the Chairman of the Remuneration Committee

Robert Webb
Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2014. This is the first year that we are presenting under the new remuneration reporting regime, and subsequently this year's report has been split into two separate sections: the Remuneration Policy Report and the Annual Report on Remuneration.

Incentive review

In 2013, we committed to reviewing our remuneration framework, including our Group's LTIP which is due for renewal in July this year. During the past year the Committee has undertaken a comprehensive assessment of our remuneration structure to ensure it continues to support the Group's strategic priorities. As part of this process the Committee evaluated the arrangements against evolving practice. As a result of this assessment, we are making a number of changes to our remuneration framework. However, the overall incentive opportunity has not increased.

The key changes are as follows:

- Simplification of arrangements by removing the voluntary matching element and providing one LTIP in future award cycles
- Introduction of a compulsory deferral of 50 per cent of the annual bonus for the financial year ending 31 December 2014 onwards
- Reduction in the threshold level of vesting under the LTIP from 30 per cent to 25 per cent of the maximum
- Introduction of malus and clawback provisions on future bonus and LTIP awards
- Alignment of good leaver policy with best practice
- Increase in the minimum shareholding requirement

The Group continues to focus on integrating our strategic acquisitions, building on our increasingly diverse world class assets and working in partnership with our customers to deliver service and product innovation, all of which will contribute towards delivery of profitable growth. Subsequently, the Committee has concluded that EPS and TSR remain the most suitable performance metrics for long-term awards.

As part of the review, the Committee consulted with shareholders throughout the process and took their feedback into account. The overall changes have been widely supported by our major shareholders.

Change in financial year end

As announced on 27 March 2014, the Group intends to migrate its financial year to align with the calendar year from 1 January 2015. This change will result in a truncated financial year in 2014 (i.e. from 1 April 2014 to 31 December 2014). The Committee has taken this change into account when making remuneration decisions relating to the bonus and LTIP awards, as explained later in this report.

Key remuneration decisions

- Adjusted operating profit is up 20 per cent at £514.7 million
- Adjusted basic EPS is up two per cent at 107.1 pence

The Group has had a strong year increasing its global footprint and diversifying its service offering which has delivered an increase in revenue, operating profits and market capitalisation. This performance has been achieved through the execution of the Group's strategy including the completion of the acquisition of a majority stake in the global clearing house, LCH.Clearnet Group and the work to integrate them further into the Group; building best in class capabilities through innovative solutions in post trade, information services and capital markets; creating a global business with expanded reach through FTSE, MTS, MillenniumIT and now LCH.Clearnet; developing opportunities through diversification with plans to launch a new central securities depository, new derivatives products and continued development of our ELITE programme. This strong performance is reflected in the bonus outcomes in respect of financial year ended 31 March 2014.

As part of the annual review of salaries for Executive Directors, the Committee has awarded the Chief Executive an increase of four per cent and kept the Chief Financial Officer's salary at the same level as last year. This year the Committee has taken the opportunity to consider the salary level for Raffaele Jerusalmi, Chief Executive Officer of Borsa Italiana and Director of Capital Markets, in greater detail. His salary has been increased to €480,000 to reflect the growing breadth and complexity of Mr Jerusalmi's role. Further details are set out in the Annual Report on Remuneration. These increases took effect from 1 April 2014.

Concluding remarks

The Committee would like to thank all of our shareholders who took time to provide feedback on our proposed remuneration arrangements for 2014 onwards.

I would also like to extend a warm welcome to Sherry Coutu who has recently joined the Remuneration Committee after the end of FY13/14.

At the forthcoming AGM, shareholders will be provided with three separate votes relating to remuneration matters:

1. Vote on the new Remuneration Policy Report, which is forward looking – this is a binding vote.
2. Vote on the FY13/14 Annual Report on Remuneration – in line with the regulations, this is an advisory vote.
3. Approval of the new 2014 LTIP as the Group's current LTIP will expire in July 2014.

The Committee has looked to ensure the Group's approach to remuneration takes into account best practice developments and market trends in the financial services sectors and wider market while continuing to support the commercial needs of the Group and the interests of shareholders. We hope that you are able to support these proposals at the AGM.

Robert Webb

Robert Webb
Chairman of the Remuneration Committee

Summary of key Executive remuneration decisions (Audited)

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
Name		Xavier Rolet	David Warren	Raffaele Jerusalmi
Previous salary[1] (FY13/14)		£705,000	£425,000	€435,000
Annual salary with effect from 1 April 2014		£733,000 (+4%)	£425,000 (+0%)	€480,000 (+10%)
Max. bonus opportunity for FY2014[2]		225%	200%	200%
FY2014 LTIP award[3,4,5] (subject to performance)		200% of salary (£1,466,000)	176% of salary (£750,000)	181% of salary (£719,000)
FY13/14 bonus	**% of salary[6]**	210% of salary	141% of salary	161% of salary
	% of max	93% of maximum	71% of maximum	81% of maximum
	amount	**£1,480,500**	**£600,000**	**€700,000**

Notes:
1 FY13/14: refers to the period 1 April 2013 to 31 March 2014.
2 FY2014: refers to the period 1 April 2014 to 31 December 2014.
3 These proposed LTIP award levels assume grants to be made under the 2004 LTIP together with the additional opportunity to participate in a matching award.
4 Salary here refers to Annual salary with effect from 1 April 2014.
5 The Executive Director is also eligible (for this transition year) for a grant of matching shares up to 100 per cent of salary dependent on an investment of up to 50 per cent of their net salary.
6 Salary here refers to Previous salary (FY13/14).

Directors' Remuneration Report continued

Introduction

This report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and relevant sections of the Listing Rules.

This year's disclosure has been split into two sections:

Remuneration Policy Report (pages 74-85)

This section contains the remuneration policy that we intend to apply following the 2014 AGM. This report will be subject to a binding shareholder vote at the 2014 AGM.

As the policy is forward looking, this section details how we intend to operate remuneration arrangements in future years.

The new incentive structure has been implemented following consultation with the Group's major shareholders. The new structure is simpler, and incorporates a number of elements from emerging best practice.

New incentive structure for Executive Directors – overview of future approach.

Annual bonus
Annual incentive subject to performance objectives for the financial year

Compulsory bonus deferral
Executives must defer 50 per cent of their bonus for a period of two years

Performance Shares
Awards of Performance Shares which vest subject to three-year performance targets

Further changes

Malus and clawback provisions introduced

Reduced threshold vesting for LTIP

Increase minimum shareholding requirement

Alignment of good leaver treatment with best practice

In addition to presenting the Remuneration Policy Report for approval at the AGM, the Group will also be presenting a new Long Term Incentive Plan to shareholders for approval at the 2014 AGM. This new plan replaces the previous plan that was approved by shareholders in 2004.

Further details regarding the operation of the new plan are set out in the Notice of AGM.

Annual Report on Remuneration (pages 86-97)

This section sets out how remuneration arrangements have been operated during the past year, and also provides details on how we intend to operate our policy during the coming year. This report will be put to an advisory vote at the 2014 AGM.

This section firstly explains how Executives have been paid during the last financial year.

In previous years, the Group operated a slightly different incentive structure. Subsequently, the awards referenced differ from the structure set out in the forward-looking Remuneration Policy Report.

Previous incentive structure for Executive Directors – which will no longer operate in future years.

Annual bonus
Annual incentive subject to performance objectives for the financial year

Voluntary bonus deferral
Executives may invest all or part of their pre-tax bonus (up to 50 per cent of net salary) into Shares

Matching Shares
Deferred bonus attracts a performance related Matching Share award

Performance Shares
Awards of Performance Shares which vest subject to three-year performance targets

Matching Shares and Performance Shares under the previous structure were granted under the 2004 Long Term Incentive Plan. This plan expires in July 2014 after which no further awards will be granted under this arrangement.

As well as detailing the remuneration arrangements during the year, the Annual Report on Remuneration also details how we intend to operate the new incentive structure in the coming year.

Change in financial year

As announced on 27 March 2014, the Group intends to migrate the Group's financial year to align with the calendar year from 1 January 2015. This change will result in a truncated financial year in 2014 (i.e. from 1 April 2014 to 31 December 2014). The Committee has taken this change into account when making remuneration decisions relating to the bonus and LTIP awards.

The Committee has carefully considered the impact of the change in financial year on the Group's remuneration framework and has concluded that:

Bonus

- For the financial period ending 31 December 2014, the maximum bonus opportunities will be pro-rated to reflect the shortened period with performance measured over the truncated financial year.
- Any bonus payment would be determined by March 2015. Under the new proposals, 50 per cent of any award would be deferred.

LTIP

- The vesting period for outstanding long-term share awards will remain unaffected by the change, with no acceleration of vesting. In addition, no changes to the existing performance metrics are proposed (including the annualised growth targets).
- The TSR conditions for outstanding awards will continue to be measured over three calendar years from the date of grant. In line with the performance schedule, EPS would be measured over three financial years while seeking to ensure performance is assessed on a like-for-like basis.
- Long-term awards granted in 2012 will vest in June/July 2015 using a proxy 12-month financial year for 2014 as closing year for EPS performance measure. Similarly for awards to be granted in 2015, the Committee will use the same proxy 12-month financial year for 2014 as the baseline year for the EPS measure.
- The Committee will assess the performance period for each LTIP grant to ensure no participant is materially advantaged or disadvantaged from the change in year end.
- For grants made prior to the 2014 AGM, Executive Directors will be invited to participate in the voluntary matching scheme. The performance measures for such Performance and Matching Shares will be the same as for awards granted in previous years, as set out on page 85.

For details of legacy arrangements, please also refer to page 85.

Directors' Remuneration Report continued

Remuneration Policy Report

Future policy table for Executive Directors
A summary of the key elements of remuneration for Executive Directors is shown in the table opposite.

This Remuneration Policy Report determined by the Group's Remuneration Committee ("the Committee"), will, if it is approved by shareholders at the 2014 AGM, be effective from the date of its approval at that meeting.

The Group must attract and retain a high calibre senior management team to ensure it is in a position to deliver its business plans and maximise returns for shareholders. The Group is committed to paying for performance, rewarding the senior management team only when its goals are achieved. Each year the remuneration framework and the packages of the Executive Directors and members of the Executive Committee are reviewed by the Committee to ensure that they continue to achieve this objective. In doing so, the Committee takes into account multiple reference points when setting pay including companies in the FTSE 31-100, the broader Financial Services sector as well as other international exchanges.

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

- a focus on shareholder value;
- the continued expansion of the Group beyond the UK;
- the need to attract and retain senior management from the international financial sector which requires remuneration packages with a sufficient variable pay component;
- the Group's intent to be mindful of best practice as expressed by institutional shareholders and their representative bodies; and
- the relatively higher profile of the Group compared with many other quoted companies with similar market capitalisation.

ELEMENT	PURPOSE AND LINK TO STRATEGY
Salary	Provides a core element of remuneration which reflects the responsibilities of the role. Enables the recruitment and retention of individuals of the calibre required to execute the Group's strategy.
Benefits	Provide local market competitive benefits and support the wellbeing of employees.

OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Base salaries are normally reviewed annually by taking into account a range of factors, including: — size and scope of the role; — skills and experience of the individual; — market competitiveness/relative positioning; — performance of the Group and of the individual; — wider market and economic conditions; and — level of increases being made across the Group. Any changes are normally effective from 1 April each year.	There is no defined maximum salary. Increases are determined based on the factors described in the Operation column. The Committee's normal approach is to initially consider increases within the range awarded to other employees. More significant increases may be awarded in certain circumstances, such as where there is a significant change in the scale, scope or responsibility of a role, development within a role and/or significant market movement. The annual base salaries in FY13/14 and FY2014 for each Executive Director are set out in the Annual Report on Remuneration.	n/a
A flexible benefits plan is offered, in which individuals have certain core benefits (such as private medical, life assurance, income protection and, additionally in Italy only, disability, accident, car, fuel allowance and luncheon vouchers) together with (in the UK) a taxable cash allowance which can be spent on elective benefits (such as additional medical, life or dental cover). A chauffeur-driven motor car may also be provided for Executive Directors where appropriate. Due to the high profile of the Group, the Committee reserves the right to provide our Executives with the appropriate level of security arrangements to allow them to perform their duties in the safest possible conditions. Benefits are reviewed periodically to ensure they remain affordable and competitive. The Committee retains the discretion to provide reasonable additional benefits as appropriate – for example, relocation and other allowances including expatriate assistance, housing and school fees for a finite period, tax preparation and filing assistance and flights back to the home country for the Executive and his family. Repatriation costs are met by the Company if employment is terminated by the Company, other than for just cause. Where necessary any benefits may be grossed up for taxes. Executives are eligible to participate in the Group's HMRC-approved Save As You Earn Option Scheme (or international equivalent) on the same basis as other employees. Executive Directors are covered by the Directors' and Officers' insurance and indemnification.	There is no defined maximum. Benefits plans are set at (what are in the Committee's opinion) reasonable levels in order to be market competitive for their local jurisdiction and are dependent on individual circumstances. Participation in the Save As You Earn Option Scheme (or international equivalent) is capped at the same level as all other participants, which is determined by the Company within the parameters of applicable legislation.	n/a

Directors' Remuneration Report continued

Remuneration Policy Report continued

ELEMENT	PURPOSE AND LINK TO STRATEGY
Retirement benefits	Provide Executives with retirement benefits. Support recruitment and retention of high calibre people.
Annual bonus	Rewards annual performance against challenging financial, strategic and individual targets linked to Group strategy. Deferral reinforces retention and enhances alignment with shareholders by encouraging longer term focus and sustainable performance.

OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Provision of annual pension allowance, invested in the Company's defined contribution plan or taken as a cash allowance. In certain jurisdictions, more bespoke pension arrangements may be provided. In such circumstances, the Committee will give appropriate consideration to local employment legislation, market practices and the cost of the arrangement.	The maximum annual pension contribution/cash allowance is 25 per cent of salary (except where determined by local market practice). In Italy, Mr Jerusalmi accrues mandatory state pension (INPS) benefits which are calculated on salary, benefits and annual bonus. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Group at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. TFR is calculated on salary, capped benefits, annual bonus and LTIP.	n/a
The Group operates a Group-wide bonus pool which is funded based on the achievement of financial and strategic goals of the Group. Allocations to individual Executive Directors are made from this pool based on the Committee's assessment of their individual performance, taking into account the Group's financial and strategic performance and the achievement of any individual objectives related to their role. Performance targets are reviewed and set by the Committee at the beginning of each performance year. Awards are determined by the Committee after the year end based upon the actual performance against these targets. The Committee applies judgement where necessary to ensure approved pay-out levels are reflective of actual, overall performance. — 50 per cent of the annual bonus will be subject to mandatory deferral, normally for a period of two years. — Until the minimum shareholding requirement (see below) is reached, bonus deferral will be 100 per cent into shares. Once the level of minimum shareholding has been reached, individuals will be able to defer 100 per cent into shares, 50 per cent into shares/50 per cent into cash or 100 per cent into cash. — Dividends (or equivalents) may be paid in respect of deferred shares on vesting. — Deferred awards are subject to malus provisions as described below. Paid bonuses and vested awards are subject to clawback as described below.	Maximum annual bonus opportunity of 225 per cent of salary for CEO and 200 per cent of salary for other Executive Directors for maximum performance.	Based on a combination of financial (e.g. adjusted operating profit), strategic and individual performance targets. Strategic objectives include key targets under the strategic pillars of building best in class capabilities, creating a global business and developing opportunities. These strategic objectives also impact financial results in the medium-term. The Committee will set the detail and mix of performance measures, targets and weighting based on the strategic objectives at the start of each year. At least 50 per cent of the targets relating to the annual bonus pool in any year will be subject to financial measures. No bonuses are paid for below threshold performance. The Committee may award any amount between zero and 100 per cent of the maximum opportunity. The performance measures are applied in the performance year only. Due to the financial year end change, FY2014 will be based on a nine-month performance period from 1 April 2014 to 31 December 2014, followed by a calendar year from 1 January to 31 December from 2015 onwards. Further details about the impact of the financial year-end change can be found on page 73.

Directors' Remuneration Report continued

Remuneration Policy Report continued

ELEMENT	PURPOSE AND LINK TO STRATEGY
LTIP (Long Term Incentive Plan) 2014	Incentivises performance over the longer term through the award of performance related shares. Aligns reward with long-term, sustainable Group performance and a focus on shareholder value.
Share ownership	Ensures alignment with shareholders' interests.

OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
— Under the (new) LTIP 2014, which is being put to shareholders for approval at the AGM in 2014, awards of shares (or equivalent) are granted annually subject to performance conditions. — Awards normally vest subject to performance targets assessed over a performance period, normally of at least three financial years. The Committee has discretion to set different performance periods if it considers them to be appropriate. — The Committee shall determine the extent to which the performance measures have been met. The Committee may make adjustments to performance targets if an event occurs that the Committee determines that an adjustment is appropriate. The performance targets will be at least as challenging as the ones originally set. — Dividends (or equivalents) may be paid on vesting. Unvested awards are subject to a malus provision and vested awards are subject to clawback, as described on the following page. — Details on the impact of the financial year end change on the proposed LTIP can be found on page 73.	Although there is a facility for maximum awards of up to 400 per cent of salary under the plan rules in exceptional cases, it is expected that awards under this plan will normally be up to 300 per cent of salary.	The Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. Vesting of awards is subject to achievement of total shareholder return and financial performance targets. For initial grants under this new LTIP, awards are subject to absolute TSR and adjusted EPS measures. Measures will normally be equally weighted but in any event, any total shareholder return element will represent at least 50 per cent of the award. For each performance element, achievement of the threshold performance level will result in no more than 25 per cent of the maximum award paying out. For achievement of the maximum performance level, 100 per cent of the maximum pays out. Normally, there is straight-line vesting between these points.
Executive Directors are expected to build up share ownership over a period of five years and maintain holdings of at least 2x base salary.		

Directors' Remuneration Report continued

Remuneration Policy Report continued

Notes to the Policy Table

Selection of performance measures

Performance targets are set by the Committee to be both stretching and achievable, taking into account the Group's strategic priorities and the economic landscape.

The performance measures that are used for our annual bonus and Long Term Incentive Plans have been chosen to support the Group's strategy.

For the annual bonus plan, the Committee continues to believe that it is appropriate to use a balance between financial targets, strategic objectives and individual performance objectives.

The Committee considers that the measures to be used for the LTIP, i.e. TSR and adjusted EPS, are currently the most appropriate measures of long-term performance for the Group.

Malus and clawback provisions

A malus provision applies to awards granted under the new LTIP, and to unvested awards under the Deferred Bonus Plan. This would allow the Committee in its absolute discretion to determine, at any time prior to the vesting of an award, to reduce, cancel or impose further conditions in certain circumstances, including (i) where there is a material misstatement or restatement of the results of the Group in its audited accounts, (ii) the negligence, fraud or serious misconduct of the individual which results in significant reputational damage to the Group or which has a material adverse effect on the financial position of the Group or the business opportunities of the Group, or (iii) if the individual is a member of a company in the Group which suffers significant reputational damage or material adverse effect on its financial position or on its business opportunities.

A clawback provision applies to vested awards granted under the new LTIP, vested awards under the Deferred Bonus Plan and annual bonuses paid previously. This would allow the Committee in its absolute discretion to claw back from individuals some or all of the vested awards or paid bonus in certain circumstances, including (i) if there is a material misstatement or restatement of the results of the Group in its audited accounts, (ii) the negligence, fraud or serious misconduct of the individual which results in significant reputational damage to the Group or a material adverse effect on the financial position of the Group or the business opportunities of the Group, or (iii) if the individual is a member of a company in the Group which suffers significant reputational damage or material adverse effect on its financial position or on its business opportunities. Clawback will normally apply for a period of three years following vesting of shares and/ or payment of bonus, unless the Committee determines otherwise.

Recruitment policy

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre required by the Group. Consistent with the UK Corporate Governance Code, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- The ongoing remuneration package would normally include the key elements on the same terms as those set out in the policy table for Executive Directors.
- The maximum level of variable remuneration which may be awarded on recruitment (excluding any buy-outs referred to below) is 625 per cent of salary. Incentive awards made in the first year of appointment may be subject to different performance measures and targets appropriate to the newly recruited Executive Director.
- Recognising that the Group competes for talent in the international financial services sector, on an exceptional basis, the Committee has the ability to include other elements of pay which it feels is appropriate taking into account the specific commercial circumstances (e.g. for an interim appointment). However this would remain subject to the limit on variable remuneration set out above. The rationale for any such component would be appropriately disclosed.
- In addition, where an individual forfeits arrangements as a result of appointment, the Committee may offer a buy-out, in such form as the Committee considers appropriate taking into account all relevant factors which may include the vehicle, expected value and timing of forfeited opportunities. Any such buy-out will be limited to the commercial value of payments and awards forfeited by the individual.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable relocation assistance and other allowances including expatriate assistance. Global relocation support (normally for up to five years) and any associated costs or benefits (including but not limited to housing, school fees, tax preparation and filing assistance and flights back to the home country) may also be provided if business needs require it. Should the Executive's employment be terminated without cause by the Group, repatriation costs will be met by the Group.
- In the event that an internal candidate was promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors (see page 83).

Service contracts and payments for departing Directors

Policy in respect of new appointments

The Group's current policy is that Executive Directors' service agreements should have notice periods that are no longer than 12 months. The Group may terminate an Executive Director's service agreement by making a payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and medical insurance (but excluding bonus and share incentives) plus any accrued unused holiday entitlement. Consideration will be given to appropriate mitigation terms to reduce payments in lieu of notice made on termination in the event of the Executive Director commencing alternative employment, being appointed as a Non-Executive Director or providing services pursuant to a consultancy agreement in the 12 months following the Executive Director's departure.

The lawful termination mechanisms described above are without prejudice to the Group's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby to be liable for damages to the Executive Director. Liquidated damages clauses are not used. The Group may pay the Executive Director's reasonable legal fees for receiving advice in connection with the termination of their employment.

In the event of termination by the Group, each Executive Director may have an entitlement to compensation in respect of his statutory rights under employment protection legislation in the UK and potentially elsewhere. Directors' and Officers' liability insurance and an indemnity to the fullest extent permitted by the law and the Group's Articles of Association are provided to the Executive Directors for the duration of their employment and for a minimum of seven years following termination.

The Committee considers that this is consistent with current best practice and this approach will generally be adopted for new appointments. Where appropriate and when recruiting non-UK based Directors, the Committee may agree different terms based on local legal requirements or market practice.

