20 MAY 2004

LONDON STOCK EXCHANGE PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2004

Highlights:

- Turnover up six per cent to £250.4 million
- Operating profit up 17 per cent to £81.6 million
- Operating profit before exceptional items and goodwill amortisation up two per cent to £83.2 million
- Earnings per share up 20 per cent to 21.7 pence
- Adjusted earnings per share up two per cent to 21.3 pence
- Final dividend of 3.4 pence per share bringing the total dividend for the year to 4.8 pence per share, up 12 per cent
- Return of approximately £162 million surplus cash by way of a 55 pence per share special dividend and share consolidation

Commenting on the results, Chris Gibson-Smith, Chairman of the Exchange, said:

“The Exchange has produced satisfactory results against a background of variable market conditions. Turnover increased six per cent and adjusted earnings per share grew two per cent with a proposed 13 per cent increase to the final dividend.

“Strong cash generation, together with the anticipated proceeds from the Tower disposal, results in the Exchange holding significant cash balances. The Board is therefore recommending a special dividend to return surplus cash of approximately £162 million to shareholders whilst maintaining the financial flexibility to continue to pursue opportunities for growth.”

Clara Furse, Chief Executive of the Exchange, said:

“Whilst market conditions in Information Services remained challenging, performance in our Broker Services’ division was good and our Issuer Services business grew in the second half of the year. We also made progress in diversifying and growing our business through the introduction of new services, such as SETSmm and SEDOL Masterfile and the launch of our equity derivatives business EDX London.

“The Exchange is pursuing all opportunities to expand its business by leveraging its flexible trading model, leading technology through its Technology Roadmap programme and strong relationships with a broadening customer base. With our good ongoing cash flow enabling us to continue investment in new initiatives, the Exchange is well positioned for the future.”

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Financial results

Financial performance for the year ended 31 March 2004 has been satisfactory against a backdrop of variable market conditions. Turnover increased six per cent to £250.4 million (2003: £237.3 million), with a nine per cent increase in the second half of the year over the first half. Administrative expenses excluding exceptional items increased eight per cent to £155.5 million (2003: £144.3 million) due to the inclusion of EDX London from 30 June 2003 and relocation to our new headquarters at Paternoster Square.

Operating profit increased 17 per cent to £81.6 million (2003: £70.0 million), last year's profit having been impacted by an exceptional property charge. Operating profit before exceptional items and goodwill amortisation rose two per cent to £83.2 million (2003: £81.7 million). Profit before tax was £89.1 million (2003: £79.5 million).

Earnings per share increased 20 per cent to 21.7 pence per share (2003: 18.1 pence per share). Adjusted earnings per share excluding exceptional items and goodwill amortisation increased two per cent to 21.3 pence per share (2003: 20.9 pence per share).

For the year, operating cash flows before exceptional items were £105.4 million (2003: £74.8 million). At £227.9 million, cash balances at 31 March 2004 were £16.9 million higher than last year (2003: £211.0 million). This increase in cash balances was achieved after capital expenditure of £54.2 million, including significant one-off spend for the fit out of new offices at Paternoster Square.

The number of shares in issue at the year end was 297 million. During the year the Exchange made no purchases of its own shares under the authority obtained at the AGM in July 2003. The Exchange will seek renewal of this authority at the forthcoming Annual General Meeting (AGM) on 14 July 2004.

Issuer Services

Turnover from Issuer Services increased seven per cent to £38.5 million (2003: £36.0 million), contributing 15 per cent of total turnover for the year (2003: 15 per cent). The uplift reflects increases in both admission and annual fee income.

The number of companies on our markets at 31 March 2004 was 2,693 (2003: 2,777), with annual fee income, the revenue the Exchange receives from companies on its markets, accounting for 56 per cent of Issuer Services' turnover (2003: 59 per cent).

Equity new issue activity on the Exchange's markets over the year was mixed, with AIM showing particularly strong growth. In total, new issues rose to 236 (2003: 202) as weak conditions in the first half of the year were offset by a stronger overall performance in the second half, due to high levels of activity in December and March. The growth in new issues was attributable to a 25 per cent increase in AIM new issues to 193 whilst main market activity fell 10 per cent to 43 new issues. The amount of new capital raised on the Exchange's markets during the year rose 17 per cent to a total of £21.0 billion (2003: £17.9 billion). The Exchange performed strongly compared to European competitors, accounting for 85 per cent of the IPOs in Western Europe (2003: 69 per cent).

AIM, our international market for smaller, growing companies, enjoyed a successful year. At 31 March 2004, 792 companies were traded on AIM, an increase of 12 per cent (2003: 705). During the year the fast track route to AIM was introduced, which allows companies from designated markets to take advantage of a streamlined admission process. Eight companies, from countries including Canada, Australia and Germany have used this service since launch in May 2003.

Broker Services

Broker Services' turnover increased eight per cent to £94.1 million (2003: £87.3 million), generating 38 per cent of total turnover (2003: 37 per cent). This good performance is mainly attributable to the continued growth in the number of bargains transacted on SETS, our electronic order book, which accounted for approximately 64 per cent of Broker Services' revenue for the year (2003: 55 per cent).

For the year ended 31 March 2004, the total number of equity bargains increased nine per cent to 59.3 million (2003: 54.3 million), a daily average of 234,000 (2003: 215,000). During the same period, the number of SETS bargains grew 26 per cent to a total of 34.7 million (2003: 27.5 million), representing a daily average of 137,000 bargains (2003: 109,000). The daily average number of UK off book bargains rose 12 per cent to 57,000 (2003: 51,000).

Partly offsetting the benefit of increased numbers of SETS bargains were i) a continued decline in the average value of a SETS bargain, down 12 per cent to £22,000 (2003: £25,000) and ii) a 27 per cent reduction in the number of international bargains reported to the Exchange, to 40,000 per day (2003: 55,000).

During the year, two new initiatives were launched:

- Iceberg Orders – introduced in September, this service enables large orders to be put through SETS in a more efficient manner, maintaining time priority and reducing market impact; and

- SETSmm – introduced in November, this is a new order book for trading mid-cap securities. This extension to SETS is a hybrid market supported by continuous liquidity provision from market makers. An extra 221 securities are now capable of being traded electronically, resulting in an increase of over 30 per cent in the value of shares traded and a reduction in spreads of nearly 40 per cent. In the last quarter of the year, volumes on SETSmm averaged 11,000 bargains per day.

In January, the Exchange announced the introduction of progressive discounts for member firms with SETS trading volumes above certain monthly levels. This new discount scheme, effective from 1 April 2004, follows close consultation with customers and is aimed at incentivising greater SETS trading volumes.

During the year we also announced EUROSETS, the trading service for liquid Dutch securities, due for launch on 24 May 2004. This service offers the efficiency and reliability of the UK SETS platform and has been set up to use the existing post trade clearing and settlement infrastructure for the Dutch market. Development of network connections and IT requirements is complete and we are encouraged by the level of interest expressed by customers in this market.

Information Services

Information Services' turnover fell one per cent to £101.0 million (2003: £102.2 million), accounting for 40 per cent of total turnover (2003: 43 per cent).

The decline in revenue mainly reflects the continued fall in terminals receiving real-time Exchange data, particularly the reduction in higher-yield professional users. At 31 March 2004, there were 90,000 terminals taking Exchange data (2003: 94,000), of which approximately 80,000 terminals (2003: 88,000) were attributable to professional users. This area of the Exchange's business is "late cycle" compared to some of our other activities which are quicker to benefit from recovery in equity markets.

Proquote, the Exchange's low cost financial markets software and real-time price data company made good progress. The number of installed Proquote screens at year end exceeded 1,800, almost doubling that at acquisition in February 2003 and achieved against a backdrop of falling overall terminal demand. The product offering has been enhanced over the year, with expanded news and data services and improved functionality.