Treatment of variable incentives

Annual bonus	Individuals may be considered for an annual bonus in respect of the period prior to cessation. Any award would be at the discretion of the Committee, subject to the Executive Director's performance and period of employment.
Deferred Bonus Plan 2014	For good leavers, awards vest at the normal vesting date, although the Committee may determine that awards vest on cessation of employment. The award will usually vest in full or on a pro-rated basis at the Committee's discretion. Good leavers are those who cease to be an employee of a member of the Group by reason of death, injury, disability, ill-health, redundancy, the sale of the individual's employing business or the transfer of the Company out of the Group, or any other reason which the Committee decides in its discretion, having regard to a range of relevant factors including the Executive Director's performance, length of service and circumstances of their departure. Where an individual is not considered to be a good leaver, unvested awards will lapse. Where an individual is summarily dismissed, all his awards will lapse. Deferred awards are subject to malus and vested awards are subject to clawback as detailed under page 80.
Long-Term Incentive Plan 2014	For good leavers, awards will normally vest at the normal vesting date and following the end of the performance period, unless the Committee determines that awards should vest following cessation of employment. Vesting will be subject to performance and unless the Committee determines otherwise (or that another basis of reduction is appropriate) pro-rated for time in employment. Good leavers are those who cease to be an employee of a member of the Group by reason of death, injury, disability, ill-health, redundancy, and the sale of the individual's employing business or transfer of the Company out of the Group, or any other reason which the Committee decides in its discretion, having regard to a range of relevant factors including the Executive Director's performance, length of service and circumstances of their departure. Where an individual is not considered to be a good leaver, unvested awards will lapse. Unvested awards are subject to malus and vested awards are subject to clawback as detailed under page 80.

Detailed share plan provisions

Share awards are subject to the terms of the relevant plan rules under which the award has been granted. The Committee may adjust or amend awards only in accordance with the provisions of the plan rules. This includes making adjustments to awards to reflect certain corporate events, including a variation in the Company's share capital, a demerger or a special dividend.

In change of control circumstances, all LTIP awards will normally vest on an accelerated basis subject to the extent that the performance conditions are satisfied, and, unless the Committee determines otherwise, time pro-rating. Deferred Bonus awards will normally vest in full. The Committee may also allow some or all of an award to be exchanged if not yet vested.

Individual terms

Xavier Rolet entered into a service agreement with the Group on 25 February 2009 and was appointed with effect from 16 March 2009. Xavier Rolet's service agreement can be terminated by either party giving not less than 12 months' notice. Alternatively, the Group may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and private medical insurance (but excluding bonus and share incentives) paid in a lump sum or, at the Committee's absolute discretion, paid in 12 equal monthly instalments from the date of termination of the employment. Alternatively, the Group may in its discretion continue to provide pension, life and private medical insurance for the 12 months following termination. If the payment is made in instalments and Mr Rolet commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement in the relevant period (of 12 months) following his departure from the Group, the instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. On termination (other than by reason of summary dismissal) Mr Rolet will be eligible to receive a pro-rata bonus for the year in which his employment is terminated subject to company and individual performance.

David Warren entered into a service agreement with the Group on 11 June 2012 and was appointed with effect from 2 July 2012. David Warren's service agreement may be terminated by either party giving at least 12 months' notice. Alternatively, the Group may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and private medical insurance (but excluding bonus and share incentives). Any payment in lieu of notice will be paid in 12 equal monthly instalments from the date of termination of the employment. Alternatively, the Group may in its discretion continue to provide pension and life and private medical insurance for the 12 months following termination. Should Mr Warren commence alternative employment, be appointed as a Non-Executive Director or provide services pursuant to a consultancy agreement in the relevant period (of 12 months) following his departure from the Group, the instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. Payments of the instalments may be required to be deferred until six months after termination by US tax rules applying to Mr Warren. To the extent that any payment or benefits payable to Mr Warren under his service agreement or under any bonus or share incentive plan would be subject to US excise tax, the payments and benefits may be reduced if this would result in Mr Warren receiving a greater after tax amount than if the benefits were not reduced. On termination (other than by reason of summary dismissal) Mr Warren will be eligible to receive a pro-rata bonus for the year in which his employment is terminated subject to company and individual performance.

Directors' Remuneration Report continued

Remuneration Policy Report continued

Raffaele Jerusalmi entered into a service agreement with Borsa Italiana on 1 October 2001, amended on 3 May 2011, and a service agreement with LSEG Holdings (Italy) on 3 May 2011, which reflects his period of continuous service from 1 October 2001. On 1 April 2013, Raffaele Jerusalmi's employment contract transferred from LSEG Holdings (Italy) to LSEG Holdings Italia S.p.A. Raffaele Jerusalmi's employment contracts with Borsa Italiana and LSEG Holdings Italia S.p.A. expressly state that no collective bargaining agreements apply to his employment and accordingly, the terms applying to the termination of his employment are governed by Italian law. If Raffaele Jerusalmi is dismissed, his notice period will be equal to eight months based on continuous service since 1 October 2001 until 1 October 2016 and equal to nine months from 2 October 2016 onwards. If Raffaele Jerusalmi resigns, he is required to give three months' notice. On termination of either employment for any reason, Raffaele Jerusalmi is entitled to severance payments under Italian law equal to: (i) Trattamento di Fine Rapporto (TFR) which Raffaele Jerusalmi has elected to transfer to his private pension plan on a monthly basis since August 2007. He will therefore not be entitled to further TFR benefits post-employment. The TFR contributions currently equate to 7.4 per cent (including solidarity tax at the current rate of 0.49 per cent, which does not count towards Raffaele Jerusalmi's contributions to his private pension plan) of base salary, benefits, annual bonus and LTIP paid to Raffaele Jerusalmi during his employment; (ii) pro-rated supplementary monthly payments (the annual salary is normally paid in 12 instalments plus two supplementary monthly payments); and (iii) a payment in lieu of untaken holidays, if any. Where no just cause for termination exists, a payment in lieu of notice is payable if the employment is terminated with immediate effect. The payment in lieu of notice is in addition to the payments at (i), (ii) and (iii) above and is equal to the overall salary due to Raffaele Jerusalmi during the notice period. For these purposes, overall salary includes base salary, average of any variable pay and TFR contributions paid during the last 36 months of the employment, and benefits in kind.

Remuneration policy for other employees and consideration of wider employee remuneration

The remuneration policy for senior Executives and other employees is determined based on similar principles to Executive Directors. For roles below the main Board, the exact structure and balance are tailored based on various factors including the scale, scope or responsibility of the role, development within a role and/or significant market movement. The Committee reviews and comments on the salary, bonus and LTIP awards of the senior Executives immediately below Board level and approves the overall design and distribution of incentive awards available to all employees, including share-based plans.

The approach in respect of base salary and benefits is generally consistent across the organisation. Executive Directors' and other senior managers' remuneration includes a greater proportion of performance related pay when compared to other employees. The Committee considers this is essential to differentiate levels of responsibility and align pay to sustainable long-term performance and shareholders' interests.

All employees are eligible to participate in the annual bonus plan which is subject to similar metrics to those used for the Executive Directors. Some Sales employees are eligible to participate in commission plans rather than the annual bonus plan. Opportunities vary by organisational level.

Other senior employees participate in long-term incentive plans on similar terms to Executive Directors but with reduced award levels for less senior roles.

The malus provision on unvested awards applies automatically to all awards granted under the Deferred Bonus Plan and the 2014 LTIP. However, the Committee will have the discretion to determine at the grant date whether the clawback rule on paid bonuses and vested awards will apply to awards granted to participants other than Executive Directors. Below the Board, LTIP participants (excluding Executive Directors) may continue to be eligible for matching share awards if they acquire investment shares up to 50 per cent of their net salary at or around the time the award is granted.

In setting remuneration for Executive Directors, the Committee considers the overall approach to reward employees across the Group taking into account the scale, scope or responsibility of the role, development within a role and/or significant market movement.

Salary increases of Executive Directors in percentage terms are in line with those of employees in their local jurisdictions. The Committee does not formally consult directly with employees on Executive Directors' pay. The Committee receives ongoing regulatory updates and information on external market practices from its independent external advisers which provide additional context for decisions.

Consideration of shareholders' views

The Committee is mindful of shareholder views when setting and evaluating ongoing remuneration principles, and commits to consulting with shareholders prior to any significant changes to the remuneration policy.

Shareholders have been particularly supportive of the simplification of the Group incentive arrangements without increasing the overall incentive opportunities.

They have welcomed the compulsory deferral of 50 per cent of the bonus into shares until the increased minimum shareholding requirement is met. The Committee has taken shareholders' feedback into account and proposed that in addition to the malus provision applied to any bonus amount deferred, a clawback provision should apply to the entire bonus.

The Committee is incorporating similar malus and clawback provisions for awards under the new LTIP.

Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to make an important contribution to the Group's affairs. The Chairman's fee is determined by the Remuneration Committee, and the Board is responsible for determining all other Non-Executive Director fees. Fees are reviewed periodically to ensure they remain appropriate. The Committee retains the flexibility to increase, adjust and make one-off payments to Non-Executive Directors based on their remit. Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director and fees at other companies of a similar size and complexity. The aggregate fees payable to all Non-Executives combined (excluding the Chairman and excluding fees paid for any appointments on subsidiary boards) are capped as set out in the Group's Articles of Association as they may be amended by a resolution of shareholders from time to time. The current limit on the aggregate fees that are payable is £1,500,000 per financial year. Details of current fees are set out on page 91.	Non-Executive Directors receive a basic annual fee with additional fees payable for further Board and Group responsibilities such as committee chairmanship or membership, subsidiary board or committee membership and Senior Independent Director. The Non-Executive Chairman of the Group receives an all-inclusive fee for the role. Fees are neither performance-related nor pensionable. Non-Executive Directors are not eligible to participate in the annual bonus or LTIP plans.	Non-Executive Directors do not receive any benefits or entitlements other than their fees and reasonable expenses. The Chairman receives the use of a chauffeur driven motor car for travel to the Group's offices and business purposes. Travel and other appropriate expenses with associated taxes (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors. Non-Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

Non-Executive Directors have letters of appointment with no notice period except for the Group Chairman who has a notice period of six months unless he is not re-elected by shareholders in which case his appointment will terminate immediately. The Non-Executive Directors' appointments are for an initial period of three years from the date of appointment and are also subject to re-election by shareholders.

Amendments to the Remuneration Policy Report

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The Committee remains mindful that regulation of companies in the financial services sector continues to evolve. The Committee recognises that remuneration arrangements may need to be amended in order to comply with any new regulations which become applicable to the Group. The Committee reserves the right to make changes to the Policy described above in order to comply with any such regulatory requirements which apply to the Group including any changes required under the UK Corporate Governance Code. Where this results in a major structural change, the Committee would expect to present a revised policy to shareholders for approval at the following AGM.

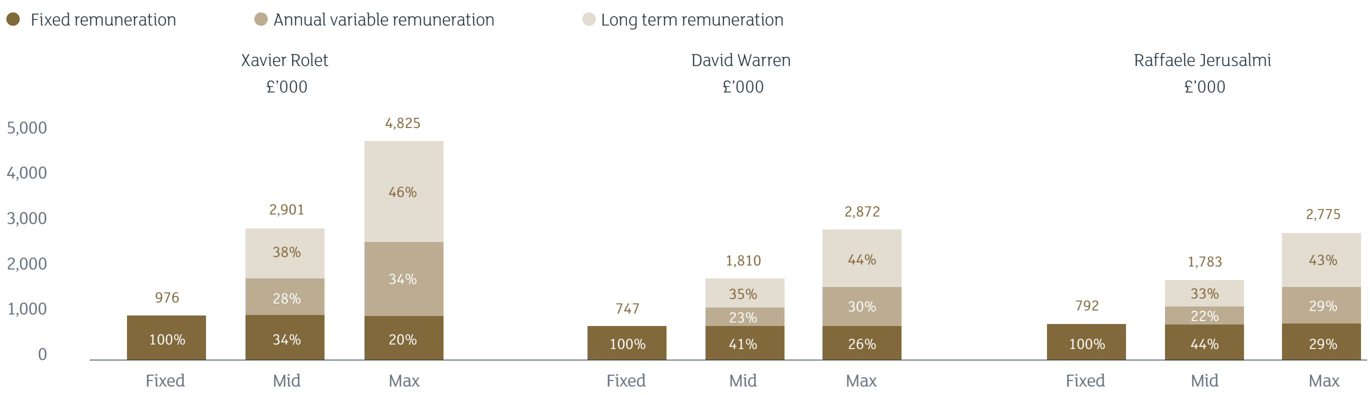
Directors' Remuneration Report continued

Remuneration Policy Report continued

Illustration of the application of the remuneration policy for Executive Directors

The charts below illustrate how much the current Executive Directors could receive under different scenarios in the first year of the policy, assuming a constant share price. Note that London Stock Exchange Group plc does not have a stated 'target' level for bonus and share awards, so we have assumed 50 per cent of maximum awards to illustrate a mid-range scenario.

Element of remuneration	Detail of assumptions
Fixed remuneration	This comprises: — Base salary with effect from 1 April 2014 — Benefits paid in 2013/14 as shown in the single figure table in the Annual Remuneration Report — Pension
Annual Bonus	Assumes maximum opportunity of 225 per cent of salary for CEO and 200 per cent of salary for other Executive Directors For mid-range scenario: assumes payment of 50 per cent of the maximum opportunity For maximum: assumes payment of 100 per cent of the maximum opportunity
Long Term Incentive Plan	Assumes maximum opportunity of 300 per cent of salary in conditional shares For mid-range scenario: assumes 50 per cent of the maximum opportunity For maximum: assumes vesting of 100 per cent of the maximum opportunity



Legacy arrangements

The Committee may make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) where the terms of the payment were agreed/granted (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Group and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Group.

Executive Directors have awards outstanding under the Long Term Incentive Plan 2004 which expires in July 2014.

Element	Summary
Long Term Incentive Plan 2004	The 2004 LTIP plan has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by Executive Directors of up to 50 per cent of net salary funded from their bonus payment. The pre-tax value of the amount deferred is matched on a 2:1 basis subject to the standard LTIP performance targets as specified below ("Matching Shares").

Performance Shares and Matching Shares are subject to the Group's absolute TSR (50 per cent) and adjusted EPS (50 per cent) performance over a single three-year period ("the performance period"). For absolute TSR, the performance period started on the date of grant and for adjusted EPS on the first day of the financial year in which the award is granted.

For absolute TSR, performance is calculated using a two-month average share price at the start and at the end of the performance period to ensure any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders. Both absolute TSR and adjusted EPS measures are independently verified by Deloitte LLP.

The performance conditions and vesting schedule for awards granted in 2010, 2011, 2012 and 2013 are set out below. The same targets also apply to awards granted prior to the date that the new LTIP Plan is approved at the July 2014 AGM.

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

Our policy is to grant awards on an annual cycle. Awards will normally vest three years after the grant date.

Details of how the Committee intends to measure performance for these awards to reflect the change in the financial year are set out on page 90. The Committee may adjust or amend awards only in accordance with the provisions of the plan rules. This includes making adjustments to awards to reflect certain one-off events, including a variation in the Company's share capital, a demerger or a special dividend. In accordance with the plan rules, awards may be settled in cash rather than shares where the Committee considers this appropriate.

For good leavers, awards vest to the extent that the performance conditions have been met. Good leavers are those who cease to be an employee of a member of the Group by reason of death, injury, disability, ill-health, redundancy, and the sale of the individual's employing business or transfer of the Company out of the Group or any other reason which the Committee decides in its discretion, having regard to a range of relevant factors including the Executive Director's performance, length of service and circumstances of their departure.

The number of shares which vest will be reduced on a time pro-rated basis to reflect the period elapsed between grant and the individual leaving. On retirement, awards continue to be subject to the LTIP until the end of the performance period and will vest to the extent that the performance conditions have been satisfied at the normal vesting date unless the Committee chooses to let awards vest at the date of retirement, in which case vesting will depend on the satisfaction of the performance conditions and will be subject to time pro-rating.

Where an individual is not considered to be a good leaver, awards will lapse. Where an individual is summarily dismissed, all their awards will lapse.

In the event of a change of control, awards will vest subject to the achievement of the relevant performance conditions and unless the Committee determines otherwise, on a time pro-rated basis.

Directors' Remuneration Report continued

Annual Report on Remuneration

The annual report on remuneration sets out how the Group has applied its remuneration policy during FY13/14 and will be put to an advisory vote at the 2014 AGM. The information from this page to page 97 has been audited where required under the regulations and is indicated as audited where applicable.

Single total figure of remuneration for Executive Directors (Audited)

Single total figure of remuneration	Xavier Rolet				David Warren[4]				Raffaele Jerusalmi[9]			
	FY13/14 £000	% of total	FY12/13 £000	% of total	FY13/14 £000	% of total	FY12/13 £000	% of total	FY13/14 £000	% of total	FY12/13 £000	% of total
Fixed pay												
Salary	705		675		425		319		360		351	
Flexible benefits allowance	20		20		20		15					
Benefits	40[3]		39		196[5]		187		26[6]		23	
Pension	176[1]		169		106[1]		80		219[7]		211	
Other									150[8]		99	
	941	15%	903	15%	747	55%	601	53%	755	33%	684	28%
Pay for performance												
Annual bonus	1,481		1,350		600		525		579		558	
Long term incentives[2]:												
Performance shares	2,660		2,320		–		–		985		1,160	
Matching shares	1,212		1,442		–		–		–		–	
	5,353	85%	5,112	85%	600	45%	525	47%	1,564	67%	1,718	72%
Total remuneration	6,294		6,015		1,347		1,126		2,319		2,402	

Notes

1 Annual pension allowance of 25 per cent of salary.

2 Value shown for FY13/14 represents estimated value of share awards granted in 2011 that are expected to vest in June and July 2014. The estimate assumes 100 per cent vesting and is based on a three-month average share price from 1 January to 31 March 2014, being £19.13. Value shown for FY12/13 represents the actual vesting of LTIP awards granted in 2010 that vested in September 2013 using the share price on the vesting date, being £16.24 for LTIP Performance shares that vested on 16 September 2013 and £15.66 for Matching shares that vested on 27 September 2013.

Xavier Rolet

3 Benefits include the cash value of private medical and life assurance, Save As You Earn (SAYE) and commuting expenses with associated taxes (including a chauffeur-driven motor car where appropriate). Mr Rolet started contributing to SAYE in February 2014. SAYE has been valued based on the monthly savings amount (£250) and the discount provided (20%) from February 2014 – i.e. £250 x 2 months x 20 per cent.

David Warren

4 David Warren joined on 2 July 2012, so FY12/13 figures are for a partial year.

5 Benefits include the cash value of private medical and life assurance and expatriate allowances with associated taxes.

Raffaele Jerusalmi

6 Benefits represent the cash value of private medical, disability, life and accident insurance cover, luncheon vouchers, car and fuel benefit.

7 Pension: mandatory INPS contributions calculated on salary, benefits and bonus.

8 Trattamento di Fine Rapporto mandatory arrangements calculated on salary, capped benefits, bonus and shares and paid into Mr Jerusalmi's pension plan.

9 FY13/14 rate of £1 = €1.21 (FY12/13 figures re-stated at FY13/14 rate on a constant currency basis).

Additional notes to the Single total figure of remuneration (Audited)

Fixed pay

Base salary

When reviewing Executive Director salaries, and in line with our policy stated on page 74, the Committee considers multiple reference points including companies in the FTSE 31-100, the broader Financial Services sector as well as other international exchanges.

Benefits

A flexible benefits plan is offered, in which individuals have certain core benefits (such as private medical, life assurance, income protection and, additionally in Italy only, disability, accident, car, fuel allowance and luncheon vouchers) together with (in the UK) a taxable cash allowance which can be spent on elective benefits (such as additional medical, life or dental cover). Where received as a cash supplement, this allowance is not used to calculate bonus payments or pension contributions. Benefits are reviewed periodically to ensure they remain affordable and competitive. Executives are eligible to participate in the Group's HMRC-approved Save as You Earn Option (SAYE) Scheme (or international equivalent).

Xavier Rolet and David Warren each receive a flexible benefit allowance of £20,000 per annum. These values have not been increased since last year. Both of them also receive benefits in kind which principally include private health care and life assurance arrangements.

Xavier Rolet has started to contribute £250 per month since February 2014 into the Save As You Earn (SAYE) scheme which will run until February 2017.

As an expatriate from the US to UK, David Warren is also entitled to receive the following net amounts:

- Each year he is entitled to tax preparation and filing assistance in the US and the UK.
- The Group will meet the costs of repatriating Mr Warren's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination.
- An allowance to cover the cost of renting accommodation in the UK during the first four years of his appointment (£60,000 net per annum up until 1 November 2014 – at which point the allowance will then reduce to £30,000 per annum for the following two years). If Mr Warren purchases a property within the first two years of appointment, he may use the balance of the allowance payable for that period to cover associated costs such as stamp duty or legal costs.
- An annual allowance of £30,000 net per annum to cover flights between London and New York for Mr Warren and his family.

Raffaele Jerusalmi receives benefits in kind such as health, disability, life and accident insurance cover, luncheon vouchers, car and fuel benefit. He also contributes towards the Italian mandatory national insurance system.

There are no contractual malus or clawback provisions in place in relation to benefits. Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

Retirement Benefits

The London Stock Exchange plc final salary pension scheme was closed to new entrants in 1999 and was closed to future accruals from 1 April 2012. The current Executive Directors do not participate in this final salary pension scheme. Pension provision takes the form of a non-consolidated cash allowance.

Xavier Rolet and David Warren each receive an allowance equivalent to 25 per cent of base salary as a taxable cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply. In the tax year to 6 April 2014, Xavier Rolet contributed £200,000 into the company Group Pension Plan with Scottish Widows. On a one-off basis, this included contributions for the three prior tax years up to the maximum, tax-free headroom.

As set out in the Remuneration Policy Report on page 77, Raffaele Jerusalmi accrues mandatory state pension (INPS) benefits in Italy. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Company at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. Both INPS and TFR contributions are included in the single total figure of remuneration table on page 86.

Pay for Performance

The Committee takes into account multiple reference points when setting pay including FTSE 31-100, the financial services sector, international exchanges and FTSE 250 roles for key subsidiaries where relevant.

Overall the Committee wishes to position total target remuneration (fixed pay, variable pay and benefits) at or around the median of the reference points. The Committee considers it appropriate to reward superior performance with compensation levels at the upper quartile of the target market(s).

Annual bonus awarded for FY13/14

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

For FY13/14, the Committee determined that the sole annual financial target should again be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the Group and believes it should continue to be the main financial measure for annual bonus plan purposes. At least 50 per cent of the annual bonus pool is subject to achieving this financial target. Other measures include the achievement of strategic and individual targets. The maximum bonus opportunity is 225 per cent of salary for the Chief Executive Officer and 200 per cent of salary for other Executive Directors.