RNS performed well in its second year of commercial operations, contributing £7.2 million to turnover (2003: £6.8 million). With over 90 companies in the FTSE 100 using RNS to release regulatory announcements, RNS remains the market leader in the UK regulatory news distribution market.

FTSE, the joint venture indices business, increased turnover by 17 per cent to £13.3 million (2003: £11.4 million). This growth reflects continued strong demand for existing indices and associated market data and the launch of new indices.

SEDOL Masterfile, the extension to the Exchange's previous securities identifier, was launched in March 2004. This service aims to reduce the cost of failed cross-border trades arising from incorrect instrument identification. Market response has been positive, with reference data user groups recognising SEDOL Masterfile as meeting all criteria for global securities identification. Nearly 800 contracts have been signed for use of this new service.

The Corporate Data Warehouse, the first phase of the Exchange's Technology Roadmap – a programme to fundamentally update its technology systems and operations – was completed in May 2003. The remaining phases, including a new information system for distribution of real time trading data and the enhancement of the Sequence trading platform, are due to be completed by December 2006. The Technology Roadmap will provide a flexible and scalable platform that will increase current capacity, enable new products to be developed more cost effectively and reduce overall profit and loss technology costs by a target of 20 per cent in financial year 2007/08. It will be implemented without major disruption for customers.

Derivatives Services

Derivatives Services, our new business division, contributed £6.1 million to turnover, representing three per cent of total revenue.

The principal part of this division is EDX London, our 76 per cent owned equity derivatives business, which commenced trading on 30 June 2003. For the first nine months of operation, turnover was £5.9 million, with operating costs of £7.1 million including spend on the development of new over the counter (OTC) services. Migration of the central counterparty to LCH.Clearnet was successfully carried out in February, and in March the preparations for a clearing service for vanilla OTC equity derivatives were completed, with further services to follow. Overall, the business has made good progress, with 13.7 million contracts traded.

Trading in the Covered Warrants market has grown over the year following improving underlying market conditions and growing investor awareness.

Tower Disposal

In April 2004, the Exchange announced that it had reached agreement to dispose of the Tower site for total consideration of £67.0 million. Payment will comprise an initial instalment of £33.8 million payable on completion, expected in July 2004, and a deferred payment of £33.2 million on 31 December 2005. The relocation to new Headquarters at Paternoster Square is on schedule to be completed in June 2004 and 32,000 square feet of around 80,000 square feet of surplus space in the new offices is now contracted or under offer to sub-tenants.

Final dividend

The Directors propose a final dividend of 3.4 pence per share to those shareholders on the register on 23 July 2004, for payment on 16 August 2004. Combined with the interim dividend of 1.4 pence per share paid in January 2004, this takes the total dividend for the year to 4.8 pence per share (2003: 4.3 pence per share), an increase of 12 per cent. Going forward, the Board remains committed to a progressive dividend policy.

Special dividend and share consolidation

Continuing strong cashflows and the anticipated receipt of proceeds from the disposal of the Tower results in the Exchange holding significant cash balances. Accordingly, the Board believes that it is appropriate to return surplus cash of approximately £162 million to shareholders. The Board remains committed to maintaining the Exchange's financial flexibility to pursue opportunities for further growth.

The Board proposes to carry out the return by way of a special dividend of 55 pence per share, payable to shareholders on the register on 23 July 2004, for payment on 16 August 2004. The return will be accompanied by a consolidation of the current shares in issue on the basis of six new shares for every seven existing shares. The special dividend and share consolidation is conditional on shareholder approval at the AGM on 14 July 2004.

Current trading and prospects

Trading conditions in the first few weeks of the new financial year reflect the trends seen at the end of last year. Notably:

- AIM new issue activity remains strong and the level of main market new issues remains broadly in-line with the preceding month, although it may be too soon to determine a strong trend. Additionally, Issuer Services' revenue will be impacted by lower tariffs, effective from 1 April 2004;

- trading volumes on SETS have remained strong, though slightly down on levels seen in Q4; and

- the rate of decline of professional terminals continues to show signs of slowing.

Investment in new initiatives will continue during the year. The Board remains confident that these developments will position the Exchange well for the future.

Further information

The Exchange will host a presentation of its Preliminary Results for members of the press today at 09.30am at 10 Paternoster Square, London EC4M 7LS. For further information, please call the Exchange's Press Office at 020 7797 1222.

The Exchange will also host a presentation of its Preliminary Results for analysts and institutional shareholders today at 11.00am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast which can be viewed at www.londonstockexchange-ir.com. For further information, please call the Exchange's Investor Relations department at 020 7797 3322.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

		Notes	Existing operations 2004 £m	Acquisition 2004 £m	Total 2004 £m	2003 £m
Continuing operations						
Turnover						
Group and share of joint venture			244.5	5.9	**250.4**	237.3
Less: share of joint venture's turnover			(13.3)	-	**(13.3)**	(11.4)
Net turnover		1	231.2	5.9	**237.1**	225.9
Administrative expenses	- Operating costs		(148.4)	(7.1)	**(155.5)**	(144.3)
	- Exceptional items	2	-	-	**-**	(11.6)
			(148.4)	(7.1)	**(155.5)**	(155.9)
Operating profit	- Before exceptional items and goodwill amortisation		83.8	(0.6)	**83.2**	81.7
	- Before exceptional items		82.8	(1.2)	**81.6**	81.6
	- After exceptional items and goodwill amortisation		82.8	(1.2)	**81.6**	70.0
Share of operating profit of joint venture and income from other fixed asset investments					**1.4**	1.1
Net interest receivable		3			**6.1**	8.4
Profit on ordinary activities before taxation					**89.1**	79.5
Taxation on profit on ordinary activities		4			**(25.7)**	(26.8)
Profit on ordinary activities after taxation					**63.4**	52.7
Minority interests					**0.3**	-
Profit for the financial year					**63.7**	52.7
Dividends					**(14.1)**	(12.5)
Retained profit for the financial year					**49.6**	40.2
Earnings per share		5			**21.7p**	18.1p
Diluted earnings per share		5			**21.5p**	17.9p
Adjusted earnings per share		5			**21.3p**	20.9p
Dividend per share					**4.8p**	4.3p

There were no other recognised gains and losses during the two years ended 31 March 2004.

BALANCE SHEET
31 March 2004

	Notes	Group 2004 £m	Group 2003 £m
Fixed assets			
Intangible assets - goodwill	6	**24.3**	14.1
Tangible assets		**168.3**	126.3
		192.6	140.4
Investments			
Investments in joint venture:			
Share of gross assets		**10.5**	9.9
Share of gross liabilities		**(9.0)**	(8.4)
		1.5	1.5
Other investments		**6.8**	10.1
		8.3	11.6
		200.9	152.0
Current assets			
Debtors		**61.1**	64.3
Investments - term deposits		**223.0**	207.0
Cash at bank		**4.9**	4.0
		289.0	275.3
Creditors - amounts falling due within one year		**78.9**	64.0
Net current assets		**210.1**	211.3
Total assets less current liabilities		**411.0**	363.3
Creditors – amounts falling due after more than one year		**0.5**	-
Provisions for liabilities and charges	7	**38.4**	41.6
Net assets		**372.1**	321.7
Capital and reserves			
Called up share capital		**14.9**	14.9
Reserves			
Revaluation reserve		**42.1**	44.0
Profit and loss account		**314.1**	262.6
Equity shareholders' funds		**371.1**	321.5
Equity minority interest		**1.0**	0.2
Total shareholders' funds		**372.1**	321.7