Determination of FY13/14 Annual Bonus

The Committee determined the overall Group bonus pool with reference to performance for the year ended 31 March 2014. The performance measures and targets are set out below:

		Actual performance	Performance relative to target	Maximum percentage of bonus	Actual percentage of bonus
FY13/14 Group bonus pool	**Group AOP**	Adjusted operating profit up 20 per cent at £514.7 million	'Above Target'	50	40
	Strategic Deliverables	**Key achievements:** — Completion of the majority acquisition and integration of LCH.Clearnet Group — Increase in equities market share — TARGET2-Securities and the development of the new international central securities depository in Luxembourg	Between 'Target' and 'Above Target'	50	31
	Total			**100**	**71**

Note: Due to commercial confidentiality, these sensitive performance targets will not be disclosed now or in the future as this would provide an unfair advantage to our international competitors.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Chief Executive Officer
In increasingly complex market conditions and a challenging regulatory environment, the Group has had a strong year led expertly by Xavier Rolet. Financial results were above target with an increase in our revenue, operating profits and market capitalisation. This performance has been achieved through: the execution of the Group's strategy including the completion of the acquisition of a majority stake in the global clearing house, LCH.Clearnet Group and key achievements under our strategic pillars; building best in class capabilities through innovative solutions in post trade, information services and capital markets; creating a global business with expanded reach through FTSE, MTS, MillenniumIT and now LCH.Clearnet; and developing opportunities through diversification with plans to launch a new pan-European central securities depository, new derivatives products and continued development of our ELITE programme.

Chief Financial Officer
David Warren delivered: longer term financing structure post completion of the majority stake in LCH.Clearnet; the integration with LCH.Clearnet extending the cost synergies; close control of our cost base and careful financial management to aid our diversification strategy, all of which are reflected in good financial performance and returns to our shareholders.

Executive Director, CEO of Borsa Italiana & Director of Capital Markets
Raffaele Jerusalmi has led: our Capital Markets and Post Trade divisions; the completion of a majority acquisition in Euro TLX, the development of MTS to trade interest rate swaps and MTS Markets International; significant increase in market share of Turquoise the pan-European trading platform; plans to launch a new central securities depository in Luxembourg; six year high in new issue activity; the development of Exchange Traded Funds (ETF) and Exchange Traded Products (ETP) markets; the development of our ELITE offering to enhance our SME offering; significant growth in our fixed income products and Monte Titoli has signed the TARGET2-Securities (T2S) Framework Agreement and will participate in the first wave of T2S, scheduled to go-live in June 2015.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded annual bonuses to each of the Executive Directors as follows:

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
FY13/14 bonus	**% of salary**	210% of salary	141% of salary	161% of salary
	% of max.	93% of maximum	71% of maximum	81% of maximum
	amount	**£1,480,500**	**£600,000**	**€700,000** (approx. £579,000)

Long-term incentive plan (LTIP)
Under the current 2004 LTIP, awards have two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by the senior management of all or some of their annual bonus.

Performance Shares and Matching Shares granted in 2010, 2011, 2012 and in the last financial year were subject to Company's absolute TSR (50 per cent) and adjusted EPS (50 per cent) performance over a single three-year period ("the performance period"). For absolute TSR, the performance period started on the date of grant and for adjusted EPS on the first day of the financial year in which the award is granted.

For absolute TSR, performance is calculated using a two-month average share price at the start and at the end of the performance period to ensure any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period.

The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders. Both absolute TSR and adjusted EPS measures are independently verified by Deloitte LLP.

The performance conditions and vesting schedule are set out below:

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

Awards granted in September 2010 with performance period ending in 2013
The awards granted in 2010 were based on absolute TSR performance in the three years from grant and adjusted EPS performance in the three year period to March 2013. Over the period the Company delivered adjusted EPS performance of 21 per cent per annum and absolute TSR growth of 38 per cent and 37 per cent per annum for the Performance Shares (vested on 16 September 2013) and Matching Share awards (vested on 27 September 2013) respectively. Subsequently, 100 per cent of the maximum Performance Share and Matching Share awards vested last year.

Awards granted in June 2011 with a performance period ending in 2014
The performance period for the absolute TSR element of the Performance Share and Matching Share awards ends in June and July 2014 respectively. Awards vesting in 2014 will be disclosed in the annual report on remuneration covering the next nine-month financial period (April to December 2014).

The awards granted in 2011 were based on absolute TSR performance in the three years from grant, and adjusted EPS performance in the three year period to March 2014. Over the period the Company delivered adjusted EPS performance of 13.3 per cent per annum for performance and matching shares. Subsequently the adjusted EPS element for both these awards will deliver 100 per cent vesting. Absolute TSR growth will be known after 3 June 2014 but is currently also forecast to vest at the full 100 per cent for this element. The final vesting outcome (including the actual share price at vesting) following the end of the performance period will be set out in next year's Annual Remuneration Report, but based on latest forecasts is likely to be at the full 100 per cent vesting level.

LTIP Awards Granted in FY13/14 (Audited)

Awards made in FY13/14

For the year ended 31 March 2014, awards of Performance Shares were made with a value of 200 per cent of salary for Xavier Rolet, 176 per cent of salary for David Warren, and 193 per cent of salary for Raffaele Jerusalmi (at historical rate of £1 = €1.18). Xavier Rolet also received an award of Matching Shares equivalent to 100 per cent of salary following his investment in London Stock Exchange Group shares.

		Chief Executive Officer[2]	Chief Financial Officer[3]	Executive Director, CEO of Borsa Italiana & Director of Capital Markets[3]
FY13/14 LTIP (Nil-cost performance options) granted on 12 June 2013	**% of salary**	200% of salary + 100% of salary in matching shares	176% of salary	193% of salary
	face value	£1,410,000 + £705,000	£750,000	£710,000 (approx. €838,000)
	share price[1]	£13.88	£13.88	£13.88
	Number of LTIP shares granted	101,585 + 50,792	54,034	51,152

Notes:

1 The share price of £13.88 was determined using the closing price (MMQ) on 10 June 2013 and approved by the Share Scheme Committee (a subsidiary of the Remuneration Committee).

2 Between 31 May 2013 and 11 June 2013 Mr Rolet acquired a further 13,312 invested shares at an average price of £14.03, equivalent to 50 per cent of his net salary (or £186,825 in total). In return he was granted a further 100 per cent of salary (£705.000) in matching LTIP shares (being 50,792 matching shares at £13.88 share price).

3 Mr Warren and Mr Jerusalmi did not participate in the voluntary matching share scheme in FY13/14.

The same performance conditions described above apply to all awards granted between 2010 and 2013, and for those to be awarded in 2014 (if prior to July 2014 AGM), namely:

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

Due to the financial year-end change, EPS will be measured over 33 months for 2012, 2013 and 2014 grants. From 2015 onwards, grants will return to being measured over 36 months on a calendar year basis. The financial year-end change does not affect the TSR measurement period which is still three calendar years from grant. Vesting remains over 36 months. The Committee will determine final outcomes to ensure there is no material advantage or disadvantage to participants due to the year-end change.

Other share plans (SAYE)

All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved Save As You Earn Scheme (SAYE). Under the rules of the SAYE, participants can save up to £250 each month, increasing to £500 from April 2014, for a period of three years. At the end of the saving period, savings plus interest may be used to acquire shares by exercising the related option.

The options may be granted at an exercise price which represents a discount of up to 20 per cent to market value at the date of invitation. No performance conditions are attached to SAYE options. There is also an International Sharesave Plan (ISP), which is designed to provide share options to Group employees who are not based in the UK on similar terms to the options that are available to UK employees through the SAYE. To date, employees in France, Hong Kong, Italy, Sri Lanka and the US have participated in the ISP.

During the financial year April 2013 to March 2014, a grant was made in January 2014 under the UK and international schemes. Due to the financial year-end change, an additional interim grant will be made in July 2014. From 2015 onwards, annual SAYE grants will normally take place in May.

Executive Directors' Share Options under the ShareSave (SAYE) Plan

SAYE	Number of shares							
	At start of year	Awarded during the year	Vested during year	At end of year	Price at award date	Date of award	Final vesting date	Expiry date
Xavier Rolet	–	712	–	712	17.99	10/01/2014	01/03/2017	30/08/2017

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Implementation of the remuneration policy during FY2014 (1 April to 31 December 2014)

Base salary operation:

When reviewing Executive Director salaries, and in line with our policy, the Committee considers multiple reference points including companies in the FTSE 31-100, the broader Financial Services sector as well as other international exchanges.

Base salaries for 2014/15, effective from 1 April 2014, are set out in the table below:

Annual salary	2013/14	2014/15
Xavier Rolet	£705,000	£733,000 (+4%)
David Warren	£425,000	£425,000 (+0%)
Raffaele Jerusalmi	€435,000	€480,000 (+10%)

Chief Executive Officer

The Chief Executive's salary has been reviewed in the context of Group performance and salary increases elsewhere in the Group as well as positioning against peers. He has been awarded a four per cent salary increase.

Executive Director, Chief Executive Officer of Borsa Italiana and Director of Capital Markets

Since his appointment to the Board in June 2010, the Committee has been aware that Raffaele Jerusalmi's salary has been behind his peers, both internally and externally. At that time the Committee chose not to substantially increase his salary preferring to recognise Mr Jerusalmi's contribution and importance to the Group in his capacity as a key member of the Board over an extended period of time. Subsequently, the Committee has determined that Mr Jerusalmi's salary will be increased to €480,000, an increase of 10 per cent. The Group's strategy continues to be focused on increasing its global footprint and diversifying its service offering. Mr Jerusalmi has made an exceptional contribution to this sustained success. As the Group executes its growth strategy, the breadth and complexity of Mr Jerusalmi's role continues to increase. He has responsibility for Capital Markets, Post Trade including TARGET2-Securities and the development of the new International Central Securities Depository in Luxembourg.

Annual bonus operation:

- For FY2014, targets will be adjusted to reflect this shorter nine-month performance period. Performance measures and weighting remain unaffected.
- The maximum bonus opportunities will be pro-rated to reflect the shortened period with performance measured over the truncated financial year.
- Any bonus payment would be determined in March 2015. The following financial year will align with the calendar year of January to December 2015 with bonuses determined in March 2016.

Under the new Deferred Bonus Plan proposals:

- The current, voluntary deferral of up to 50 per cent of net salary is replaced with the introduction of the mandatory deferral of 50 per cent of bonus for a period of two years.
- Until the increased minimum shareholding requirement is reached, bonus deferral will be 100 per cent into shares. Once the level of minimum shareholding has been reached, individuals will be able to elect to defer 100 per cent into shares, 50 per cent into shares/50 per cent into cash or 100 per cent into cash.
- Deferred awards are subject to malus provisions. Bonuses already paid out under the Deferred Bonus Plan and vested awards are subject to clawback with judgement applied by the Committee.
- For good leavers, awards will usually vest at the normal vesting date and in full, unless the Committee determines to scale back the award based on any factors deemed relevant. Where an individual is not considered to be a good leaver, unvested awards will lapse.

Long Term Incentive Plan:

As described in the Remuneration Policy Report set out above, the Company is seeking approval for a new Long-Term Incentive Plan at the 2014 AGM. The new plan was designed after consulting with major shareholders and incorporates many aspects of evolving best practice. The key changes are as follows:

- The current, voluntary matching (equal to 100 per cent of salary opportunity) has been removed and replaced with a single long term incentive plan. In future years, the Company will only make annual grants of Performance Shares.
- An increased maximum opportunity from 300 per cent to 400 per cent of salary to recognise loss of opportunity where voluntary matching has been replaced by mandatory deferral but with no increase in overall incentive opportunities.
- A reduction of threshold level of vesting from 30 per cent to 25 per cent of the maximum, in line with market practice.
- Introduction of malus and clawback provisions, allowing the Committee to reduce subsisting awards in certain circumstances (e.g. material misstatement or gross misconduct).
- Alignment of good leaver policy with best practice. LTIP awards will now subsist until the end of the performance period in line with other award-holders and vest at that point with time pro-rating based on the number of actual months' service within the relevant 36-month vesting period.

Under the 2014 LTIP, awards of shares (or equivalent) are granted annually subject to performance conditions. The awards will continue to be based on absolute Total Shareholder Return (TSR) and adjusted Earnings per Share (EPS) performance measures as described overleaf.

Awards to be made during FY2014

Our policy is to grant awards on an annual cycle. All awards granted during 2014 will continue to be based on absolute TSR and adjusted EPS growth and subject to a three-year vesting period. Awards will normally vest three years after the grant date.

Based on the context as previously stated and an assessment of individual performance, the Remuneration Committee has approved grants to each of the Executive Directors under the 2004 LTIP as follows (figures below exclude any matching awards that may be made as a result of a voluntary investment in shares by the Executive Director):

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
FY2014 LTIP	**% of salary**	200% of salary	176% of annual salary	181% of salary
	amount	**£1,466,000**	**£750,000**	**£719,000** (approx €870,000)

The Remuneration Committee intends to grant LTIP awards before the AGM under the 2004 Plan as described on page 85. If for whatever reason (including any regulatory or legal restriction) the Committee is unable to make the grant before the AGM, awards will be granted under the new LTIP (assuming it is approved by shareholders) within the limits described in the Policy on page 79.

For awards granted after the 2014 AGM, the threshold vesting level has been reduced to 25 per cent of the maximum, as described in our Remuneration Policy Report on page 79. Subsequently the performance conditions for awards granted post-AGM will be as follows:

EPS element (50%) – average adjusted EPS growth	TSR element (50%) – absolute TSR growth	Proportion of relevant element which vests
Less than 6% p.a.	Less than 8% p.a.	0%
6% p.a.	8% p.a.	25%
12% p.a. or more	16% p.a or more	100%
Straight-line pro-rating applies between these points		

Non-Executive Directors' fees for FY2014

From 1 April 2014, it was determined that there would be no proposed changes to the Chairman's and Non-Executive Directors' fee levels in respect of LSEG Board membership which would be as follows:

Fees	With effect from 1 April 2013	With effect from 1 April 2014
Group Chairman	£370,000	£370,000
Deputy Chairman/Senior Independent Director	£120,000	£120,000
Non-Executive Director base fee	£60,000	£60,000
Audit Committee Chairman	£20,000	£20,000
Risk Committee Chairman	£20,000	£20,000
Remuneration Committee Chairman	£20,000	£20,000
Audit Committee, Risk Committee or Remuneration Committee membership	£10,000	£10,000

Non-Executive Directors' Remuneration

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

Travel and other appropriate expenses with associated taxes (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to the Chairman and to the Non-Executive Directors. In addition, the Chairman receives the use of a chauffeur-driven motor car for travel to the Group's offices and business purposes.

The Chairman and the Non-Executive Directors do not participate in any of the Company's annual bonus or LTIP plans and are not entitled to any payments on termination.

Certain Non-Executive Directors are entitled to receive fees from subsidiary companies, details are set out below.

The original date of appointment as Directors of the Company is as follows:

Name	Date Appointed[5]	Date of letter of appointment	Time to expiry	Notice period	Date of resignation	LSEG Committee membership/ chairmanship	Other subsidiaries membership/ chairmanship
Baroness (Janet) Cohen	01/02/2001	N/A	Expired	None	17/07/2013		
Robert Webb QC[1,3]	01/02/2001	01/02/2013	31 January 2016	None		Remuneration Chair	LSE plc LCH. Clearnet
Chris Gibson-Smith	01/05/2003	18/07/2012	2015 AGM	6 months		Group Chairman	
Andrea Munari[2]	01/10/2007	01/10/2013	30 September 2016	None		Risk	
Paolo Scaroni	01/10/2007	01/10/2013	30 September 2016	None		Remuneration	
Sergio Ermotti	01/10/2007	N/A	Expired		17/07/2013		
Gay Huey Evans	04/06/2010	N/A	Expired		17/07/2013		
Paul Heiden[2,3]	04/06/2010	04/06/2013	3 June 2016	None		Audit Chair, Risk	LSE plc
Massimo Tononi	27/09/2010	27/09/2013	September 2016	None		Audit	Borsa Italiana, LSEGH Italia, CC&G and Euro TLX

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Name	Date Appointed[5]	Date of letter of appointment	Time to expiry	Notice period	Date of resignation	LSEG Committee membership/ chairmanship	Other subsidiaries membership/ chairmanship
Jacques Aigrain	01/05/2013	01/05/2013	30 April 2016	None		Audit	LCH.Clearnet Chairman
Stuart Lewis[2]	12/06/2013	12/06/2013	11 June 2016	None		Risk	
Stephen O'Connor[2,4]	12/06/2013	12/06/2013	11 June 2016	None		Risk Chair	LSE plc
Sherry Coutu	17/01/2014	17/01/2014	16 January 2017	None			
Joanna Shields[4]	17/01/2014	17/01/2014	16 January 2017	None			LSE plc

Notes:
1 Robert Webb was appointed to the LCH.Clearnet Remuneration Committee on 1 May 2013.
2 Paul Heiden, Andrea Munari, Stephen O'Connor and Stuart Lewis were appointed to the Risk Committee on 17 July 2013.
3 Paul Heiden and Robert Webb are Directors of London Stock Exchange plc throughout FY13/14.
4 Stephen O'Connor and Joanna Shields were appointed to the Board of London Stock Exchange plc on 28 January 2014.
5 All appointments to the LSEG Board are expected to continue for a period of three years and are subject to earlier termination in accordance with the provisions of the Articles.

Non-Executive Directors' Remuneration Table (Audited)

	FY13/14 LSEG Fees	FY13/14 Subsidiary Fees	FY13/14 Total Fees	FY13/14 Taxable Benefits[1]	FY13/14 Total	FY12/13 LSEG Fees	FY12/13 Subsidiary Fees	FY12/13 Total Fees	FY12/13 Taxable Benefits[1]	FY12/13 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Baroness (Janet) Cohen[2]	**21**	**23**	**44**	**1**	**45**	65	21	86	–	86
Robert Webb QC	**80**	**10**	**90**	**–**	**90**	80	–	80	–	80
Chris Gibson-Smith	**370**	**–**	**370**	**83**	**453**	370	–	370	63	433
Andrea Munari	**70**	**–**	**70**	**3**	**73**	65	–	65	–	65
Paolo Scaroni	**130**	**–**	**130**	**–**	**130**	125	–	125	–	125
Sergio Ermotti	**21**	**–**	**21**	**–**	**21**	65	–	65	–	65
Gay Huey Evans	**24**	**2**	**26**	**–**	**26**	70	–	70	–	70
Paul Heiden	**87**	**5**	**92**	**7**	**99**	80	–	80	–	80
Massimo Tononi[3]	**70**	**182**	**252**	**2**	**254**	65	147	212	–	212
Jacques Aigrain[4]	**64**	**586**	**650**	**8**	**658**	–	–	–	–	–
Stuart Lewis	**57**	**–**	**57**	**–**	**57**	–	–	–	–	–
Stephen O'Connor[1]	**60**	**1**	**61**	**39**	**100**	–	–	–	–	–
Sherry Coutu	**13**	**–**	**13**	**–**	**13**	–	–	–	–	–
Joanna Shields	**12**	**1**	**13**	**–**	**13**	–	–	–	–	–
Total Non-Executive Directors' fees	**1,079**	**810**	**1,889**	**143**	**2,032**	985	168	1,153	63	1,216

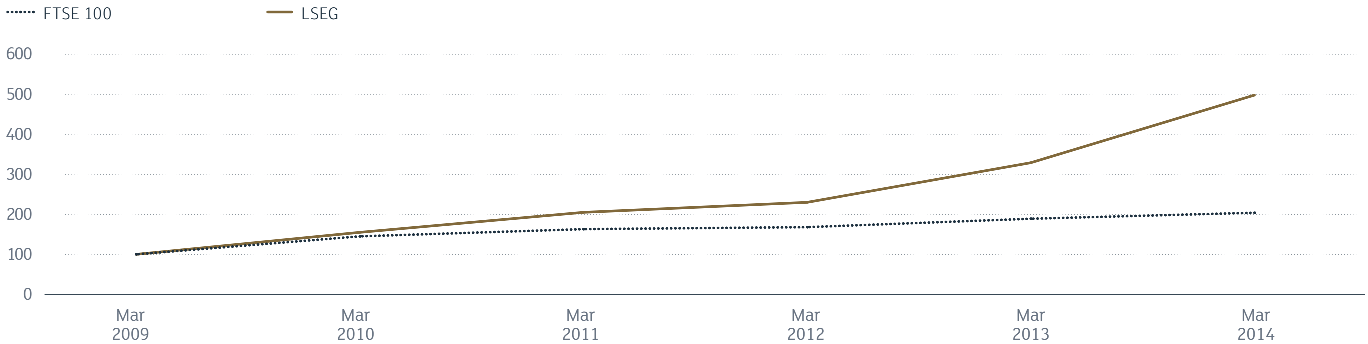
Notes:
1 Benefits in kind relate to travelling expenses, including taxes where applicable. These benefits include use of chauffeur-driven car for Mr Gibson-Smith and international flights for Mr O'Connor.
2 Baroness (Janet) Cohen received a fee of €26,000 (or £21,488 at £1 = €1.21) for her role as Vice Chairman of Borsa Italiana S.p.A.
3 Mr Tononi received a combined fee of €214,332 (£177,133) for his roles as Chairman and Director of Borsa Italiana S.p.A., Chairman of CC&G, Chairman of EuroTLX and Chairman and Director of London Stock Exchange Group Holdings (Italia). Mr Tononi renounced his fees for FY13/14 period as Director of Borsa Italiana S.p.A. and London Stock Exchange Holdings (Italia) on 1 January 2014 and 20 March 2014 respectively.
4 Mr Aigrain received an annualised fee of £530,000 as Chairman of LCH.Clearnet. In addition he received a one-off, additional fee of £100,000 for performing the role of interim Executive Chairman in the absence of an LCH.Clearnet CEO. In addition to travelling expenses, he was also in receipt of health cover which ceased on 1 April 2014.

Alignment between pay and performance

Total Shareholder Return (TSR) performance

The following graph shows, for the financial year ended 31 March 2014 and for each of the previous five years, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated. The TSR graph represents the value, at 31 March 2014, of £100 invested in London Stock Exchange Group plc on 31 March 2009, compared with the value of £100 invested in the FTSE 100 Index over the same period. As a member of the FTSE100, we have chosen the FTSE100 Index as it is currently the most relevant index for benchmarking our performance over the five year period.

Five-year TSR chart v FTSE 100



Historic levels of CEO pay

Year ended 31 March:	CEO	CEO single total figure of remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2014	Xavier Rolet	6,297	93%	100%
2013	Xavier Rolet	6,015	89%	100%
2012	Xavier Rolet	5,245	100%	65%
2011	Xavier Rolet	2,134	89%	–
2010	Xavier Rolet[1]	1,873	71%	–
	Clara Furse[2]	400	49%	0%

Notes:
Xavier Rolet
1 In the role of CEO from 20 May 2009, appointed to the Board 16 March 2009.