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2004

	Notes	**2004** **£m**	2003 £m
Net cash inflow from continuing operations:			
- Ongoing operating activities	9(i)	**105.4**	74.8
- Exceptional items	9(i)	**-**	10.4
Net cash inflow from operating activities		**105.4**	85.2
Dividends from joint venture		**0.7**	1.2
Returns on investments and servicing of finance			
Interest received		**7.3**	9.5
Dividends received		**0.1**	-
Net cash inflow from returns on investments and servicing of finance		**7.4**	9.5
Taxation			
Corporation tax paid		**(22.2)**	(25.2)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		**(54.2)**	(28.1)
Receipts from sale of fixed asset investments		**2.2**	0.7
Net cash outflow from capital expenditure and financial investments		**(52.0)**	(27.4)
Acquisitions			
Acquisition of subsidiary undertaking		**(15.5)**	(11.8)
Net cash acquired with subsidiary undertaking		**-**	0.5
Net cash outflow for acquisition		**(15.5)**	(11.3)
Dividends paid		**(12.9)**	(11.1)
Net cash inflow before use of liquid resources and financing		**10.9**	20.9
Management of liquid resources			
Increase in term deposits		**(16.0)**	(21.0)
Financing			
Issue of ordinary share capital to minority interest		**1.1**	0.2
Loans received from minority shareholder			
due within one year		**2.9**	-
due after one year		**0.5**	-
Issue of loan notes		**1.5**	-
Increase in cash in the year		**0.9**	0.1

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover

	2004	2003
	£m	£m
Continuing operations		
Issuer Services	**38.5**	36.0
Broker Services	**94.1**	87.3
Information Services	**101.0**	102.2
Derivatives Services	**6.1**	-
Other income	**10.7**	11.8
Gross turnover	**250.4**	237.3
Less: share of joint venture's turnover	**(13.3)**	(11.4)
Net turnover	**237.1**	225.9

Principal operations of the Group are in the United Kingdom.

2. Exceptional items

	2004	2003
	£m	£m
VAT repayment	**-**	10.4
Provision in respect of leasehold properties	**-**	(22.0)
	-	(11.6)
Taxation effect	**-**	3.5

The VAT repayment represents a recovery of VAT paid between 1990 and 2001. Following successful negotiation with Customs and Excise, a retrospective change in the method for calculating VAT recoverable on expenditure was agreed, resulting in this repayment.

The increase in provision for leasehold properties was in respect of space to be sublet in new headquarters at Paternoster Square.

NOTES TO THE FINANCIAL STATEMENTS

3. Net interest receivable

	2004	2003
	£m	£m
Interest receivable		
Bank deposit and other interest	**8.0**	9.3
Interest payable		
Interest on discounted provision for leasehold properties (see note 7)	**(1.7)**	(0.9)
Interest payable on other loans	**(0.2)**	-
Total	**(1.9)**	(0.9)
Net interest receivable	**6.1**	8.4

4. Taxation

	2004	2003
	£m	£m
Current tax:		
Corporation tax for the year at 30% (2003: 30%)	**25.7**	23.9
Adjustments in respect of previous years	**(3.6)**	-
Joint venture	**0.4**	0.4
	22.5	24.3
Deferred taxation	**3.2**	2.5
Taxation charge	**25.7**	26.8

The adjustments for previous years' corporation tax are mainly in respect of assessments now agreed with the Inland Revenue, including £2.7m for the allowance of expenditure reported as exceptional items in prior years (see note 5).

NOTES TO THE FINANCIAL STATEMENTS

4. Taxation (continued)

Factors affecting the current tax charge for the year

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2003: 30%). The variations are explained below:

	2004	2003
	£m	£m
Profit on ordinary activities before tax	**89.1**	79.5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**26.7**	23.9
Expenses disallowed for the purpose of tax provision (primarily professional fees and depreciation on expenditure not subject to capital allowances)	**2.8**	3.0
Accounting deduction less than taxation allowance - timing differences	**(3.4)**	(2.6)
Adjustments to tax charge in respect of previous periods	**(3.6)**	-
Corporation tax charge	**22.5**	24.3

Factors that may affect future tax charges

The disposal of properties at their revalued amount would not give rise to a tax liability.

5. Earnings per share

Earnings per share is presented on three bases: earnings per share; diluted earnings per share; and adjusted earnings per share. Earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted earnings per share excludes exceptional items and amortisation of goodwill to enable comparison of the underlying earnings of the business with prior periods.

	2004	2003
Earnings per share	**21.7p**	18.1p
Diluted earnings per share	**21.5p**	17.9p
Adjusted earnings per share	**21.3p**	20.9p

	£m	£m
Profit for the financial year	**63.7**	52.7
Adjustments:		
Exceptional items	**-**	11.6
Amortisation of goodwill	**1.6**	0.1
Tax effect of exceptional items and amortisation of goodwill	**(2.9)**	(3.5)
Minority interest of exceptional items, goodwill and taxation	**(0.1)**	-
Adjusted profit for the financial year	**62.3**	60.9

5. Earnings per share (continued)	2004	2003
Weighted average number of shares - million	**293.0**	291.9
Effect of dilutive share options and awards - million	**2.7**	3.0
Diluted weighted average number of shares - million	**295.7**	294.9

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 293.0 million (2003: 291.9 million).

The tax effect of exceptional items and amortisation of goodwill for 2004 includes an exceptional tax credit of £2.7m in respect of previous years (see note 4).

6. Intangible assets	Group Goodwill £m
Cost:	
1 April 2003	14.2
Additions during the year (see note 11)	13.9
Reduction due to revised estimate of consideration payable (see note 7)	(2.1)
31 March 2004	**26.0**
Amortisation:	
1 April 2003	0.1
Charge for the year	1.6
31 March 2004	**1.7**
Net book values:	
31 March 2004	**24.3**
1 April 2003	14.1

Goodwill arising on the acquisition of subsidiaries is being amortised on a straight line basis over 15 years from date of acquisition.

7. Provisions for liabilities and charges

	Property £m	Deferred consideration £m	Total £m
1 April 2003	38.0	3.6	41.6
Utilised during the year	(1.3)	-	(1.3)
Interest on discounted provision	1.7	-	1.7
Deferred consideration reduced	-	(2.1)	(2.1)
Consideration met by issue of loan notes	-	(1.5)	(1.5)
31 March 2004	**38.4**	**-**	**38.4**

Property
The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between 10 and 24 years to expiry.

Deferred consideration
Deferred consideration relates to amounts payable for the acquisition of Proquote Ltd and the equity derivatives business of OM London Exchange. The amounts payable to former shareholders of Proquote Ltd are contingent upon Proquote Ltd achieving certain revenue targets. Following the issue of £1.5m of loan notes during the year, no further consideration is estimated to be payable, although it could be up to a maximum of £9.5m, payable by May 2005.

For the acquisition of the equity derivatives business, no further consideration is estimated to be payable, although it could be up to a maximum of £11.2m, payable by March 2006 (see note 11).

8. Reconciliation of movements in shareholders' funds

	2004 £m	2003 £m
Profit for the financial year	**63.7**	52.7
Dividends	**(14.1)**	(12.5)
Net addition to shareholders' funds	**49.6**	40.2
Opening equity shareholders' funds	**321.5**	281.3
Closing equity shareholders' funds	**371.1**	321.5

NOTES TO THE FINANCIAL STATEMENTS

9. Notes to the consolidated cash flow statement

	2004	2003
	£m	£m
i) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**81.6**	70.0
Depreciation of tangible assets	**21.9**	19.0
Amortisation of goodwill	**1.6**	0.1
Decrease/(increase) in debtors	**0.7**	(19.2)
Increase/(decrease) in creditors	**0.4**	(1.6)
Increase in property provision	**-**	22.0
Provisions utilised during the year	**(1.3)**	(5.9)
Amortisation of own shares	**0.5**	0.8
Net cash inflow from operating activities	**105.4**	85.2
Comprising:		
Ongoing operating activities	**105.4**	74.8
Exceptional items (see note 2)	**-**	10.4
Net cash inflow	**105.4**	85.2