Clara Furse
2 In the role of CEO until 20 May 2009. She resigned from the Board on 15 July 2009.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Percentage change in remuneration of CEO

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between the year ended 31 March 2013 and the year ended 31 March 2014 for the CEO compared to the average of the representative sample of UK employees (all LSEG UK employees excluding LCH.Clearnet):

	Salary	Benefits	Annual Bonus
CEO	+4%	+5%	+10%
Average pay of Group UK employees[1]	+3%	+10%[2]	+14%

Notes:
1 This group has been selected to reflect the jurisdiction in which the CEO is based. LCH.Clearnet employees are not included for this year as they are currently on a different pay cycle.
2 10 per cent increase in benefits' cost in UK is largely due to implementation of pension auto-enrolment (with effect from 1 January 2014).

Relative importance of spend on pay

The table below shows the relative FY13/14 v FY12/13 expenditure of the Group on Dividends versus Total Employee Costs. These figures are taken directly from the Notes to the Financial Statements at the back of this report.

Year on year increases (%)	FY13/14	FY12/13	Annual Increase
Dividends Paid In Financial Year	£80.8m	£77.4m	+4%
Total Employee Costs	£303.9m[1]	£167.3m	+82%

Note:
1 Total employee costs include LCH.Clearnet with effect from 1 May 2013 onwards.

Statement of directors' shareholdings and share interests as at 31 March 2014 (Audited)

All Executive Directors who served in the financial year, with the exception of David Warren, who was appointed to the Board on 2 July 2012, currently own shares outright and at a level exceeding their required shareholding as described in the section on Share Ownership Guidelines on page 79 based on a share price of £19.70 (being the closing share price on 31 March 2014). Current shareholdings are summarised in the following table:

	Shares held	Options held[1]			Minimum Shareholding Requirement			
	Owned Outright	Unvested and subject to performance conditions	Unvested and subject to continued employment	Vested but not exercised	Current Requirement (% salary)	New Requirement (% salary)	Shareholding as at 31 March 2014 (% salary)	Requirement met
Executive Directors								
Xavier Rolet	329,598	560,559	712	–	100	200	921	Yes
David Warren	–	138,695	–	–	100	200	–	No
Raffaele Jerusalmi	41,721	164,278	–	–	100	200	228	Yes
Non-Executive Directors								
Chris Gibson-Smith	63,757	–	–	–	–	–	–	N/A
Andrea Munari	–	–	–	–	–	–	–	N/A
Paolo Scaroni	–	–	–	–	–	–	–	N/A
Robert Webb	1,200	–	–	–	–	–	–	N/A
Paul Heiden	3,000	–	–	–	–	–	–	N/A
Massimo Tononi	–	–	–	–	–	–	–	N/A
Jacques Aigrain	–	–	–	–	–	–	–	N/A
Stuart Lewis	–	–	–	–	–	–	–	N/A
Stephen O'Connor	–	–	–	–	–	–	–	N/A
Sherry Coutu	–	–	–	–	–	–	–	N/A
Joanna Shields	–	–	–	–	–	–	–	N/A
Former Directors								
Baroness (Janet) Cohen	6,616	–	–	–	–	–	–	N/A
Sergio Ermotti	–	–	–	–	–	–	–	N/A
Gay Huey Evans	–	–	–	–	–	–	–	N/A

Note:
1 No options were exercised by the Directors during the year to 31 March 2014.

Directors' Interests in Ordinary Shares – Beneficial, Family and any Connected Persons Interests (Audited)

	Ordinary Shares Held		LTIP Options[2]		SAYE options		Total Interests	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014[3]	31 March 2013
Executive Directors								
Xavier Rolet	329,598	191,840	560,559	643,112	712	–	890,869	834,952
David Warren	–	–	138,695	84,661	–	–	138,695	84,661
Raffaele Jerusalmi	41,721	41,721[1]	164,278	184,554	–	–	205,999	226,275
Non-Executive Directors								
Chris Gibson-Smith	63,757	63,757	–	–	–	–	63,757	63,757
Andrea Munari	–	–	–	–	–	–	–	–
Paolo Scaroni	–	–	–	–	–	–	–	–
Robert Webb	1,200	1,200	–	–	–	–	1,200	1,200
Paul Heiden	3,000	3,000	–	–	–	–	3,000	3,000
Massimo Tononi	–	–	–	–	–	–	–	–
Jacques Aigrain	–	–	–	–	–	–	–	–
Stuart Lewis	–	–	–	–	–	–	–	–
Stephen O'Connor	–	–	–	–	–	–	–	–
Sherry Coutu	–	–	–	–	–	–	–	–
Joanna Shields	–	–	–	–	–	–	–	–
Former Directors								
Baroness (Janet) Cohen	6,616	6,616	–	–	–	–	6,616	6,616
Sergio Ermotti	–	–	–	–	–	–	–	–
Gay Huey Evans	–	–	–	–	–	–	–	–

Notes:
1 Raffaele Jerusalmi's shareholding was overstated by 5,208 shares in 2013. He still met and continues to meet his minimum shareholding requirement.
2 LTIP performance shares are structured as nil-cost options.
3 There have been no further changes in these interests between 31 March 2014 and 15 May 2014.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Long Term Incentive Plan Table

The Long Term Incentive Plan has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the Executive in the Company's shares.

The awards are dependent on TSR performance for 50 per cent of the award, with the other 50 per cent dependent on an adjusted basic EPS growth target. Details of performance conditions are set out on page 79.

The table below sets out the Executive Directors' Long Term Incentive Plan awards (including the exercise of vested shares in FY13/14), as at 31 March 2014:

			Number of shares											
	Date of award	Price at award date £	At start of year	Award during the year	Vested during year	Lapsed during year	At end of year	Vesting date	Price at vesting date £	Value at vesting date £	Exercise date	Prices at exercise date £	Value at exercise date £	Comment
Xavier Rolet	14/09/2010	7.00	142,857	–	142,857	–	–	16/09/2013	16.24	2,319,998	15/11/2013	15.75	2,249,736	FY12/13 Actual
	27/09/2010	7.03	92,073	–	92,073	–	–	27/09/2013	15.66	1,441,863	15/11/2013	15.75	1,449,981	FY12/13 Actual
	03/06/2011	9.71	139,031	–	–	–	139,031	**03/06/2014**	**19.13**	**2,659,663**		**–**	**–**	**FY13/14 Estimate**
	08/07/2011	10.65	63,380	–	–	–	63,380	**08/07/2014**	**19.13**	**1,212,460**		**–**	**–**	**FY13/14 Estimate**
	19/06/2012	9.74	138,674	–	–	–	138,674	19/06/2015	–	–		–	–	
	21/06/2012	10.06	67,097	–	–	–	67,097	21/06/2015	–	–		–	–	
	12/06/2013	13.88		101,585	–	–	101,585	13/06/2016	–	–		–	–	
	12/06/2013	13.88		50,792	–	–	50,792	13/06/2016	–	–		–	–	
			643,112	152,377	234,930	–	560,559			3,761,861			3,699,717	FY12/13 Actual
										3,872,123				**FY13/14 Estimate**
David Warren	02/07/2012	10.04	84,661	–	–	–	84,661	02/07/2015	–	–		–	–	
	12/06/2013	13.88		54,034	–	–	54,034	13/06/2016	–	–		–	–	
			84,661	54,034	–	–	138,695			–			–	
Raffaele Jerusalmi	14/09/2010	7.00	71,428	–	71,428	–	–	16/09/2013	16.24	1,159,991	15/11/2013	15.77	1,126,146	FY12/13 Actual
	03/06/2011	9.71	51,493	–	–	–	51,493	**03/06/2014**	**19.13**	**985,061**		**–**	**–**	**FY13/14 Estimate**
	19/06/2012	9.74	61,633	–	–	–	61,633	19/06/2015	–	–		–	–	
	12/06/2013	13.88		51,152	–	–	51,152	13/06/2016	–	–		–	–	
			184,554	51,152	71,428	–	164,278			1,159,991			1,126,146	FY12/13 Actual
										985,061				**FY13/14 Estimate**

Note:
All estimates are shown separately in bold. They will be fully disclosed in next year's Annual Report on Remuneration.

Remuneration Committee – Governance
The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and the Executive Committee (please see pages 20 and 21 for details of the Group's Executive Committee), including the awards made under the performance-related incentive schemes.

All members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in this Directors' Remuneration Report. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at www.lseg.com.

During the year ended 31 March 2014, the Committee met on five occasions.

Remuneration Committee composition and meeting attendance in the year ended 31 March 2014

	Total
Robert Webb (Chairman)	5/5
Chris Gibson-Smith	5/5
Gay Huey Evans (resigned 17 July 2013)	1/5
Paolo Scaroni	5/5
Sergio Ermotti (resigned 17 July 2013)	1/5

To assist the Committee, the results of market surveys are made available and, where appropriate, the Committee invites the views of the Chief Executive Officer, Chief Financial Officer and Head of Human Resources. None of these individuals or the Chairman participated in any discussion relating to their own remuneration.

Statement of shareholder voting
The table below sets out the results of the vote on the Directors' Remuneration Report at the 2013 AGM:

Votes for		Votes against		Votes cast	Votes withheld
Number	%	Number	%		
210,062,132	**96.86**	**6,806,546**	**3.14**	**216,868,678**	**791,531**

Advisors
The Remuneration Committee continues to be mindful of recommendations from key stakeholders, including institutional investor bodies, and the Committee consults with major shareholders on any key decisions taken.

Deloitte LLP is the principal advisor appointed by the Committee to provide independent advice on Executive remuneration policy and practice and reviews our policy framework and implementation thereof against current and emerging corporate governance best practice. During the year, Deloitte received £152,600 (excluding VAT) based on actual time spent for these services. Separately, other parts of Deloitte LLP also advised the Company in FY13/14 in relation to tax, internal audit, risk management, consulting and transaction support services.

Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to Executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by Deloitte LLP is independent and objective.

Outside appointments
Executive Directors are allowed to accept appointments as Non-Executive Directors of other companies with the prior approval of the Chairman. Approval will only be given where the appointment does not represent a conflict of interest with the Company's activities and the wider exposure gained will be beneficial to the development of the individual. Executive Directors may retain fees to encourage them to seek out the development opportunities and valuable experience afforded by these appointments and in recognition of the personal responsibility Executives assume in such roles and we would disclose these fees.

At present, none of the Executive Directors are in receipt of additional fees.

Signed on behalf of the Board of Directors

Robert Webb

Robert Webb
Chairman of the Remuneration Committee

Directors' report

The Directors of the Company are pleased to present their Annual Report to shareholders, together with the financial statements for the year ended 31 March 2014.

The following sections of the Annual Report are incorporated into this Directors' Report by reference:

— The information that fulfils the requirements of the Strategic Report (including the Financial Review) can be found on pages 2-53; and

— Board of Directors on pages 54 and 55.

Results

The Group made a profit before taxation, before amortisation of purchased intangible assets and non-recurring items, of £442.4 million (2013: £380.7 million). After taking into account amortisation of purchased intangible assets and non-recurring items, the profit of the Group before taxation for the year ended 31 March 2014 was £284.3 million (2013: £298.9 million). Profit after taxation was £182.7 million (2013: £215.5 million).

Dividends

The Directors are recommending a final dividend for the year of 20.7 pence (2013: 19.8 pence) per share which is expected to be paid on 19 August 2014 to shareholders on the register on 25 July 2014. Together with the interim dividend of 10.1 pence (2013: 9.7 pence) per share paid in January 2014, this produces a total dividend for the year of 30.8 pence (2013: 29.5 pence) per share estimated to amount to £83.3 million (2013: £79.7 million).

Share capital

As at 31 March 2014 the Company had 271.1 million ordinary shares in issue with a nominal value of 6 $\frac{79}{86}$ pence each, representing 100 per cent of the total issued share capital. There were no changes to the Company's issued ordinary share capital during the year.

Share rights

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

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

Other than restrictions considered to be standard for a UK listed company there are no limitations on the holding or transfers of ordinary shares in the Company, both of which are governed and regulated by the Company's articles of association and applicable legislation and regulation, and the Company is not aware of any agreements between holders of shares that may result in restrictions on the transfer of shares or on voting rights.

Corporate Governance Statement

The Company's Corporate Governance Report and the reports of the Nomination, Audit and Risk Committees are set out on pages 56-69 and are, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

The Company's articles of association (adopted by special resolution passed on 14 July 2010) may only be amended by special resolution at a general meeting of the shareholders.

Substantial Shareholding

As at 15 May 2014 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with DTR 5 of the FCA Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.08%

Authority to Purchase Shares

The authority for the Company to purchase in the market up to 27,000,000 of its ordinary shares (representing less than 10 per cent of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM. Although the latter authority was not utilised by the Company, shareholders will be asked to give a similar authority to purchase shares at the forthcoming AGM.

Directors' interests

Directors' interests in the shares of the Company as at 31 March 2014, according to the register maintained under the Companies Act 2006, are set out in the Directors' Remuneration Report on pages 95-96. No company in the Group was, during or at the end of the financial year, party to any contract of significance in which any Director was materially interested.

Employees

Information on the Company's employment policies is given on page 36 and information on the Group's share schemes is provided in the Directors' Remuneration Report on pages 70-97. The Company provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

GHG Emissions

Global FY14 GHG Emissions (1 April 2013 to 31 March 2014) (tCO_2e)	
Total Scope 1 & 2 Emissions (as per below)	22,843
per m^2 [1]	0.26
per FTE	7.20
per £m Revenue	20.99
Combustion of fuel and operation of facilities[2]	1,392
Purchase of electricity, heat, steam and cooling by the Group for its own use[3]	21,451

1 Total building floor space, including data centres.
2 Scope 1 including Natural Gas, Diesel, LPG and Fleet Vehicles.
3 Scope 2 (The Group does not purchase heat, steam or cooling).
Note: FY14 GHG Emissions will form the new baseline for GHG emissions due to significant changes in the LSEG, incorporating FTSE and LCH.Clearnet.

Further details of our approach to environmental issues, including greenhouse gas emissions, can be found in the Our Wider Responsibility section of the Strategic Report on page 36. Full details of our corporate responsibility (CR) practices can be found in the Group's CR report at **www.lseg.com/corporate-responsibility/corporate-responsibility.htm**.

Political Donations and Expenditure

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

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

and in aggregate not exceeding £100,000, until the Company's AGM in 2015.

Directors' report continued

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

Facility Agreement
The Company (as borrower) has entered into a revolving facility agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd, HSBC Bank plc, Morgan Stanley Bank International Limited, The Royal Bank of Scotland plc, Abbey National Treasury Services plc, Barclays Bank plc and Lloyds TSB Bank plc, dated 18 July 2013.

The above agreement contains terms appropriate for an investment grade borrower including change of control provisions which, if triggered, allow the facility agent upon instructions from the majority lenders to cancel the facility and declare all outstanding loans under the agreement, together with accrued interest and all other amounts accrued, due and payable.

Notes
The Company has issued two sterling Notes to the wholesale fixed income market due 2016 and 2019. Both Notes contain a 'redemption upon change of control' provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows Note holders to exercise their option to require the Issuer to redeem the Notes and pay any accrued and unpaid interest due.

Retail Bond Issue
The Company has issued sterling denominated retail bonds, under its £1,000 million Euro Medium Term Note Programme, which are due 2021. The retail bonds contain change of control provisions which, if triggered, allow the holder of these bonds to have the option to require the Issuer to repay early or to purchase the bonds of that holder at their face value together with accrued interest.

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

Employee benefit trust
As at 31 March 2014, the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 0.6 million shares (2013: 1.1 million) under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share plans. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Branches outside the UK
Certain of the Company's subsidiaries have established branches in a number of different countries in which they operate.

Financial risk management
The use of financial instruments by the Group and the Group's financial risk management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 48-53 of this Annual Report, and in the notes to the Financial Statements, on pages 110-141 of this Annual Report, and in each case are incorporated by reference into this Directors' Report.

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

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

— he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
On 22 April 2014, the Group announced that, following a competitive tender process, it was proposing to appoint Ernst & Young LLP (EY) as auditor of the Group. Further details of the tender process can be found within the Report of the Audit Committee on page 68.

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

Strategic Report
The Strategic Report (pages 2-53) was approved by the Board on 14 May 2014 and signed on their behalf.

By Order of the Board

Lisa Condron
Group Company Secretary
15 May 2014

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Overview and Strategic Report sections of the Annual Report on pages 2-53. In particular, the current economic conditions continue to pose a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 48-53.

The financial risk management objectives and policies of the Group and the exposure of the Group to capital risk, credit risk, market risk and liquidity risk are discussed on pages 114-17. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed term funding at 31 March 2014 was £1,649 million which is committed until July 2016 or beyond (2013: £1,650 million, £1,400 million of which was committed until December 2014 or beyond), described further in the Financial Review on pages 38-43.

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

Each of the Directors, whose names and functions are set out on pages 54-55 of this Annual Report confirm that, to the best of their knowledge and belief:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole;
- the report of the Directors' contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider that the Annual Report and Accounts 2014, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

Lisa Condron
Group Company Secretary
15 May 2014

Independent Auditors' Report to the members of London Stock Exchange Group plc

Report on the financial statements

Our opinion

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2014 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by London Stock Exchange Group ("LSEG") plc, comprise:

- the Group and Parent Company balance sheet as at 31 March 2014;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgment, we determined overall materiality for the Group financial statements as a whole to be £22.1 million, being five per cent of profit before tax, acquisition amortisation and non-recurring items. We chose this benchmark because we believe it is a reasonable representation of the underlying performance of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

When establishing the scope of our audit we considered the internal organisation of the Group and determined a scope of audit work that optimised the coverage of risks, balances and transactions.

We scoped our audit based on the Group's legal entity structure. Our work focused primarily on those entities which in our view required an audit of their complete financial information due to their size and risk characteristics. This work included an audit of those entities that comprise all, or substantially all, of the Capital Markets, Post Trade Services, Information Services and LCH.Clearnet businesses which together constituted 97 per cent of the Group profit before tax, acquisition amortisation and non-recurring items. In addition we carried out specific audit procedures on certain financial statement line items and performed work on the consolidation process. This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the legal entities by us, by component auditors from another PwC network firm and one other firm operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those legal entities to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making judgments and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 67-68.

Area of focus	How the scope of our audit addressed the area of focus
Goodwill impairment assessment We focused on this area because the determination of whether or not the carrying value of goodwill is supportable involved significant judgements about the future performance of the business, as set out in note 13 to the Group financial statements.	We evaluated the Directors' forecast of future cash flows including comparing them to the latest Board approved budgets and considering past performance against budget. We also tested the integrity of the model and assessed how both internal and external drivers of performance were incorporated into the projections. In particular we challenged: — The Director's key assumptions for short and long term revenue growth rates by comparing them to economic and industry forecasts; and — The discount rate used by independently recalculating the cost of capital. To direct our testing to the areas of highest risk we performed sensitivity analysis, including assessing the impact of reasonably possible changes in discount rates, revenues and operating margins on the goodwill carrying value. We also evaluated the adequacy of disclosures made in note 13 to the Group financial statements.
Consolidation of LCH.Clearnet We focused on this area because the governance and management of LCH.Clearnet is subject to complex shareholder agreements and therefore judgement is required to determine whether the Group exercises control over LCH.Clearnet.	We read the shareholder agreements and assessed the nature of the interactions between LSEG, LCH.Clearnet and other non-controlling interests, including Board balance, rights of veto, and rights to appoint and remove Directors. We also evaluated how the Group demonstrated its ability to exercise control over LCH.Clearnet in practice, for example in connection with key governance decisions such as the setting of strategy, appointment of the CEO, approval of remuneration of senior management and changes in material contracts.

Area of focus	How the scope of our audit addressed the area of focus
Purchase Price Allocation on acquisition of LCH.Clearnet We focused on this area because judgement is required to allocate the price paid between the different intangible assets acquired.	We tested the Directors' purchase price allocation exercise including evaluating the reasonableness of the assumptions used, testing the input data and re-performing the model calculations. As part of this work we: — Met with the third party valuers who carried out the Directors' purchase price allocation exercise to understand the methodology used and also their view on the key sensitivities and judgments taken; — Assessed the methodology used including considering valuation best practice relevant to the LCH.Clearnet exercise; and — Challenged the assumptions used, including revenue growth, operating margin, customer attrition and discount rates, by comparing them with historical performance and considering how external performance drivers were incorporated into the projections. We also evaluated the appropriateness of the disclosures made in note 28 to the Group financial statements.
Central Counterparty Clearing ('CCP') assets and liabilities We focused on this area because of the magnitude of the balance in the overall context of the Group. Specifically we focused on the completeness, valuation and existence of the CCP assets and liabilities recognised on the Group balance sheet.	In respect of the Italian clearing business, we tested the IT general computer controls and automated controls for clearing systems, as well as the manual controls over processing activities. We also tested the reconciliations between the operational systems and the financial records and obtained external confirmations for a sample of CCP balances at the year end and all cash balances in relation to default funds. In respect of the UK clearing business, we tested the IT general computer controls and automated controls for clearing systems, as well as the manual controls over processing activities. We also tested the reconciliations between the operational systems and the financial records.