	At 1 April 2003 £m	**Cash flows £m**	**At 31 March 2004 £m**
ii) Analysis of changes in net funds			
Cash in hand and at bank	4.0	0.9	**4.9**
Debt due within one year	-	(4.4)	**(4.4)**
Debt due after more than one year	-	(0.5)	**(0.5)**
Current asset investments	207.0	16.0	**223.0**
Total net funds	211.0	12.0	**223.0**

10. Pension costs

The Company operates one pension plan which includes separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Company and the funds are managed by Schroder Investment Management Limited and Legal & General Investment Management Limited respectively.

In addition to the normal contributions to the defined benefit scheme, the Company made additional contributions of £3.2m (2003: £15.0m) during the year. These additional contributions are treated as a pre-payment in the accounts and are charged to the profit and loss account over the expected remaining service lives of scheme members.

The Company continues to account for pension costs in accordance with SSAP 24 - Accounting for Pension Costs. The following information is provided under the disclosure requirements of FRS 17 - Retirement Benefits. The Accounting Standards Board has deferred the full adoption of FRS 17 until implementation of International Accounting Standards in 2005.

The fair value of the assets and net position in the defined benefit scheme, with the assumed expected rates of return at 31 March 2004 and 2003 are as follows:

	31 March 2004 £m	**Long term expected rate of return**	31 March 2003 £m	Long term expected rate of return
Equities	**47.1**	8.20%	35.9	8.00%
Bonds	**130.7**	4.86%	123.1	4.82%
Total market value of assets	**177.8**		159.0	
Present value of liabilities	**196.0**		187.0	
Deficit in the plan	**(18.2)**		(28.0)	
Related deferred tax asset	**5.5**		8.4	
Net pension liability	**(12.7)**		(19.6)	

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 March 2004 would have been reduced by £22.8m (2003: £29.6m) being the deficit of the pension scheme based on assumptions at that date of £12.7m (2003: £19.6m) plus the prepaid pension contribution of £14.4m (2003: £14.3m) and related deferred tax adjustment of £4.3m (2003: £4.3m).

The plan's assets are invested approximately 26 per cent in equities and 74 per cent in bonds at 31 March 2004 and the trustees of the plan intend to move gradually to 100 per cent investment in bonds over the longer term.

Under SSAP 24, the charge to the profit and loss relating to the defined benefit scheme was £4.4m (2003: £0.8m). Under FRS17, the profit and loss charge comprising service and finance costs would be £2.9m (2003: £2.9m).

NOTES TO THE FINANCIAL STATEMENTS

11. Acquisition

EDX London Ltd
On 30 June 2003, following approval as a Recognised Investment Exchange by the Financial Services Authority, EDX London Ltd, a 76% subsidiary of the Company, acquired the Scandinavian equity derivative business of OM London Exchange. The initial consideration was £12.8m with an additional payment of up to £11.2m payable dependent on the business achieving certain revenue targets by 31 December 2005. The book value of the assets acquired and cost of acquisition are set out below; no fair value adjustments were required.

	Fair value at acquisition £m
Fixed assets acquired	**0.1**
Purchase consideration	
Cash	**12.8**
Costs of acquisition	**1.2**
Total	**14.0**
Goodwill arising	**13.9**

Net assets of EDX London Ltd at 31 March 2004 amounted to £4.3m.

12. Post balance sheet event

On 2 April 2004, the Company announced that Hammerson plc had agreed to acquire the Stock Exchange Tower site for total consideration of £67 million. The expected profit is a minimum of £5 million and completion is expected in July 2004.

13. Abridged accounts

These abridged accounts do not constitute, but have been extracted from, the Company's statutory financial statements. The statutory financial statements, which include an unqualified audit report, will be delivered to the Registrar of Companies in due course.