Independent Auditors' Report to the members of London Stock Exchange Group plc continued

Area of focus	How the scope of our audit addressed the area of focus
Risk of fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition as a result of the potential for management bias in order to achieve planned results. We focused on the accuracy of Capital Markets secondary revenue and the occurrence of Information Services revenue because of the higher risk posed by complex tariff structures.	For the Group's main Capital Markets secondary businesses we tested the accuracy of the capital markets secondary revenue by rebuilding the pricing model and independently recalculating the total revenue using the base trade data. Additional testing of revenue included: — Testing of the IT general controls for revenue systems and agreeing output from revenue systems to financial ledgers — Tracing full populations of revenue postings through to cash or receivables and investigating unusual items — Testing compliance with complex contractual agreements for a sample of Information Services revenue postings
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this and hence it is an area that receives heightened focus on every audit conducted under these auditing standards.	We tested journal entries, including targeting our testing at higher risk journals by stratifying the population by risk characteristics. We also tested key reconciliations for bank, intercompany and other balance sheet accounts. We assessed the overall control environment of the Group and interviewed senior management, Group's legal, risk, compliance and internal audit functions. We understood the key trigger points for incentive payments to senior management and examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by Directors that may represent a risk of material misstatement due to fraud.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 101, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 101 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 67 and 68, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:
- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the Directors
As explained more fully in the Directors' Responsibilities Statement set out on page 101, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Alison Morris
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 May 2014

Consolidated income statement

Year ended 31 March 2014	Notes	2014 Before acquisition amortisation and non-recurring items £m	2014 Acquisition amortisation and non-recurring items £m	2014 Total £m	2013 Before acquisition amortisation and non-recurring items £m	2013 Acquisition amortisation and non-recurring items £m	2013 Total £m
Revenue	4	**1,088.3**	**–**	**1,088.3**	726.4	–	726.4
Net treasury income through CCP business		**109.8**	**–**	**109.8**	116.7	–	116.7
Other income		**11.5**	**–**	**11.5**	9.8	18.3	28.1
Total income	4	**1,209.6**	**–**	**1,209.6**	852.9	18.3	871.2
Expenses							
Operating expenses	5	**(698.4)**	**(158.1)**	**(856.5)**	(422.7)	(100.1)	(522.8)
Operating profit/(loss)	7	**511.2**	**(158.1)**	**353.1**	430.2	(81.8)	348.4
Finance income		**5.5**	**–**	**5.5**	2.7	–	2.7
Finance expense		**(74.3)**	**–**	**(74.3)**	(52.2)	–	(52.2)
Net finance expense	8	**(68.8)**	**–**	**(68.8)**	(49.5)	–	(49.5)
Profit/(loss) before taxation		**442.4**	**(158.1)**	**284.3**	380.7	(81.8)	298.9
Taxation	9	**(124.7)**	**23.1**	**(101.6)**	(95.7)	12.3	(83.4)
Profit/(loss) for the financial year		**317.7**	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Profit/(loss) attributable to non-controlling interests		**30.7**	**(18.1)**	**12.6**	1.0	(2.5)	(1.5)
Profit/(loss) attributable to equity holders		**287.0**	**(116.9)**	**170.1**	284.0	(67.0)	217.0
		317.7	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Basic earnings per share	10			**63.0p**			80.4p
Diluted earnings per share	10			**61.4p**			79.0p
Adjusted basic earnings per share	10			**107.1p**			105.3p
Adjusted diluted earnings per share	10			**104.4p**			103.4p
Dividend per share in respect of the financial period:	11						
Dividend per share paid during the year				**29.9p**			28.7p
Dividend per share declared for the year				**30.8p**			29.5p

Consolidated statement of comprehensive income

Year ended 31 March 2014	Notes	2014 £m	2013 £m
Profit for the financial year		**182.7**	215.5
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Defined benefit pension scheme actuarial loss	16	**(1.3)**	(6.9)
Cash flow hedge		**(0.3)**	0.3
Net investment hedge		**(16.4)**	(1.9)
Change in value of available for sale financial assets		**6.1**	1.2
Exchange (loss)/gain on translation of foreign operations		**(43.7)**	19.2
Tax related to items not recognised in income statement	9	**1.5**	3.9
Other comprehensive (loss)/income net of tax		**(54.1)**	15.8
Total comprehensive income for the financial year		**128.6**	231.3
Attributable to non-controlling interests		**5.2**	(0.6)
Attributable to equity holders		**123.4**	231.9
Total comprehensive income for the financial year		**128.6**	231.3

Balance sheets

31 March 2014	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Assets					
Non-current assets					
Property, plant and equipment	12	**93.3**	80.1	**–**	–
Intangible assets	13	**2,476.0**	2,049.3	**–**	–
Investments in associates		**0.3**	0.6	**–**	–
Investments in subsidiary undertakings	14	**–**	–	**3,858.9**	3,779.1
Deferred tax assets	15	**42.2**	19.2	**–**	–
Derivative financial instruments	18	**6.7**	4.3	**6.7**	4.0
Available for sale investments	18	**4.8**	–	**–**	–
Retirement benefit asset	16	**14.5**	–	**–**	–
Other non-current assets		**38.0**	12.0	**–**	–
		2,675.8	2,165.5	**3,865.6**	3,783.1
Current assets					
Inventories		**0.5**	1.5	**–**	–
Trade and other receivables	17	**250.5**	185.7	**534.1**	579.4
CCP financial assets		**470,497.7**	137,620.2	**–**	–
CCP cash and cash equivalents (restricted)		**33,278.5**	8,476.2	**–**	–
CCP clearing business assets	18	**503,776.2**	146,096.4	**–**	–
Current tax		**22.3**	24.6	**0.1**	–
Assets held at fair value	18	**18.7**	6.1	**–**	–
Cash and cash equivalents	20	**919.2**	446.2	**–**	0.1
		504,987.4	146,760.5	**534.2**	579.5
Total assets		**507,663.2**	148,926.0	**4,399.8**	4,362.6
Liabilities					
Current liabilities					
Trade and other payables	21	**401.5**	230.0	**204.3**	160.9
Derivative financial instruments	18	**3.4**	0.1	**–**	–
CCP clearing business liabilities	18	**503,747.4**	146,088.1	**–**	–
Current tax		**14.8**	43.2	**–**	–
Borrowings	22	**278.7**	0.4	**26.0**	–
Provisions	24	**2.8**	1.1	**–**	–
		504,448.6	146,362.9	**230.3**	160.9
Non-current liabilities					
Borrowings	22	**945.0**	796.4	**796.6**	796.4
Other non-current payables	21	**–**	3.4	**–**	–
Derivative financial instruments	18	**4.0**	3.5	**4.0**	3.5
Deferred tax liabilities	15	**176.0**	109.0	**–**	–
Retirement benefit obligation	16	**36.9**	25.6	**–**	–
Other non-current liabilities		**79.2**	–	**–**	–
Provisions	24	**16.6**	26.2	**–**	–
		1,257.7	964.1	**800.6**	799.9
Total liabilities		**505,706.3**	147,327.0	**1,030.9**	960.8
Net assets		**1,956.9**	1,599.0	**3,368.9**	3,401.8
Equity					
Capital and reserves attributable to the Company's equity holders					
Ordinary share capital	25	**18.8**	18.8	**18.8**	18.8
Retained (losses)/earnings		**(79.0)**	(126.8)	**1,531.6**	1,564.5
Other reserves		**1,587.0**	1,638.5	**1,818.5**	1,818.5
Total shareholder funds		**1,526.8**	1,530.5	**3,368.9**	3,401.8
Non-controlling interests		**430.1**	68.5	**–**	–
Total equity		**1,956.9**	1,599.0	**3,368.9**	3,401.8

The financial statements on pages 106-141 were approved by the Board on 15 May 2014 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

Cash flow statements

Year ended 31 March 2014	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	26	**515.4**	487.5	**(13.0)**	0.1
Interest received		**4.6**	2.4	**23.5**	47.1
Interest paid		**(71.7)**	(43.2)	**(62.6)**	(51.9)
Corporation tax paid		**(99.8)**	(64.9)	**–**	24.9
Withholding tax paid		**(23.2)**	(39.3)	**–**	–
Net cash inflow/(outflow) from operating activities		**325.3**	342.5	**(52.1)**	20.2
Cash flow from investing activities					
Purchase of property, plant and equipment		**(23.6)**	(18.2)	**–**	–
Purchase of intangible assets		**(67.3)**	(28.2)	**–**	–
Investment in other acquisition		**–**	(11.2)	**–**	–
Investment in subsidiaries		**(376.5)**	(3.1)	**–**	–
Net cash inflow from acquisitions		**432.0**	1.1	**–**	–
Dividends received		**0.3**	0.2	**118.2**	160.7
Proceeds from sale of investment in associate		**7.1**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(28.0)**	(59.4)	**118.2**	160.7
Cash flow from financing activities					
Capital Raise		**114.4**	–	**–**	–
Dividends paid to shareholders		**(80.8)**	(77.4)	**(80.8)**	(77.4)
Dividends paid to non-controlling interests		**(2.9)**	(4.3)	**–**	–
Cost of capital raise		**(2.7)**	–	**–**	–
Loans from/(to) ESOP trust		**–**	–	**–**	(13.9)
Loans to subsidiary companies		**–**	–	**16.6**	(139.4)
Purchase of own shares by ESOP Trust		**(28.0)**	(13.9)	**(28.0)**	
Proceeds from own shares on exercise of employee share options		**2.3**	0.3	**–**	0.3
Proceeds from borrowings		**283.5**	297.6	**26.0**	297.6
Repayments of borrowings		**(91.4)**	(257.8)	**–**	(247.8)
Net cash inflow/(outflow) from financing activities		**194.4**	(55.5)	**(66.2)**	(180.6)
Increase/(decrease) in cash and cash equivalents		**491.7**	227.6	**(0.1)**	0.3
Cash and cash equivalents at beginning of year		**446.2**	216.0	**0.1**	0.2
Exchange (losses)/gains on cash and cash equivalents		**(18.7)**	2.6	**–**	(0.4)
Cash and cash equivalents at end of year		**919.2**	446.2	**–**	0.1

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Group	Attributable to equity holders					
	Ordinary share capital £m	Retained loss £m	Other reserves £m	Total attributable to equity holders £m	Non-controlling interests £m	Total equity £m
31 March 2012	**18.8**	**(262.9)**	**1,620.9**	**1,376.8**	**72.9**	**1,449.7**
Profit/(loss) for the year	–	217.0	–	217.0	(1.5)	215.5
Other comprehensive income for the year	–	(2.7)	17.6	14.9	0.9	15.8
Final dividend relating to the year ended 31 March 2012	–	(51.2)	–	(51.2)	–	(51.2)
Interim dividend relating to the year ended 31 March 2013	–	(26.2)	–	(26.2)	–	(26.2)
Dividend payments to non-controlling interests	–	–	–	–	(3.8)	(3.8)
Employee share scheme expenses	–	(0.8)	–	(0.8)	–	(0.8)
31 March 2013	**18.8**	**(126.8)**	**1,638.5**	**1,530.5**	**68.5**	**1,599.0**
Profit for the year	**–**	**170.1**	**–**	**170.1**	**12.6**	**182.7**
Other comprehensive income for the year	**–**	**4.8**	**(51.5)**	**(46.7)**	**(7.4)**	**(54.1)**
Final dividend relating to the year ended 31 March 2013	**–**	**(53.5)**	**–**	**(53.5)**	**–**	**(53.5)**
Interim dividend relating to the year ended 31 March 2014	**–**	**(27.3)**	**–**	**(27.3)**	**–**	**(27.3)**
Dividend payments to non-controlling interests	**–**	**–**	**–**	**–**	**(5.4)**	**(5.4)**
Employee share scheme expenses	**–**	**(13.0)**	**–**	**(13.0)**	**–**	**(13.0)**
Purchase of non-controlling interest	**–**	**(33.3)**	**–**	**(33.3)**	**361.8**	**328.5**
31 March 2014	**18.8**	**(79.0)**	**1,587.0**	**1,526.8**	**430.1**	**1,956.9**

Other reserves comprise the following:

Capital redemption reserve of £514.2 million (2013: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (2013: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £318.5 million (2013: £353.3 million), reflecting the impact of foreign currency changes on the translation of foreign operations.

Merger reserve of £1,304.3 million (2013: £1,304.3 million), arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Hedging reserve of £(37.5) million (2013: £(20.8) million), representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Attributable to equity holders				
			Other reserves		
	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Total attributable to equity holders £m
31 March 2012	**18.8**	**1,463.3**	**514.2**	**1,304.3**	**3,300.6**
Profit for the year	–	176.2	–	–	176.2
Final dividend relating to the year ended 31 March 2012	–	(51.2)	–	–	(51.2)
Interim dividend relating to the year ended 31 March 2013	–	(26.2)	–	–	(26.2)
Employee share scheme expenses	–	2.4	–	–	2.4
31 March 2013	**18.8**	**1,564.5**	**514.2**	**1,304.3**	**3,401.8**
Profit for the year	**–**	**63.2**	**–**	**–**	**63.2**
Final dividend relating to the year ended 31 March 2013	**–**	**(53.5)**	**–**	**–**	**(53.5)**
Interim dividend relating to the year ended 31 March 2014	**–**	**(27.3)**	**–**	**–**	**(27.3)**
Employee share scheme expenses	**–**	**(15.3)**	**–**	**–**	**(15.3)**
31 March 2014	**18.8**	**1,531.6**	**514.2**	**1,304.3**	**3,368.9**

Notes to the financial statements

1. Basis of preparation and accounting policies

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

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

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the year is disclosed within the statement of changes in equity.

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity.

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

Recent accounting developments

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

Amendments to IFRS 1, 'First time adoption' – exemption for severe hyperinflation and removal of fixed dates;
Amendment to IFRS 7, 'Financial instruments: Disclosures' – disclosures on transfers of financial assets and offsetting financial assets and liabilities;
IAS19R, 'Amendments to IAS 19 Employee Benefits';
IFRS 13, 'Fair value measurement';
IAS 1, 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income; and
IFRS various Annual improvements 2012 and 2013.

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

The restatement relating to IAS19R resulted in reclassification of net expenses with an immaterial impact to profit for the financial period.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 31 March 2014 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not expect any of these changes to have a material impact on the results or the net assets of the Group:

International accounting standards and interpretations	Effective date
IFRS 10, 'Consolidated financial statements' and amendments	1 January 2013
IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12, 'Disclosure of interests in other entities' and amendments	1 January 2013
IAS 27 (Revised 2011), 'Separate financial statements' and amendments	1 January 2013
IAS 28 (Revised 2011), 'Associates and joint ventures'	1 January 2013
Amendment to IAS 32, 'Financial instruments: Presentation'	1 January 2014
Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to IAS 39 on novation of derivatives and hedge accounting	1 January 2014
IFRIC 21, 'Levies'	1 January 2014
Amendments to IAS 19, 'Employee Benefits' on defined benefit plans	1 July 2014
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 9, 'Financial instruments' and amendments	1 January 2018

Accounting policies
Income Statement
Revenue

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

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

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates;

b) Admission fees – revenue is recognised at the time of admission to trading;

c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales;

d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty;

e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services;

f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;

g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

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

The main source of revenue are through fees.

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

Pension costs
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred

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

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

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

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

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

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

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

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

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

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

Balance Sheet

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

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

a) Freehold buildings – 33 to 50 years;

b) Fixed plant – three to 20 years; and

c) Plant and equipment – three to 15 years.

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

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

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

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

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

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

Notes to the financial statements continued

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives, which are as follows:

a) Customer and supplier relationships – two to 25 years (material assets are amortised over a life exceeding 15 years);

b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years); and

c) Software licenses and intellectual property – two to 25 years (the majority of material assets are amortised over a life not exceeding five years).

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

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

Current and deferred taxation

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

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

Classification of financial assets

Financial assets (excluding clearing business)

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

a) Financial assets at fair value through profit or loss

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

b) Available-for-sale financial assets

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

c) Loans and receivables

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

Financial assets and liabilities of the central counterparty (CCP) business

Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our risk management process, and is shown separately from the Group revenues. This amount has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

a) Derivatives, trading assets and liabilities

These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net 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 using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members and default funds

These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.

d) Financial assets and liabilities at fair value

These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Held to maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in the interest income.

f) Cash and cash equivalents (restricted)

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

Derivative financial instruments and hedging activities

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

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

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

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

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale

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

Borrowings

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

Share capital

The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

2. Financial risk management

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

Financial risk management is not speculative. It is performed at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage regulatory and operational risks. This includes clearing operations at LCH.Clearnet Group and CC&G that operate in accordance with local regulation and under locally approved risk and investment policies. The Financial Risk Committee (FRC), a sub-Committee of the Executive Committee, chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-Committee of the FRC which is also chaired by the Chief Financial Officer, meets regularly to monitor the management of foreign exchange, interest rates, credit risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both Committees ensure that treasury and risk operations are performed in accordance with Group Board approved policies and procedures and regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the LSEG Risk Committee. See 'Principal Risk and Uncertainties', pages 48-53, for further detail on the Group's risk framework.

Notes to the financial statements continued

Capital risk

Risk description	Risk management approach
The Group is profitable and its capital base comprises equity capital and debt capital. However, the Group recognises the risk that its entities (whether regulated or unregulated) may not maintain sufficient capital to meet commercial requirements or they may invest in projects that fail to generate a return that is value enhancing. The Group incorporates a number of regulated entities within its structure. It considers that increases in the regulatory capital requirements of those companies and a scarcity of debt or equity (driven by its own performance or financial market conditions) are the principal risks to managing its capital.	The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. Regulated entities continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the FRC includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation of the impact of new investments by the Group on its capital position. As at 31 March 2014, £803.6 million of cash and cash equivalents was held to meet a number of regulatory and operational requirements across the Group's regulated entities. This amount materially increased during the year as a result of the inclusion of LCH.Clearnet Group's total cash and cash equivalents, in addition to the existing £200 million generally set aside by other LSEG operations. We anticipate that Group companies' cash and cash equivalents are sufficient to comfortably support current regulatory frameworks, including requirements under EMIR. The level of cash set aside by the Group for these purposes remains subject to on-going review with regulators in Europe and the US. To maintain the financial strength to access new capital at reasonable cost and meet the Group's objective of maintaining an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of one to two times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies (including gross debt to EBITDA and EBITDA coverage of interest expense) in considering increases to its borrowings. As at 31 March 2014 net leverage was 1.9 times (2013: 1.2 times), towards the top end of the Group's target range but having reduced during the year following the debt funding of the majority acquisition of LCH. Clearnet Group and its subsequent capital raise in May 2013. The Group is in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.

Credit and concentration risk

Risk description

In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risk and Uncertainties', pages 48-53.

Notwithstanding revised regulations in Europe that require CCPs to invest predominantly in secured instruments or structures (such as reverse repos), CC&G and the LCH.Clearnet Group CCPs will continue to be able to invest up to five per cent of their margin and default fund cash unsecured. Through this un-secured investment by its CCPs (as well as by certain other operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of one or more of its unsecured deposit counterparties.

Concentration risk may arise through having large, connected individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

More broadly, the Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:
- customer receivables
- repayment of invested cash and cash equivalents
- settlement of derivative financial instruments

Risk management approach

CCPs

To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP would incur in order to close out open positions in the event of the member's default. Margins are calculated using established international risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily. As at 31 March 2014, the total aggregate margin liability of clearing members amounted to £68.3 billion, against which the Group had received £35.8 billion in cash and £34.4 billion in non-cash securities. The maximum margin liability during the year was £77.2 billion.

Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. As at 31 March 2014, the total of clearing member contributions to the default funds amounted to £9.0 billion in aggregate across the Group's CCPs. The maximum amount during the year was £9.1 billion. Furthermore, in accordance with recent regulatory changes, each of the Group's CCPs has reinforced its capital position to meet the more stringent requirements, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure.

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed "secure" by the relevant regulatory body including through direct investments in highly rated, regulatory qualifying sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral which are subject to a "haircut" on their market value) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor. The investment portfolio at 31 March 2014 totalled £47.4 billion in aggregate, of which a weighted average 99.7 per cent was invested securely with an overall maturity of 87 days, including material amounts invested over a very short timeframe to support liquidity needs. The maximum portfolio size during the year was £54.1 billion. Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 March 2014 was 10.4 per cent of the total investment portfolio to the French Government (including cash held at Banque de France).

Group

Credit risk is controlled through policies developed at a Group level.

Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed as low.

Credit risk of cash and cash equivalents is managed by limiting the exposure to up to £50 million for 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions are undertaken with well-capitalised counterparties, authorised by policy, to limit the credit risk underlying these transactions.

Notes to the financial statements continued

Sovereign risk

Risk description	Risk management approach
Distress amongst sovereigns through market concerns over the levels of government debt and the ability of certain governments to service their debts over time, could have adverse effects particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage sovereign risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe market volatility in the sovereign debt markets. The Group has material investments of more than £1 billion in the following sovereigns as at 31 March 2014:

Sovereign Treasury Exposures	Group Aggregate £ billion
France	4.9
Italy	4.5
USA	3.9
Belgium	2.2
Germany	1.5
UK	1.0

Liquidity, settlement and custodial risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, the Group's CCPs and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member. The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations. The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.	Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the year new, committed, revolving three and five year credit facilities totalling £700 million were arranged by LSEG to underpin the Group's financial flexibility. The new facilities extend the Group's average drawn debt maturity profile to just under 5 years and underpin facility headroom over the medium term; the next scheduled debt maturity is in July 2016. At 31 March 2014, £422 million of the Group's facilities were unutilised. The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to arrange appropriate levels of back up liquidity to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit Risk section above). In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where possible, the Group employs guaranteed delivery versus payment techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. Custodians are subject to minimum eligibility requirements and ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

At 31 March 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	**278.7**	–	**399.4**	**545.6**
Trade and other payables	**401.5**	–	–	–
CCP liabilities	**503,747.4**	–	–	–
Derivative financial instruments	**3.4**	–	–	**4.0**
	504,431.0	–	**399.4**	**549.6**

At 31 March 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Borrowings	0.4	–	499.2	297.2
Trade and other payables	230.0	3.2	0.2	–
CCP liabilities	146,088.1	–	–	–
Derivative financial instruments	0.1	–	1.1	2.4
	146,318.6	3.2	500.5	299.6

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group operates in the UK, Italy, France and Sri Lanka and, through its FTSE International Limited and LCH.Clearnet Group Limited subsidiaries, has growing businesses in the USA and Asia. With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, large intercompany transactions. The Group faces less significant foreign exchange exposures from transaction risk on dividends that are remitted in currencies other than the currency of the recipient operation. The Group may be exposed from time to time by strategic investments in currencies other than sterling.	The Group seeks, where it can, to match the currency of its debt liabilities with its EBITDA generation in the same currency whilst endeavouring to balance the currency of its assets with the currency of its liabilities. The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency earnings through interest payments on sterling debt, re-denominated through the use of cross-currency swaps or by drawing debt in the same currency, where this is practicable. A proportion of the Group's debt is held or effectively held in euro. As at 31 March 2014, £400.5 million of drawn debt was euro denominated (2013: nil) and £248.5 million (2013: £255.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. A profit of £4.3 million for the financial year (2013: profit of £5.7 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedge was fully effective. Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Hedge accounting of derivatives is considered to mitigate material levels of income statement volatility. The Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 March 2014, the Group has considered movements in the euro over the last year and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 March 2014, if sterling had weakened or strengthened by 10 per cent against the euro with all other variables held constant, post tax profit for the year would have been, respectively, £0.3 million higher or £0.4 million lower (2013: £0.4 million higher and £0.3 million lower); however, equity would have been £19.0 million lower (2013: £5.7 million lower) and £23.2 million higher (2013: £7.0 million higher). This reflects foreign exchange gains or losses on translation of euro denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro denominated cash and borrowings. If, on the other hand, the average sterling : euro exchange rate for the year had moved €5 cents, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £12 million.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	Group interest rate management policy has been updated recently to reflect the change in the Group's net debt dynamic following the majority acquisition of LCH.Clearnet Group Limited (which maintains a significant net cash position). The revised policy focusses on protecting the Group's credit rating and requires a minimum coverage of interest expense by EBITDA to be maintained of 7 times and a maximum floating rate component of 50 per cent of total debt. As at 31 March 2014, interest expense cover was at 8.0 times (2013: 9.9 times) and the floating rate component of total debt was 23 per cent. Group interest rate risk on cash and cash equivalents and investments in financial assets reflects underlying investments generally over short durations and so the Group is more exposed to movements in short term rates. In the Group's CCPs, interest bearing assets have generally been invested for a longer term than interest bearing liabilities, whose interest rate is generally reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a one percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 March 2014, at the Group level, if interest rates on sterling-denominated and euro-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £6.5 million higher (2013: £6.3 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents. At 31 March 2014, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been one percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £0.8 million lower. This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the year ended 31 March 2014 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 13;

Purchased intangible assets – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 16; and

Contingent Liabilities – assessment based on management's judgement concerning the particular facts and circumstances surrounding commitments and contingencies.

Notes to the financial statements continued

4. Segmental Information

Segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**309.5**	**98.4**	**263.0**	**348.7**	**64.0**	**4.7**	**–**	**1,088.3**
Inter-segmental revenue	**–**	**0.9**	**–**	**–**	**10.9**	**–**	**(11.8)**	**–**
Revenue	**309.5**	**99.3**	**263.0**	**348.7**	**74.9**	**4.7**	**(11.8)**	**1,088.3**
Net treasury income through CCP business	**–**	**47.6**	**62.2**	**–**	**–**	**–**	**–**	**109.8**
Other Income	**–**	**–**	**(3.5)**	**–**	**–**	**15.0**	**–**	**11.5**
Total income	**309.5**	**146.9**	**321.7**	**348.7**	**74.9**	**19.7**	**(11.8)**	**1,209.6**
Operating profit before amortisation of purchased intangible assets and non-recurring items	**144.7**	**83.5**	**81.1**	**169.7**	**11.8**	**8.7**	**11.7**	**511.2**
Amortisation of purchased intangible assets								**(116.5)**
Non-recurring items								**(41.6)**
Operating profit								**353.1**
Net finance expense								**(68.8)**
Profit before taxation								**284.3**
Other income statement items:								
Depreciation and software amortisation	**(25.3)**	**(5.5)**	**(23.0)**	**(15.6)**	**(5.3)**	**(0.2)**	**12.6**	**(62.3)**

The segmental reporting incorporates LCH.Clearnet's results since its acquisition by the Group on 1 May 2013. Comparative information for LCH.Clearnet has not been included within the following tables.

Revenue from external customers principally comprises fees for services rendered £1,014.0 million (2013: £658.5 million) and Technology Services £64.0 million (2013: £56.1 million).

Post Trade Services – CC&G and Monte Titoli, saw an expected sharp decline in net treasury income following completion of the migration to a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £146.9 million (2013: £208.5 million).

Net treasury income through CCP business of £109.8 million comprises gross interest income of £261.1 million less gross interest expense of £151.3 million. Interest from investment in securities amount to £34.8 million.

Comparative segmental disclosures for the year ended 31 March 2013 (restated) are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	267.5	91.8	306.3	56.1	4.7	–	726.4
Inter-segmental revenue	–	–	–	21.3	–	(21.3)	–
Revenue	267.5	91.8	306.3	77.4	4.7	(21.3)	726.4
Net treasury income through CCP business	–	116.7	–	–	–	–	116.7
Other Income	–	–	–	–	9.8	–	9.8
Other non-recurring income	–	–	–	–	18.3	–	18.3
Total income	267.5	208.5	306.3	77.4	32.8	(21.3)	871.2
Operating profit before amortisation of purchased intangible assets and non-recurring items	118.9	144.3	147.1	20.2	0.5	(0.8)	430.2
Amortisation of purchased intangible assets							(88.8)
Non-recurring income							18.3
Non-recurring expenses							(11.3)
Operating profit							348.4
Net finance expense							(49.5)
Profit before taxation							298.9
Other income statement items:							
Depreciation and software amortisation	(27.0)	(5.6)	(14.6)	(5.4)	(0.4)	12.6	(40.4)

Net treasury income through CCP business of £116.7 million comprises gross interest income of £128.9 million less gross interest expense of £12.2 million. Interest from investment in securities amount to £12.5 million.

The comparatives are shown following restatement for reallocation of technology costs across other segments.

Geographical disclosure

	2014 £m	2013 £m
Revenue		
UK	**659.5**	432.9
Italy	**283.5**	255.4
France	**87.0**	1.9
Other	**58.3**	36.2
Total	**1,088.3**	726.4

Revenue has been restated to be allocated based on the location of the group entity which earns the revenue which better represents our operating reviews.

	2014 £m	2013 £m
Total assets		
UK	**183,482.2**	1,300.1
Italy	**141,001.8**	147,596.9
France	**182,593.1**	
Other	**577.3**	28.4
Total	**507,654.4**	148,925.4
Associates – Italy	–	0.6
Total	**507,654.4**	148,926.0

5. Expenses by nature
Expenses comprise the following:

	2014 £m	2013 £m
Cost of sales	**74.1**	60.0
Employee costs	**303.9**	167.3
Depreciation and non-acquisition software amortisation	**62.3**	40.4
Amortisation of purchased intangibles assets and non-recurring costs	**158.1**	100.1
IT costs	**92.0**	64.5
Other costs	**166.1**	90.5
Total expenses	**856.5**	522.8

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

6. Employee costs
Employee costs comprise the following:

	Notes	2014 £m	2013 £m
Salaries and other short term benefits		**237.6**	128.1
Social security costs		**37.4**	19.2
Pension costs	16	**17.3**	7.5
Share based compensation		**11.6**	12.5
Total		**303.9**	167.3

The average number of employees in the Group was:

	2014	2013
UK	**1,329**	753
Italy	**503**	428
France	**205**	7
Sri Lanka	**659**	654
Other	**151**	120
Total	**2,847**	1,962

The Company has no employees.

Average is calculated from date of acquisition of the subsidiary company by the Group.

Notes to the financial statements continued

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

	Notes	2014 £m	2013 £m
Amortisation of purchased intangible assets	13	**116.5**	88.8
Transaction credit		**–**	(18.3)
Transaction costs		**14.9**	7.6
Restructuring costs		**28.8**	3.7
Pension curtailment credit		**(2.1)**	–
Total affecting operating profit		**158.1**	81.8
Total affecting profit before tax		**158.1**	81.8
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		**(11.8)**	(9.1)
Current tax on amortisation of purchased intangible assets		**(2.2)**	(2.2)
Tax effect on other items affecting profit before tax		**(9.1)**	(1.0)
Total tax effect on items affecting profit before tax		**(23.1)**	(12.3)
Total charge to income statement		**135.0**	69.5

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions. Restructuring costs primarily relate to the integration of the LCH business in the current year.

The transaction credit in 2013 relates to funds received from the TMX Group following the termination of the 2010 merger agreement.

8. Net finance expense

	Notes	2014 £m	2013 £m
Finance income			
Bank deposit and other interest income		**5.2**	2.4
Other finance income		**0.3**	0.3
		5.5	2.7
Finance expense			
Interest payable on bank and other borrowings		**(71.2)**	(48.2)
Defined benefit pension scheme interest cost	16	**(0.8)**	(2.0)
Other finance expenses		**(2.3)**	(2.0)
		(74.3)	(52.2)
Net finance expense		**(68.8)**	(49.5)

9. Taxation

The standard UK corporation tax rate was 23 per cent (24 per cent for the year ended 31 March 2013).

Taxation charged to the income statement	Notes	2014 £m	2013 £m
Current tax:			
UK corporation tax for the year		**43.5**	30.5
Overseas tax for the year		**77.6**	78.6
Adjustments in respect of previous years		**(1.2)**	(16.4)
		119.9	92.7
Deferred tax:	15		
Deferred tax for the year		**(4.7)**	0.3
Adjustments in respect of previous years		**(1.8)**	(0.5)
Deferred tax liability on amortisation of purchased intangible assets		**(11.8)**	(9.1)
Taxation charge		**101.6**	83.4

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

Taxation on items not credited/(charged) to income statement	2014 £m	2013 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**3.5**	2.0
Deferred tax (loss)/credit:		
Defined benefit pension scheme actuarial (gain)/loss	**(1.7)**	1.7
Tax allowance on share options/awards in excess of expense recognised	**1.0**	0.5
Movement in value of available for sale financial assets	**(0.7)**	(0.4)
Adjustments relating to change in UK tax rate	**(0.6)**	0.1
	1.5	3.9

Factors affecting the tax charge for the year

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

	2014 £m	2013 £m
Profit before taxation	**284.3**	298.9
Profit multiplied by standard rate of corporation tax in the UK	**65.4**	71.7
Expenses not deductible/(income not taxable)	**4.3**	(2.2)
Adjustment arising from change in UK tax rate	**2.4**	0.7
Overseas earnings taxed at higher rate	**19.1**	17.7
Adjustments in respect of previous years	**(3.0)**	(16.8)
Amortisation of purchased intangibles	**13.4**	12.3
Taxation charge	**101.6**	83.4

10. Earnings per share

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

	2014	2013
Basic earnings per share	**63.0p**	80.4p
Diluted earnings per share	**61.4p**	79.0p
Adjusted basic earnings per share	**107.1p**	105.3p
Adjusted diluted earnings per share	**104.4p**	103.4p
	£m	£m
Profit for the financial year attributable to equity holders	**170.1**	217.0
Adjustments:		
Amortisation and non-recurring items:		
Amortisation of purchased intangible assets	**116.5**	88.8
Transaction costs	**14.9**	7.6
Transaction cost contribution from TMX Group	**–**	(18.3)
Restructuring costs	**28.8**	3.7
Pension curtailment costs	**(2.1)**	–
Other adjusting items:		
Unrealised net investment loss (included in other income)	**3.5**	–
Tax effect of amortisation and non-recurring items	**(23.1)**	(12.3)
Tax effect of other adjusting items	**(1.2)**	–
Amortisation, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(18.1)**	(2.5)
Adjusted profit for the financial year attributable to equity holders	**289.3**	284.0
Weighted average number of shares – million	**270.1**	269.8
Effect of dilutive share options and awards – million	**7.0**	4.8
Diluted weighted average number of shares – million	**277.1**	274.6

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

Notes to the financial statements continued

11. Dividends

	2014 £m	2013 £m
Final dividend for 2013 paid 19 August 2013: 19.8p per Ordinary share (2012: 19.0p)	**53.5**	51.2
Interim dividend for 2014 paid 6 January 2014: 10.1p per Ordinary share (2013: 9.7p)	**27.3**	26.2
	80.8	77.4

The Board has proposed a final dividend in respect of the year ended 31 March 2014 of 20.7p, per share, which is estimated to amount to £56.0 million, to be paid on 19 August 2014.

12. Property, plant and equipment

	Land & Buildings			
	Freehold £m	Leasehold £m	Fixed plant, other plant and equipment £m	Total £m
Cost:				
31 March 2012	46.3	40.0	96.9	183.2
Additions	0.4	–	17.6	18.0
Foreign exchange	0.4	0.1	0.7	1.2
Acquisition of subsidiaries	–	–	0.1	0.1
Reclassification from Held for Sale	6.3	–	–	6.3
Disposals	–	(0.1)	(8.1)	(8.2)
31 March 2013	53.4	40.0	107.2	200.6
Additions	**2.3**	**0.1**	**20.4**	**22.8**
Foreign exchange	**(0.1)**	**(0.1)**	**(1.4)**	**(1.6)**
Acquisition of subsidiaries	**–**	**7.3**	**8.1**	**15.4**
Disposals	**–**	**(0.1)**	**(8.9)**	**(9.0)**
31 March 2014	**55.6**	**47.2**	**125.4**	**228.2**
Accumulated depreciation:				
31 March 2012	27.8	29.1	53.0	109.9
Charge for the year	0.3	2.1	15.2	17.6
Foreign exchange	–	0.1	0.3	0.4
Disposals	–	–	(7.4)	(7.4)
31 March 2013	28.1	31.3	61.1	120.5
Charge for the year	**0.4**	**2.9**	**20.7**	**24.0**
Foreign exchange	**(0.1)**	**(0.1)**	**(0.5)**	**(0.7)**
Disposals	**–**	**(0.1)**	**(8.8)**	**(8.9)**
31 March 2014	**28.4**	**34.0**	**72.5**	**134.9**
Net book values:				
31 March 2014	**27.2**	**13.2**	**52.9**	**93.3**
31 March 2013	25.3	8.7	46.1	80.1

The Company has no property, plant and equipment.

13. Intangible assets

		Purchased intangible assets				
	Goodwill £m	Customer and supplier relationships £m	Brands £m	Software, licenses and intellectual property £m	Software £m	Total £m
Cost:						
31 March 2012	1,188.9	959.5	236.8	342.4	219.0	2,946.6
Additions	1.1	–	–	–	21.3	22.4
Acquisition of subsidiaries	4.1	–	–	–	0.5	4.6
Disposals	–	–	–	–	(84.4)	(84.4)
Foreign exchange	17.8	8.7	0.2	2.2	1.3	30.2
31 March 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Additions	**–**	**–**	**–**	**–**	**106.8**	**106.8**
Acquisition of subsidiaries	**166.1**	**232.0**	**18.1**	**82.0**	**35.4**	**533.6**
Disposals	**–**	**–**	**–**	**–**	**(30.3)**	**(30.3)**
Foreign exchange	**(31.8)**	**(32.5)**	**(1.5)**	**(6.0)**	**(3.9)**	**(75.7)**
31 March 2014	**1,346.2**	**1,167.7**	**253.6**	**420.6**	**265.7**	**3,453.8**
Accumulated amortisation and impairment:						
31 March 2012	437.3	135.8	7.3	76.5	172.3	829.2
Amortisation charge for the year	–	49.5	10.0	29.3	22.8	111.6
Disposals	–	–	–	–	(84.4)	(84.4)
Foreign exchange	8.3	2.9	0.1	1.7	0.7	13.7
31 March 2013	445.6	188.2	17.4	107.5	111.4	870.1
Amortisation charge for the year	**–**	**61.0**	**10.9**	**44.6**	**38.3**	**154.8**
Disposals	**–**	**–**	**–**	**–**	**(30.3)**	**(30.3)**
Foreign exchange	**(8.4)**	**(4.4)**	**(0.3)**	**(2.8)**	**(0.9)**	**(16.8)**
31 March 2014	**437.2**	**244.8**	**28.0**	**149.3**	**118.5**	**977.8**
Net book values:						
31 March 2014	**909.0**	**922.9**	**225.6**	**271.3**	**147.2**	**2,476.0**
31 March 2013	766.3	780.0	219.6	237.1	46.3	2,049.3

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

The acquisition of the LCH.Clearnet Group, the EuroTLX business within the Italian Group, and the FTSE TMX business during the year resulted in an increase of goodwill in the Group of £166.1 million in the year. This value is preliminary and will be finalised during the following year.

During the year additions relating to internally generated software was £103.0 million.

Notes to the financial statements continued

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to eight cash generating units (CGUs), including the CGU resulting from the acquisition of the LCH.Clearnet Group. The Italian Group's Issuer, Equities Trading, Derivatives Trading and Fixed Income Trading CGUs which were in place as at 31 March 2013 were combined into a single Capital Markets CGU on 1 April 2013, reflecting the way in which those businesses are managed. Similarly, MillenniumIT's Software and Enterprise Service Provider CGUs which were in place as at 31 March 2013 were combined into a single MillenniumIT CGU on 1 April 2013.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 March 2019. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

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

	Net book value of goodwill					
	31 March 2013 £m	Impact of restructuring of CGUs £m	Acquisitions of subsidiaries £m	Foreign exchange £m	31 March 2014 £m	Pre-tax discount rate used in value in use calculations
Italian group:						
Issuer	18.6	(18.6)	–	–	**–**	n/a
Equities Trading	62.6	(62.6)	–	–	**–**	n/a
Derivatives Trading	28.0	(28.0)	–	–	**–**	n/a
Fixed Income Trading	70.7	(70.7)	–	–	**–**	n/a
Capital Markets	–	179.9	15.0	(4.0)	**190.9**	9.9%
Information Services	115.9	–	–	(2.3)	**113.6**	9.9%
Technology Services	17.8	–	–	(0.4)	**17.4**	10.1%
Post Trade Services	367.0	–	–	(7.3)	**359.7**	9.8%
MillenniumIT:						
Software	0.8	(0.8)	–	–	**–**	n/a
Enterprise Service Provider	0.8	(0.8)	–	–	**–**	n/a
MillenniumIT	–	1.6	–	(0.2)	**1.4**	17.3%
Turquoise	7.4	–	–	–	**7.4**	14.1%
FTSE Group	76.7	–	27.4	(5.7)	**98.4**	11.0%
LCH.Clearnet Group	–	–	123.7	(3.5)	**120.2**	12.4%
	766.3	**–**	**166.1**	**(23.4)**	**909.0**	

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

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

Long term growth rates (assumed to be 1.8 per cent for each of the Italian CGUs, 13.5 per cent for MillenniumIT, and 3.1 per cent for Turquoise, the FTSE Group and the LCH.Clearnet Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2003 to 31 December 2018, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

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

Based on the results of the impairment tests performed management believes there is no impairment of the carrying value of the goodwill in any CGU.

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

		Impact on value in use of:			
	Excess of value in use over carrying value	5% reduction in revenues	5% increase in costs	0.5% reduction in long term growth rate	0.5% increase in pre-tax discount rate
Cash generating unit	£m	£m	£m	£m	£m
Italian group:					
Capital Markets	478.1	102.6	53.3	66.7	82.6
Information Services	205.2	32.7	12.8	25.4	31.6
Technology Services	43.2	12.7	8.9	4.4	5.4
Post Trade Services	420.7	88.9	41.6	60.9	75.5

Management believes goodwill allocated to the LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 March 2014. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

14. Investment in subsidiary undertakings

	Shares	Loans	Other	Total
Company	£m	£m	£m	£m
31 March 2012	3,320.6	375.2	67.0	3,762.8
Other movements during the year	–	5.2	11.1	16.3
31 March 2013	3,320.6	380.4	78.1	3,779.1
Capital contribution to London Stock Exchange Group Holdings (I) Ltd	**–**	**–**	**460.4**	**460.4**
Impairment of London Stock Exchange Group Holdings (R) Ltd	**(10.6)**	**–**	**–**	**(10.6)**
Other movements during the year	**–**	**(380.4)**	**10.4**	**(370.0)**
31 March 2014	**3,310.0**	**–**	**548.9**	**3,858.9**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
MillenniumIT Software (Private) Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36

On 5 April 2013, the Group entered into a transaction that resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.1 million.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet Group Limited (LCH.Clearnet), resulting in a majority stake of 57.8 per cent in LCH.Clearnet for a consideration of £470.3 million.

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

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

Notes to the financial statements continued

15. Deferred tax

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

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
31 March 2012	2.0	(117.3)	14.8	(100.5)
Tax (charged)/credited to the income statement:	(0.4)	9.1	0.6	9.3
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	–	–	1.6	1.6
– allowance on share options/awards	–	–	0.6	0.6
– movement in value of available for sale financial assets	–	–	(0.4)	(0.4)
– foreign exchange	–	(0.4)	–	(0.4)
Balance sheet transfer of pre-acquisition balances	–	–	–	–
31 March 2013	1.6	(108.6)	17.2	(89.8)
Tax credited to the income statement:	**1.1**	**11.8**	**5.4**	**18.3**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme actuarial loss	**–**	**–**	**(2.5)**	**(2.5)**
– allowance on share options/awards	**–**	**–**	**1.0**	**1.0**
– movement in value of available for sale financial assets	**–**	**–**	**(0.7)**	**(0.7)**
– foreign exchange	**–**	**0.7**	**–**	**0.7**
Balance sheet transfer of pre-acquisition balances	**5.7**	**(72.3)**	**5.8**	**(60.8)**
31 March 2014	**8.4**	**(168.4)**	**26.2**	**(133.8)**
Assets at 31 March 2014	**8.4**	**–**	**33.8**	**42.2**
Liabilities at 31 March 2014	**–**	**(168.4)**	**(7.6)**	**(176.0)**
Net assets/(liabilities) at 31 March 2014	**8.4**	**(168.4)**	**26.2**	**(133.8)**
Assets at 31 March 2013	1.6	–	17.6	19.2
Liabilities at 31 March 2013	–	(108.6)	(0.4)	(109.0)
Net (liabilities)/assets at 31 March 2013	1.6	(108.6)	17.2	(89.8)

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

The purchased intangible assets of the Italian group create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £59 million (2013: £57 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

16. Retirement benefit obligations

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

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

The Company has no retirement benefit obligations.

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

Defined benefit schemes

The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

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

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

The defined benefit scheme operated by LCH.Clearnet was closed to new members from 30 September 2009. The scheme was closed to further employee contributions on 31 March 2013.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees in the UK, Italy and LCH entities. For the UK pension plan, a core contribution of four to eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six to ten per cent of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Amounts recognised in the income statement are as follows:

		2014			2013	
	Notes	LSEG UK £m	LCH UK £m	Other plans £m	UK Pension £m Restated	Other plans £m Restated
Defined contribution schemes		**(3.4)**	**(5.5)**	**(7.6)**	(3.4)	(2.2)
Defined benefit scheme – current service cost		**(0.9)**	**(0.5)**	**0.6**	–	(1.9)
Total pension charge included in employee costs	6	**(4.3)**	**(6.0)**	**(7.0)**	(3.4)	(4.1)
Net finance expense	8	**(0.7)**	**0.4**	**(0.5)**	(1.7)	(0.3)
Total recognised in the income statement		**(5.0)**	**(5.6)**	**(7.5)**	(5.1)	(4.4)

Defined benefit assets/(obligations) for UK pension scheme

	2014 LSEG UK £m	2014 LCH UK £m	2013 LSEG UK £m	2012 LSEG UK £m	2011 LSEG UK £m	2010 LSEG UK £m
Fair value of assets:						
Equities (quoted)	**8.4**	**87.7**	9.4	39.0	39.3	37.2
Bonds (quoted)	**104.2**	**76.8**	110.8	67.5	219.5	218.5
Property	**4.3**	**–**	11.4	24.4	23.3	13.3
Cash	**4.4**	**5.8**	–	–	–	–
Pensioner buy in policy	**155.4**	**–**	142.1	–	–	–
Foreign exchange	**–**	**(2.8)**	–	133.5	–	–
Total fair value of assets	**276.7**	**167.5**	273.7	264.4	282.1	269.0
Present value of funded obligations	**(300.6)**	**(153.0)**	(291.4)	(274.2)	(244.5)	(264.4)
(Deficit)/surplus	**(23.9)**	**14.5**	(17.7)	(9.8)	37.6	4.6

UK pension plan actuarial assumptions are set out below:

	2014 LSEG UK	2014 LCH UK	2013 LSEG UK
Inflation rate – RPI	**3.4%**	**3.4%**	3.4%
Inflation rate – CPI	**2.4%**	**2.4%**	2.4%
Rate of increase in salaries	**3.4%**	**n/a**	3.4%
Rate of increase in pensions in payment	**3.6%**	**2.2%**	3.6%
Discount rate	**4.5%**	**4.5%**	4.5%
Life expectancy from age 60 (years)			
– Non retired male member	**28.6**	**n/a**	28.0
– Non retired female member	**30.5**	**n/a**	30.8
– Retired male member	**27.1**	**29.3**	26.5
– Retired female member	**29.2**	**31.3**	29.3

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CM1 2013 projections and applied a 1.25 per cent/1.00 per cent for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

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

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase/decrease by 0.5%	Increase/decrease by £4.1m
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by £20.1m
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £22.9m
Mortality rate	Increase by 1 year	Increase by £8.8m

Notes to the financial statements continued

Changes in the present value of the defined benefit obligation

	2014			2013	
	LSEG UK £m	LCH UK £m	Other plans £m	LSEG UK £m	Other plans £m
Benefit obligation as at 1 April	**291.4**	**–**	**7.9**	274.2	6.7
Liabilities acquired in a business combination	**–**	**160.6**	**11.1**	–	–
Pension expense/(income):					
Current service cost	**–**	**0.5**	**(0.6)**	–	1.9
Interest cost	**12.9**	**6.1**	**0.6**	13.5	0.3
Subtotal included in the income statement	**12.9**	**6.6**	**–**	13.5	2.2
Re-measurement losses/(gains)					
Actuarial (gains)/losses – financial assumptions	**–**	**(13.6)**	**0.3**	22.2	0.1
Actuarial losses – demographic assumptions	**1.3**	**–**	**0.2**	–	–
Actuarial losses/(gains) – experience	**4.3**	**–**	**(0.5)**	(9.5)	–
Subtotal included in other comprehensive income	**5.6**	**(13.6)**	**–**	12.7	0.1
Benefits paid	**(9.3)**	**(2.4)**	**(5.4)**	(9.0)	(1.4)
Foreign exchange	**–**	**1.8**	**(0.2)**	–	0.3
Benefit obligation as at 31 March	**300.6**	**153.0**	**13.4**	291.4	7.9

Movement in fair value of scheme assets during the period

	2014			2013	
	LSEG UK £m	LCH UK £m	Other plans £m	LSEG UK £m	Other plans £m
Fair value of scheme assets as at 1 April	**273.7**	**–**	**–**	264.4	–
Assets acquired in a business combination	**–**	**169.6**	**3.6**	–	–
Pension income:					
Interest income	**12.2**	**6.5**	**0.1**	11.8	–
Subtotal included in the income statement	**12.2**	**6.5**	**0.1**	11.8	–
Re-measurement gains:					
Actuarial (losses)/gains	**(2.6)**	**(7.0)**	**0.3**	5.9	–
Subtotal included in other comprehensive income	**(2.6)**	**(7.0)**	**0.3**	5.9	–
Contributions by employer	**3.6**	**–**	**0.1**	0.6	–
Expenses	**(0.9)**	**–**	**–**	–	–
Benefits paid	**(9.3)**	**(2.4)**	**(3.7)**	(9.0)	–
Foreign exchange	**–**	**0.8**	**–**	–	–
Fair value of scheme assets as at 31 March	**276.7**	**167.5**	**0.4**	273.7	–

The actual return on plan assets was £9.6 million (2013: £17.7 million).

Defined benefit actuarial gains and losses recognised

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

	2014			2013	
	LSEG UK £m	LCH UK £m	Other plans £m	LSEG UK £m	Other plans £m
Recognised up to 1 April	**(19.7)**	**–**	**(1.0)**	(12.9)	(0.9)
Net actuarial (loss)/gain recognised in the year	**(8.2)**	**6.6**	**0.3**	(6.8)	(0.1)
Cumulative amount recognised at 31 March	**(27.9)**	**6.6**	**(0.7)**	(19.7)	(1.0)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the contributions to the defined benefit scheme during the year to 31 March 2014. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

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

History of experience gains and losses for the UK pension scheme	**2014**	**2013**	**2012**	**2011**	**2010**
Experience adjustments arising on scheme assets:					
Experience (loss)/gain (£m)	**(2.6)**	5.9	(23.4)	5.3	25.6
Percentage of scheme assets	**(0.9%)**	2.2%	(8.9%)	1.9%	9.5%
Experience adjustments arising on scheme liabilities:					
Experience (loss)/gain (£m)	**(4.3)**	9.5	(3.9)	1.5	7.5
Impact of changes in assumptions (£m)	**(1.3)**	(22.2)	(20.4)	25.3	(34.9)
Total (£m)	**(5.6)**	(12.7)	(24.3)	26.8	(27.4)
Percentage of scheme liabilities					
Experience (loss)/gain	**(1.4%)**	3.3%	(1.4%)	0.6%	2.8%
Impact of changes in assumptions	**(0.4%)**	(7.6%)	(7.4%)	10.3%	(13.2%)
Total	**(1.8%)**	(4.3%)	(8.8%)	10.9%	(10.4%)

17. Trade and other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£m	£m	£m	£m
Trade receivables	**133.5**	121.2	**–**	–
Less: provision for impairment of receivables	**(5.2)**	(6.1)	**–**	–
Trade receivables – net	**128.3**	115.1	**–**	–
Amounts due from Group undertakings	**–**	–	**534.1**	579.4
Other receivables	**38.3**	5.9	**–**	–
Prepayments and accrued income	**83.9**	64.7	**–**	–
	250.5	185.7	**534.1**	579.4

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

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

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

	2014		2013	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**–**	**50.7**	0.1	40.9
Greater than 3 months past due	**5.2**	**11.6**	6.0	9.7
	5.2	**62.3**	6.1	50.6

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

	2014	**2013**
	£m	£m
Sterling	**122.9**	98.3
Euro	**90.7**	58.4
Other Currencies	**36.9**	29.0
	250.5	185.7

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

	2014	**2013**
	£m	£m
1 April	**6.1**	7.8
Provision for receivables impairment	**3.4**	1.4
Receivables written off during the year as uncollectible	**(0.7)**	(0.9)
Provisions no longer required	**(3.4)**	(2.2)
Foreign exchange	**(0.2)**	–
31 March	**5.2**	6.1

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

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

Notes to the financial statements continued

18. Financial instruments by category

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

	Group					Company		
	Loans and receivables	Available for sale	Assets at fair value through profit or loss	Held to maturity	Total	Loans and receivables	Assets at fair value through profit or loss	Total
31 March 2014	£m	£m	£m	£m	£m	£m	£m	£m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	337,211.5	–	**337,211.5**		–	–
– Receivables for repurchase transactions	117,702.6	–	–	–	**117,702.6**		–	–
– Other receivables from clearing members	1,295.3	–	3,147.2	–	**4,442.5**		–	–
– Financial assets held at fair value	–	–	9,707.8	1,433.3	**11,141.1**		–	–
– Cash and cash equivalents of clearing members	24,735.1	5,926.7	2,616.7	–	**33,278.5**		–	–
Financial assets of the CCP clearing business	143,733.0	5,926.7	352,682.2	1,433.3	**503,776.2**		–	–
Assets held at fair value	–	–	18.7	–	**18.7**		–	–
Total financial assets for CCP clearing	143,733.0	5,926.7	352,701.9	1,433.3	**503,794.9**		–	–
Trade and other receivables	133.5	–	–	–	**133.5**	534.1	–	**534.1**
Cash and cash equivalents	919.2	–	–	–	**919.2**	–	–	–
Available for sale financial assets	–	4.8	–	–	**4.8**	–	–	–
Cross currency interest rate swaps	–	–	6.7	–	**6.7**	–	6.7	**6.7**
Total	**144,785.7**	**5,931.5**	**352,708.6**	**1,433.3**	**504,859.1**	**534.1**	**6.7**	**540.8**

	Group			Company		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	337,211.5	**337,211.5**	–	–	–
– Liabilities under repurchase transactions	–	117,702.6	**117,702.6**	–	–	–
– Other payables to clearing members	–	48,808.2	**48,808.2**	–	–	–
– Financial liabilities held at fair value	–	25.1	**25.1**	–	–	–
Financial liabilities of the CCP clearing business	–	503,747.4	**503,747.4**	–	–	–
Trade and other payables	–	401.5	**401.5**	–	204.4	**204.4**
Other non-current liabilities	–	79.2	**79.2**	–	–	–
Provisions	–	19.4	**19.4**	–	–	–
Borrowings	–	1,223.7	**1,223.7**	–	822.6	**822.6**
Interest rate swaps	3.4	–	**3.4**	–	–	–
Cross currency interest rate swaps	4.0	–	**4.0**	4.0	–	**4.0**
Total	7.4	505,471.2	**505,478.6**	**4.0**	**1,027.0**	**1,031.0**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The Group has no financial instruments in this category.

For assets and liabilities classified as level 2, the fair value is calculated using valuation techniques with market observable inputs. Frequently applied techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Level 1 CCP trading assets and liabilities were £8,467.8 million (2013: £3,426.6 million), Level 2 CCP trading assets and liabilities were £328,733.4 million (2013: nil).

Level 1 Financial assets held at fair value were £10,275.8 million (2013: £12.6 million), Level 2 Financial assets held at fair value were £865.3 million (2013: nil).

The cross currency interest rate swaps (amounting to six contracts of €50 million each,) effectively exchange some of the proceeds of the 2016 and the 2019 £250 million bonds from sterling into euros to better match the currency of borrowings to the Group's currency of earnings, to reduce exposure to euro denominated net assets and to protect sterling cash flow. These are designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting as both legs of the swap are at fixed rates and the cash flow components of the swaps exactly match the terms of the underlying bonds. For the year ended 31 March 2014, the Group recognised the £2.3 million movement in mark to market value of these derivatives in reserves (2013: £2.5 million).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of USD denominated exposures. These hedges forward buy and sell USD payables and receivables, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable sterling cash flows to the Group at maturity. At 31 March 2014, USD18m of receivables and USD12.7m of payables were hedged forward into the next financial year. The market value of the hedges was £3k in aggregate.

Other non-current liabilities includes a CAD51.3m financial liability relating to the FTSE-TMX Canadian Dollar denominated investment. This financial liability has been designated as a hedge of the Group's net investment in FTSE-TMX.

The Group's financial assets held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note on pages 112-113.

As at 31 March 2014, there were no provisions for impairment in relation to any of the CCP financial assets (2013: nil) and none of these assets were past due (2013: nil).

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

	Group				Company		
31 March 2013	Loans and receivables £m	Available for sale £m	Assets at fair value through profit or loss £m	Total £m	Loans and receivables £m	Assets at fair value through profit or loss £m	Total £m
Assets as per balance sheet							
Financial assets of the CCP clearing business:							
– CCP trading assets	–	–	3,426.6	3,426.6	–	–	–
– Receivables for repurchase transactions	127,036.2	–	–	127,036.2	–	–	–
– Other receivables from clearing members	7,144.8	–	–	7,144.8	–	–	–
– Financial assets held at fair value	–	–	12.6	12.6	–	–	–
– Cash and cash equivalents of clearing members	2,681.1	5,795.1	–	8,476.2	–	–	–
Financial assets of the CCP clearing business	136,862.1	5,795.1	3,439.2	146,096.4	–	–	–
Assets held at fair value	–	–	6.1	6.1	–	–	–
Total financial assets for CCP clearing	136,862.1	5,795.1	3,445.3	146,102.5	–	–	–
Trade and other receivables	121.0	–	–	121.0	579.4	–	579.4
Cash and cash equivalents	446.2	–	–	446.2	0.1	–	0.1
Available for sale financial assets	–	11.9	–	11.9	–	–	–
Cross currency interest rate swaps	–	–	4.0	4.0	–	4.0	4.0
Forward foreign exchange contract	–	–	0.3	0.3	–	–	–
Total	137,429.3	5,807.0	3,449.6	146,685.9	579.5	4.0	583.5

	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	–	3,426.6	3,426.6	–	–	–
– Liabilities under repurchase transactions	–	127,036.2	127,036.2	–	–	–
– Other payables to clearing members	–	15,610.4	15,610.4	–	–	–
– Financial liabilities held at fair value	–	14.9	14.9	–	–	–
Financial liabilities of the CCP clearing business	–	146,088.1	146,088.1	–	–	–
Trade and other payables	–	233.4	233.4	–	160.9	160.9
Provisions	–	27.3	27.3	–	–	–
Borrowings	–	796.8	796.8	–	796.4	796.4
Cross currency interest rate swaps	3.5	–	3.5	3.5	–	3.5
Forward foreign exchange contracts	–	0.1	0.1	–	–	–
Total	3.5	147,145.7	147,149.2	3.5	957.3	960.8

Notes to the financial statements continued

19. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet.

31 March 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	24,807,530	(24,806,500)	1,030
Reverse repurchase agreements	513,873	(187,152)	326,721
Other movements during the year	88,284	(87,294)	990
Total assets	25,409,687	(25,080,946)	328,741
Derivative financial liabilities	(24,807,530)	24,806,500	(1,030)
Reverse repurchase agreements	(513,873)	187,152	(326,721)
Other	(88,284)	87,294	(990)
Total liabilities	(25,409,687)	25,080,946	(328,741)

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £328,741.6 million to nil. Default funds for derivatives of £4,018.7 million, repos of £1,497.1 million and other transactions of £377.0 million are held by the Group. In addition, the Group holds margin of €14,954.8 million for derivatives, €12,506.5 million for repos and €4,896.3 million for other transactions, as well as additional variation margin amounts which are not allocated by business line.

20. Cash and cash equivalents

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash at bank	683.9	217.0	–	0.1
Short term deposits	235.3	229.2	–	–
	919.2	446.2	–	0.1

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash and cash equivalents do not include amounts held by subsidiaries on behalf of its clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 18). Cash and cash equivalents include amounts held by regulated entities for regulatory and operational purposes. At 31 March 2014, the Group set aside £803.6 million (2013: £200.0 million) for such purposes, with the amount subject to regular review with regulators in the UK, France and Italy.

21. Trade and other payables

		Group		Company	
	Notes	2014 £m	2013 £m	2014 £m	2013 £m
Trade payables		43.9	30.4	–	–
Amounts owed to Group undertakings	31	–	–	182.0	132.2
Social security and other taxes		17.2	12.5	–	–
Other payables		110.5	26.4	1.0	3.3
Accruals and deferred income		229.9	164.1	21.4	25.4
		401.5	233.4	204.4	160.9
Current		401.5	230.0	204.4	160.9
Non-current		–	3.4	–	–
		401.5	233.4	204.4	160.9

22. Borrowings

	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Current				
Bank borrowings and trade finance loans	**278.7**	0.4	**26.0**	–
	278.7	0.4	**26.0**	–
Non-current				
Bonds	**796.6**	796.5	**796.7**	796.5
Preferred securities	**148.4**	–	**–**	–
Deferred arrangement fees	**–**	(0.1)	**–**	(0.1)
	945.0	796.4	**796.7**	796.4

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

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 March 2014 £m	Interest rate percentage at 31 March 2014 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jul 2016	250.0	**165.1**	LIBOR + 0.8
Multi-currency revolving credit facility	Jul 2018	450.0	**112.7**	LIBOR + 0.95
Total Bank Facilities		700.0	**277.8**	
Notes due July 2016	Jul 2016	250.0	**251.0**	6.125
Notes due October 2019	Oct 2019	250.0	**248.2**	9.125
Notes due November 2021	Nov 2021	300.0	**297.4**	4.75
LCH.Clearnet preferred securities	May 2017	165.6	**148.4**	6.576
Total Bonds		965.6	**945.0**	
Total Committed Facilities		1,665.6	**1,222.8**	

Current borrowings

The Group's committed bank facility arrangements of £700 million were partially utilised at 31 March 2014 with £277.8 million drawn.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. As at 31 March 2014, £0.9 million was the aggregate drawing against these facilities.

CC&G has unlimited direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged secured and unsecured credit lines with a number of commercial banks, which totalled €450 million at the 31 March 2014, to further support its operational and liquidity requirements.

As a bank, Clearnet SA has full and unlimited access to the liquidity operations provided by the central bank, including refinancing securities at Banque de France to support its normal day to day requirements.

Notes to the financial statements continued

Non-current borrowings

In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial year. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial year. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576 per cent per annum and interest is paid annually. In May 2017 this coupon is replaced by a rate of three month Euribor plus 2.1 per cent per annum, and a first call date attached to the Securities is May 2018.

Fair values

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

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Group	£m	£m	£m	£m
Borrowings				
– within one year	**278.7**	**278.7**	0.4	0.4
– after more than one year	**945.0**	**1,066.2**	796.4	942.4
	1,223.7	**1,344.9**	796.8	942.8

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

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Company	£m	£m	£m	£m
Borrowings				
– within one year	**26.0**	**26.0**	–	–
– after more than one year	**796.6**	**910.3**	796.4	942.4
	822.6	**936.3**	796.4	942.4

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

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

	2014			2013		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**822.6**	**(248.5)**	**574.1**	796.4	(255.5)	540.9
Euro	**400.5**	**248.5**	**649.0**	–	255.5	255.5
Sri Lankan Rupees	**0.6**	**–**	**0.6**	0.4	–	0.4
Total	**1,223.7**	**–**	**1,223.7**	796.8	–	796.8

23. Analysis of net debt

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£m	£m	£m	£m
Due within one year				
Cash and cash equivalents	**919.2**	446.2	**–**	0.1
Bank borrowings	**(278.7)**	(0.4)	**(26.0)**	–
Derivative financial liabilities	**(3.4)**	(0.1)	**–**	–
	637.1	445.7	**(26.0)**	0.1
Due after one year				
Deferred arrangement fees	**–**	0.1	**–**	0.1
Bonds	**(796.6)**	(796.5)	**(796.6)**	(796.4)
Preferred Securities	**(148.4)**	–	**–**	–
Derivative financial assets	**6.7**	4.3	**6.7**	4.0
Derivative financial liabilities	**(4.0)**	(3.5)	**(4.0)**	(3.5)
Total net debt	**(305.2)**	(349.9)	**(819.9)**	(795.7)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2014	**2013**	**2014**	**2013**
	£m	£m	£m	£m
Increase/(decrease) in cash in the year	**491.7**	227.6	**(0.1)**	0.3
Bond issue proceeds	**–**	(297.6)	**–**	(297.6)
Bank loan repayments less new drawings	**(192.1)**	257.8	**(26.0)**	247.8
Change in net debt resulting from cash flows	**299.6**	187.8	**(26.1)**	(49.5)
Foreign exchange movements	**(11.2)**	2.6	**(0.5)**	(0.4)
Movement on derivative financial assets and liabilities	**(1.4)**	(2.4)	**2.2**	(2.6)
Bond valuation adjustment	**0.1**	0.1	**0.2**	0.1
Acquired debt	**(242.4)**	–	**–**	–
Net debt at the start of the year	**(349.9)**	(538.0)	**(795.7)**	(743.3)
Net debt at the end of the year	**(305.2)**	(349.9)	**(819.9)**	(795.7)

24. Provisions

	Property
Group	£m
1 April 2012	30.1
Utilised during the year	(4.1)
Interest on discounted provision	1.3
31 March 2013	27.3
Utilised during the year	**(9.7)**
Interest on discounted provision	**1.8**
31 March 2014	**19.4**
Current	**2.8**
Non-current	**16.6**
31 March 2014	**19.4**

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 one and 15 years to expiry.

The Company has no provisions.

Notes to the financial statements continued

25. Ordinary share capital

	2014		2013	
Authorised	millions	£m	millions	£m
Ordinary shares of 6 79/86p	**271.1**	**18.8**	271.1	18.8

More information about the shares and rights attached to the ordinary shares is given in the Directors' Report on pages 98 and 99.

26. Net cash flow generated from operations

	Group		Company	
	2014	2013	2014	2013
	£m	£m	£m	£m
Profit before taxation	**284.3**	298.9	**64.4**	159.1
Depreciation and amortisation	**178.6**	129.2	**–**	–
Loss on disposal of property, plant and equipment	**0.2**	1.5	**–**	–
Profit on acquisition/disposal of shares in subsidiary and joint venture	**(6.9)**	–	**–**	–
Net finance expense/(income)	**68.8**	49.5	**(79.3)**	(148.9)
Decrease in inventories	**0.8**	0.5	**–**	–
Decrease in trade and other receivables	**37.2**	(3.0)	**9.7**	3.2
Decrease in trade and other payables	**(118.6)**	(9.6)	**(6.7)**	(10.2)
Borrowing costs capitalised	**–**	(0.5)	**–**	(0.6)
Goodwill valuation amendment	**–**	(1.2)	**–**	–
Decrease/(increase) in CCP financial assets	**92,323.0**	(43,590.5)	**–**	–
(Decrease)/increase in CCP clearing business liabilities	**(92,236.4)**	43,594.4	**–**	–
Defined benefit pension obligation – contributions (in excess of)/lower than expenses charged	**(3.3)**	(1.0)	**–**	–
Provisions utilised during the year	**(9.7)**	(6.1)	**–**	–
(Increase)/decrease in assets held at fair value from operating activities	**(9.5)**	8.0	**–**	–
Share scheme expense	**13.4**	13.1	**–**	–
Foreign exchange (losses)/gains on operating activities	**(6.5)**	4.3	**(1.1)**	(2.5)
Cash generated from/(absorbed by) operations	**515.4**	487.5	**(13.0)**	0.1
Comprising:				
Ongoing operating activities	**548.7**	480.5	**1.7**	0.1
Non-recurring items	**(33.3)**	7.0	**(14.7)**	–
	515.4	487.5	**(13.0)**	0.1

27. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.7 million (2013: £1.6 million) and £nil (2013: £13.2 million) respectively.

LCH.Clearnet Group Limited is currently engaged in correspondence and discussions regarding concerns raised by administrators in relation to a past default exercise which could give rise to a claim against it. The amount and likelihood of success of any such claim, if made, is currently uncertain and accordingly no provision for any liability has been made in the interim statements.

28. Business combinations

Acquisitions in the year to 31 March 2014

The Group made three acquisitions during the period.

On 5 April 2013, the Group and TMX Group Limited completed a transaction to combine their fixed income businesses into a new business, FTSE TMX Global Debt Capital Markets Limited. The transaction resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.2 million. The non-controlling interest ('NCI') has an option to sell the remaining 25 per cent interest to the Group after six years or earlier in other limited scenarios.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet resulting in a majority stake of 57.8 per cent in LCH.Clearnet. The total investment of £470.3 million includes deferred consideration of £20.0 million, payable on 30 September 2017 subject to acceleration or delay in certain limited circumstances. The investment is inclusive of the Group's participation in the capital raise of LCH.Clearnet issued share capital of £158.2 million.

On 23 September 2013, the Group acquired a 70 per cent interest in EuroTLX SIM SpA for a consideration of £26.1 million and £0.9 million in deferred consideration. The NCI has an option to sell the remaining 30 per cent interest to the Group. The value of the option is dependent on achieving growth and cost synergies in the next financial year.

	Date acquired	Total investment	Goodwill	Fair value of assets acquired	Contribution post acquisition Revenue	Operating profit
	£m	£m	£m	£m	£m	£m
LCH.Clearnet Group Limited	1 May 2013	470.3	123.8	346.5	263.0	78.5
EuroTLX SIM SpA	23 September 2013	27.0	15.6	11.4	6.6	2.0
FTSE TMX Global Debt Capital Markets Limited	5 April 2013	78.2	27.4	50.8	10.9	6.7
		575.5	**166.8**	**408.7**	**280.5**	**87.2**

The total investment included in the acquisition of LCH.Clearnet comprises cash consideration of £292.1 million, deferred consideration of £20.0 million and the Group's participation in the capital raise of £158.2 million. Included in the LCH.Clearnet value of assets acquired is £273.7 million raised from all shareholders as part of the capital raise.

If all acquisitions had occurred on 1 April 2013, estimated Group revenue for the year would have been £1,124 million, with operating profit (before acquisition amortisation and exceptional items) of £525 million. These amounts have been calculated using the Group's accounting policies and based on available information.

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

	LCH.Clearnet Group Limited		EuroTLX SIM SpA		FTSE TMX Global Debt Capital Markets Limited		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets:								
Intangible assets	**55.4**	**277.1**	**0.1**	**11.0**	**11.0**	**75.9**	**66.5**	**364.0**
Goodwill	**119.9**	–	–	–	**90.1**	–	**210.0**	–
Property, plant and equipment	**14.6**	**14.6**	**0.9**	**0.9**	–	–	**15.5**	**15.5**
Other non-current assets	**24.0**	**24.0**	–	–	–	–	**24.0**	**24.0**
Current assets:								
Cash and cash equivalents	**425.1**	**425.1**	**8.2**	**8.2**	**2.7**	**2.7**	**436.0**	**436.0**
Other current assets	**466,555.5**	**466,555.5**	**2.5**	**2.5**	**3.0**	**3.2**	**466,561.0**	**466,561.2**
Current liabilities:								
Borrowings	**(92.4)**	**(92.4)**	–	–	–	–	**(92.4)**	**(92.4)**
Other current liabilities	**(461,088.1)**	**(461,088.1)**	**(2.8)**	**(6.3)**	**(4.4)**	**(4.5)**	**(461,095.3)**	**(461,098.9)**
Non-current liabilities:								
Borrowings	**(152.4)**	**(152.4)**	–	–	–	–	**(152.4)**	**(152.4)**
Other non-current liabilities	**(5,214.0)**	**(5,277.4)**	**(0.1)**	**(0.1)**	**(4.5)**	**(9.6)**	**(5,218.6)**	**(5,287.1)**
Net assets	**647.6**	**686.0**	**8.8**	**16.2**	**97.9**	**67.7**	**754.3**	**769.9**
Non controlling interest	–	**(339.5)**	–	**(4.8)**	–	**(16.9)**	–	**(361.2)**
Goodwill	–	**123.8**	–	**15.6**	–	**27.4**	–	**166.8**
	647.6	**470.3**	**8.8**	**27.0**	**97.9**	**78.2**	**754.3**	**575.5**
Satisfied by:								
Cash and capital raise		**450.3**		**26.1**		**73.1**		**549.5**
Deferred consideration		**20.0**		**0.9**		–		**20.9**
Transfer of assets		–		–		**5.1**		**5.1**
Total investment		**470.3**		**27.0**		**78.2**		**575.5**

The fair values are preliminary and will be finalised within 12 months of the acquisition date.

The fair value adjustments include:

LCH.Clearnet Group Limited

The additional £245.2 million of intangible assets arising on consolidation represents £47.4 million relating to various technologies, £33.4 million relating to software licences, £152.1 million relating to customer relationships and £12.3 million relating to trade names. The fair values of these purchased intangible assets are being amortised over their remaining useful life from the date of completion. The goodwill of £123.8 million arising on consolidation represents the growth of future expected income streams from customers and its assembled workforce.

EuroTLX SIM SpA

The purchased intangibles of £10.9 million primarily relates to customer relations of £10.0 million. The goodwill of £15.6 million arising on consolidation includes value attributed to its assembled workforce.

FTSE TMX Global Debt Capital Markets Limited

The purchased intangibles of £74.1 million mainly relate to customer relations of £69.1 million. The goodwill of £27.4 million arising on consolidation represents the potential for the Group to expand into new territories such as the USA (£16.3 million), Australia (£7.4 million) and China (£3.7 million).

Notes to the financial statements continued

29. Leases

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

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

	Property		Equipment	
	2014	2013	2014	2013
Leases expiring in:	£m	£m	£m	£m
Less than one year	**30.8**	25.3	**1.1**	1.4
More than one year but less than five years	**102.4**	84.0	**0.6**	–
More than five years	**93.0**	82.7	**–**	–
	226.2	192.0	**1.7**	1.4

Operating lease payments of £34.1 million (2013: £25.6 million) were charged to the income statement in the year in relation to property and £1.9 million (2013: £3.0 million) in the year in relation to equipment.

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

	Property	
	2014	2013
Leases expiring in:	£m	£m
Less than one year	**5.5**	8.2
More than one year but less than five years	**21.2**	21.2
More than five years	**7.0**	10.9
	33.7	40.3

The Company has no lease commitments.

30. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares. Vesting of these awards is dependent upon the Company's total shareholder return performance and for awards made since 2008, adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 70-97.

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

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end 642,936 (2013: 1,128,556) shares were held by the trust, funded by an interest free loan from the Group. The Company has no employees, but in accordance with SIC 12 "Consolidation – Special Purpose Entities" has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

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

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2012	404,240	5.26	489,271	6.13	6,093,311	–
Granted	55,440	9.85	220,046	8.20	2,814,239	–
Exercised	(67,570)	3.57	(3,844)	6.13	(1,386,330)	–
Lapsed/forfeited	(8,995)	7.80	(20,403)	6.13	(1,028,747)	–
31 March 2013	383,115	6.16	685,070	6.79	6,492,473	–
Granted	**–**	**–**	**214,485**	**12.64**	**2,231,649**	**–**
Exercised	**(235,139)**	**7.12**	**(3,501)**	**6.43**	**(1,902,989)**	**–**
Lapsed/forfeited	**(9,943)**	**9.27**	**(29,171)**	**6.80**	**(428,407)**	**–**
31 March 2014	**138,033**	**9.25**	**866,883**	**8.25**	**6,392,726**	**–**
Exercisable at:						
31 March 2014	**32,778**	**7.73**	**–**	**–**	**–**	**–**
31 March 2013	183,631	1.69	–	–	121,483	–

The weighted average share price of London Stock Exchange Group plc shares during the year was £16.08 (2013: £10.70).

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

	2014		2013	
	Number outstanding	Weighted average remaining contractual life	Number outstanding	Weighted average remaining contractual life
Share options				
Less than £7	**–**	**–**	153,935	0.3
Between £7 and £8	**10,506**	**–**	85,680	1.7
Between £8 and £9	**22,272**	**–**	29,696	0.5
More than £9	**105,255**	**0.5**	113,804	2.6
SAYE				
Less than £7	**439,487**	**0.5**	465,024	1.2
Between £8 and £9	**212,911**	**0.5**	220,046	1.0
More than £9	**214,485**	**0.7**	–	–
LTIP				
Nil	**6,392,726**	**1.3**	6,492,473	1.4
Total	**7,397,642**	**1.3**	7,560,658	1.6

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

	Performance Related Equity Plan				Matching Shares		Share Save Plan
	12 Jun 2013	12 Aug 2013	3 Sep 2013	5 Feb 2014	12 Jun 2013	30 Sep 2013	10 Jan 2014
Grant date share price	£13.45	£15.71	£15.74	£18.34	£13.45	£15.37	£17.99
Expected life	3 years	3 years	3 years	3.07 years	3 years	3 years	3 years
Exercise price	n/a	n/a	n/a	n/a	n/a	n/a	£12.64
Dividend yield	2.20%	1.90%	1.90%	1.60%	2.20%	1.90%	1.70%
Risk-free interest rate	0.70%	0.70%	0.90%	1.00%	0.70%	0.80%	1.10%
Volatility	30%	30%	30%	29%	30%	30%	30%
Fair value	–	–	–	–	–	–	6.06
Fair value TSR	£4.11	£5.06	£5.13	£6.05	£4.11	£4.98	–
Fair value EPS	£12.59	£14.84	£14.86	£17.48	£12.59	£14.49	–

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical three-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

Notes to the financial statements continued

31. Transactions with Related Parties

Key management compensation

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

	2014 £m	2013 £m
Salaries and other short term benefits	**9.9**	8.9
Pensions	**0.9**	0.5
Share based payments	**10.7**	4.6
	21.5	14.0

Inter-company transactions with subsidiary undertakings

The Company has loan agreements with some subsidiary undertakings. Details as at 31 March 2014 are shown in the table below:

	Amount in millions due (owed to)/from as at 31 March				Interest in millions (charge) /credit	
Loan counterparty	2014	2013	Term	Interest rate as at 31 March 2014	2014	2013
London Stock Exchange plc	**£(181.1)m**	£(88.7)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(5.0)m**	£(6.8)m
London Stock Exchange Employee Benefit Trust	**£13.2m**	£14.2m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**nil**	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014.	EURIBOR plus 4.0% per annum	**nil**	€24.4m
London Stock Exchange Group Holdings (Italy) Limited – Italian Branch	**nil**	€94.5m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum	**nil**	€2.6m
London Stock Exchange Group Holdings (Italy) Limited	**€(9.6)m**	nil	Fifth anniversary of the initial utilisation date which was April 2013.	LIBOR plus 1.5% per annum	**€0.1m**	nil
London Stock Exchange Group Holdings Limited	**£474.9m**	£463.6m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£23.3m**	£22.1m
London Stock Exchange Group Holdings (R) Limited	**nil**	£(0.6)m	Fifth anniversary of the initial utilisation date which was April 2011.	LIBOR plus 1.5% per annum	**nil**	nil
Cassa di Compensazione e Garanzia S.p.A.	**nil**	nil	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum	**nil**	€(0.5)m
Monte Titoli S.p.A.	**nil**	€(31.9)m	One year from initial utilisation date which was January 2012, extended for further six months to July 2013.	EURIBOR plus 1.2% per annum	**€(0.2)m**	€(0.4)m
Societa Mercato Titoli di Stato S.p.A.	**nil**	€(22.2)m	One year from initial utilisation date which was 1 August 2013.	EURIBOR plus 1.2% per annum	**€(0.3)m**	€(0.2)m
LSE Reg Holdings Limited	**€0.2m**	nil	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	**nil**	nil
LSE Reg Holdings Limited	**£1.3m**	nil	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	**nil**	nil
London Stock Exchange (C) Limited	**€49.8m**	€13.8m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€0.8m**	€0.3m
London Stock Exchange (C) Limited	**£2.8m**	nil	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	**nil**	nil

During the year the Company charged in respect of employee share schemes £5.0 million (2013: £8.0 million) to London Stock Exchange plc, £0.2 million (2013: nil) to London Stock Exchange Group Holdings Inc, £0.1 million (2013: nil) to London Stock Exchange (OV) Limited, £0.1 million (2013: nil) to UnaVista Limited, £2.7 million (2013: £2.8 million) to London Stock Exchange Group Holdings (Italy) Ltd, £1.0 million (2013: £0.7 million) to Millennium Information £2.0 million (2013: £1.2 million) to FTSE Group and £0.2 million (2013: nil) to LCH.Clearnet Group. The Company received dividends of £118.2 million (2013: €112,4 million) and €60.0 million (2013: €60.0 million) respectively from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

32. Other Statutory Information

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

	2014	2013
	£m	£m
Audit of parent and consolidated financial statements	**0.5**	0.2
Audit of subsidiary companies	**1.1**	1.0
Audit related assurance services	**0.4**	0.4
Other non-audit services:		
– Taxation	**0.6**	0.2
– Corporate finance	**0.2**	0.6
– Other assurance services	**–**	0.1
Total expenses	**2.8**	2.5

Further details of the services provided by PwC are given in the Report of the Audit and Risk Committee on pages 68.

Directors' emoluments comprise the following:

	2014	2013
	£m	£m
Salary and fees	**3.4**	2.6
Performance bonus	**2.7**	2.6
Gains made on share awards	**4.8**	4.9
Benefits	**0.4**	0.3
	11.3	10.4
Contributions to defined contribution schemes	**0.7**	0.3
	12.0	10.7

During the year no Directors (2013: none) had retirement benefits accruing under defined contribution schemes and one Director (2013: one) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 70-97.

Market structures

PROCESS		EXPLANATION	THE GROUP'S INVOLVEMENT
The process of trading			
Electronic trading		Computerised systems for matching buy and sell orders of financial instruments, such as equities, bonds and derivatives.	— Equities – London and Italian trading platforms and Turquoise pan-European & US trading — ETFs, ETCs – London and Italian trading platforms — Bonds – MTS, MOT, ORB and EuroTLX — Derivatives – LSE Derivatives, IDEM, IDEX and AGREX
Post Trade	**Clearing**	After a trade has been matched, usually by a trading system, it is cleared by a Central counterparty (CCP) who stands in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, the CCP owns the defaulter's risk and becomes accountable for its liabilities. During the life of a trade, or that of a portfolio of trades, CCPs process all cash flows and continuously mark the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.	LCH.Clearnet acts as a CCP for LSE equities, derivatives and bonds, Turquoise equities and MTS bonds. LCH.Clearnet also clears commodities and for global OTC derivatives and non-Group venues. It has clearing houses in the UK, France and USA. CC&G acts as a CCP for Italian cash equities, derivatives and fixed income. CC&G also clears OTC trades and non-Group venues.
Post Trade	**Settlement**	Settlement is the process of delivering title to the financial instrument to the buyer against payment to the seller. For equities, this normally takes place three days after the trade. Netted settlement reduces a large number of positions to a single position/payment. Settlement operates both for transactions through a trading system and those completed over the counter (OTC).	Monte Titoli operates the X-TRM and EXPRESS II systems, which cover Italian pre-settlement and settlement, creating netted settlement instructions, making the actual payments and delivering securities.
Post Trade	**Custody**	A custodian or Central Securities Depositary (CSD) undertakes the safekeeping and administration of securities on behalf of issuers and investors.	Monte Titoli provides Italian custody services for financial instruments such as equities and bonds, whether dematerialised or in paper form. De-materialised securities are those that can be held without the need for paper certificates. The Group will launch a new International CSD, based in Luxembourg, in the first half of 2014.

	EXPLANATION	ATTRIBUTES	THE GROUP'S INVOLVEMENT
Trading under MiFID			
Exchange model for trading	— Traded through trading platforms run by an operator of a Regulated Market.	— Regulated — Order driven — Neutral — Transparent — Liquid — Widest stock coverage — Widest client base	— Trading platforms offered by the London Stock Exchange and Borsa Italiana, including securities listed and/or admitted to trading on the Group's primary markets
	— On exchange business done off order book and reported to a Regulated Market.	— Telephone trading	— On exchange trade reporting and publication
MTF	MiFID compliant secondary trading platform providing trading facilities similar to those offered by exchanges/regulated markets.	— Regulated — Order driven — Neutral — Transparent — Can include dark pool trading (see below)	— MTF services provided through Turquoise and Euro MTS
OTC	Over-the-counter/bilateral market conducted through electronic systems or by telephone. Electronically connected market consisting of dealers who are in constant contact, thereby facilitating trading directly between two parties.	— Regulated participants — Large or block trades — Way to trade less liquid stocks	— OTC trade reporting and publication services

What are features of lit and dark order books?

Lit order books display price and size of bids and offers so that orders are visible prior to execution. The benefit is certainty of trade. The challenge i s potential market impact. Dark order books mitigate market impact by allowing orders to reside in an order book where the price and size of an order is not displayed until after the trade. Users of a dark book, therefore, have no certainty – pre-trade – that another order is in the dark book. The benefit, however, is the ability to place orders without revealing one's intention, pre-trade. Furthermore, an investor can peg the non-displayed price of the order in the dark book to follow the mid-point of the bid and offer displayed on the reference lit Exchange. After a trade, the price and size of the completed order is published. This is important as it adds to transparency for all investors, because post trade transparency is pre-trade transparency for the next trade.

Dark pool trading on Turquoise

Turquoise Midpoint Dark is a public order book offered equally to all members. Turquoise Midpoint Dark matches orders pegged to the mid-point of the Primary Best Bid and Offer of the respective Exchange. Size priority in Turquoise Midpoint matching logic is different to traditional time priority of other public orders books and promotes larger sized orders to the front of the queue. Size priority and user-defined Minimum Execution Size (MES) are key features of two distinct functionalities that Turquoise Midpoint Dark offers: Continuous Midpoint Matching, and Turquoise Uncross™ an innovation that provides periodic random uncrossings during the trading day which increases likelihood of matching resting buy and sell orders at a fair mid price. Independent study by Liquid Metrix observed execution quality of Turquoise Uncross best in class among public dark pools by multiple criteria.

Regulatory development – Revised MiFID/MiFIR

Revised MiFID/MiFIR, political agreement having been reached, are now in the rule-making stage with the EU Commission and ESMA. The measures contain a broad range of market structure and conduct of business measures, aimed at extending the scope of MiFID more generally to non-equities, promoting transparency, regulation, efficiency and competitiveness of EU financial markets. Key changes of relevance to the Group include non-discriminatory access to trading venues and CCPs, non-exclusive licensing of benchmark indices, the introduction of SME Growth Markets, the extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives, and increased regulatory requirements for high frequency trading strategies and algorithmic trading. Implementation is expected to take place by end 2016, with full implementation of some aspects thereafter.

Glossary

AGREX
The Group's Italian agricultural commodities derivatives segment of IDEM

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

Borsa Italiana (BIt)
Borsa Italiana S.p.A., the Group's Italian exchange business

CAGR
Compound annual growth rate

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

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

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

Company or LSEG, London Stock Exchange Group
London Stock Exchange Group plc

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

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

Dark Pool
Electronic trading networks developed by regulated venues such as Regulated Markets, MTFs and by OTC broker dealers to enable the matching of orders between buyers and sellers without pre-trade transparency until the trade is complete

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

Derivatives
Tradable financial instruments whose value is determined by the value an underlying instruments; this could be equity, an index, a commodity or any other tradable instrument
Exchange traded derivatives (ETD) are listed derivatives traded on an electronic trading venue such as an exchange and cleared through a clearing house
Over the counter (OTC) derivatives are negotiated privately between two parties and may be cleared through a clearing house

EBITDA
Earnings before interest, tax, depreciation and amortisation

European Market Infrastructure Regulation (EMIR)
European legislation on regulation of clearing of derivatives, and the operation and governance of CCPs and trade repositories

ESOP
Employee Share Option Plan

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

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

ETP
Exchange traded products including ETFs and ETCs

ELITE
A programme in Italy and the UK which is aimed at providing support to fast growing SMEs, allowing them to boost their appeal and visibility to potential investors

EuroTLX
The Group's 70 per cent subsidiary which owns and operates a European MTF for the trading of fixed income securities in retail-size and investment products distributed to retail clients

FCA
Financial Conduct Authority, the current regulator of conduct of providers of financial services in the UK and of UK trading venues such as Recognised Investment Exchanges (RIEs) and MTFs

FTSE Group or FTSE
FTSE International Limited and its subsidiaries, the Group subsidiary that is a leading global provider of index and analytics solutions

FTSE 100 Index
The index developed by FTSE and London Stock Exchange of leading UK quoted companies

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

globeSettle
The Group's International Central Securities Depository in Luxembourg

Group
The Company and its group undertakings

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

High Growth Segment (HGS)
A new segment of the LSE Main Market for the equity shares of UK and European trading businesses that can demonstrate significant growth in revenues and a longer term aspiration to join the Premium segment of the Main Market

International Central Securities Depository (ICSD)
The Group's new Luxembourg based globeSettle entity that will provide a full range of custody and settlement services

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

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

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

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

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

LCH.Clearnet or LCH.Clearnet Group
LCH.Clearnet Group Limited and its subsidiaries, the Group's 57.8 per cent owned global clearing and risk management business

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

MiFID or Markets in Financial Instruments Directive
EU Directive introduced in November 2007 to harmonise cross-border trading of equities, providing greater choice of trading venues. Revised MiFID and MiFIR (a directive and regulation) are now in the rule making stage with the EU Commission and ESMA

Millennium Exchange
MillenniumIT's multi-asset trading platform, deployed for the UK, Italian and Turquoise equities markets

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

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

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

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

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

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

ORB
The Group's UK Order Book for Retail Bonds

OTC
Over-the-counter trades in financial instruments executed outside a Regulated Market or MTF – see also OTC Derivatives

Primary market
The listing of securities for the first time via an IPO or introduction of existing securities

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

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

Repo
Repurchase Agreement – the process of borrowing money by combining the sale and subsequent repurchase of an asset, traded through MTS and cleared through CC&G or LCH.Clearnet

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

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

Secondary market
The public market on which securities once issued are traded

SEDOL
The Group's securities identification service

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

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

SwapClear
LCH.Clearnet's OTC interest rate swap clearing service

TARGET2-Securities (T2S)
Initiative led by the European Central Bank to provide a platform for settlement of bonds and equities traded in the Eurozone, expected to be launched in 2015

Transaction Reporting Service (TRS)
Approved Reporting Mechanism, part of the UnaVista range of services

Turquoise
Turquoise Global Holdings Limited and its subsidiaries, the Group's 51 per cent owned pan-European MTF equity trading subsidiary, a venture between the Group and 12 global investment bank clients

UnaVista
The Group's web-based matching, reconciliation and data integration engine that provides matching of post trade data in a simple, automated process and the Trade Repository approved by ESMA under EMIR

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

Financial calendar

(Provisional)

AGM	16 July 2014
Q1 Interim Management Statement (revenues only)	16 July 2014
Ex-dividend date for final dividend	23 July 2014
Final dividend record date	25 July 2014
Final dividend payment	19 August 2014
Half year end	30 September 2014
Interim Results	November 2014
New Financial year end (9 months)	31 December 2014
Preliminary Results (9 months)	March 2015

Change of financial year

In order to create alignment of the financial years of LSEG plc and LCH.Clearnet Group, a change was made to the Group's accounting reference date, moving from 31 March to 31 December, with effect from 1 April 2014. Dividend payments are expected to be made as follows:

— Final dividend for year ending 31 March 2014 – to be paid August 2014 (as per current timetable)
— Interim dividend for 6 months ending 30 September 2014 – to be paid January 2015 (as per current timetable)
— Final dividend for 9 months ended 31 December 2014 – to be paid May 2015
— Thereafter, interim dividends to be paid in October and final dividends to be paid in May

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

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

The Group's AGM for the year ended 31 March 2014 will be held on 16 July 2014 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ starting at 12:00 noon.

Investor relations

Shareholder services

Equiniti registrars Shareview service

Shareholders who hold London Stock Exchange Group shares in certificated form or within Equiniti Investment Account or ISA can access Shareview. Shareview is a free service provided by our registrars, Equiniti. It may be accessed through the internet at www.shareview.co.uk

By creating a Shareview portfolio, you will gain online access to information about your London Stock Exchange Group shares and other investments including:

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

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

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

Group's share price service

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

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

Substantial Shareholders

As at 14 May 2014, the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with DTR 5 of the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.08%

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

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

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