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ANNUAL REPORT 2010

**GETTING IN SHAPE,
LEVERAGING OUR ASSETS,
DEVELOPING THE OPPORTUNITIES**



London
Stock Exchange Group

Board of Directors

Corporate governance at a glance

Combined Code

London Stock Exchange Group is committed to high standards of corporate governance and business integrity in all its activities. The Company has complied with all provisions of the Combined Code throughout the year ended 31 March 2010.

Board structure

The Board comprises:

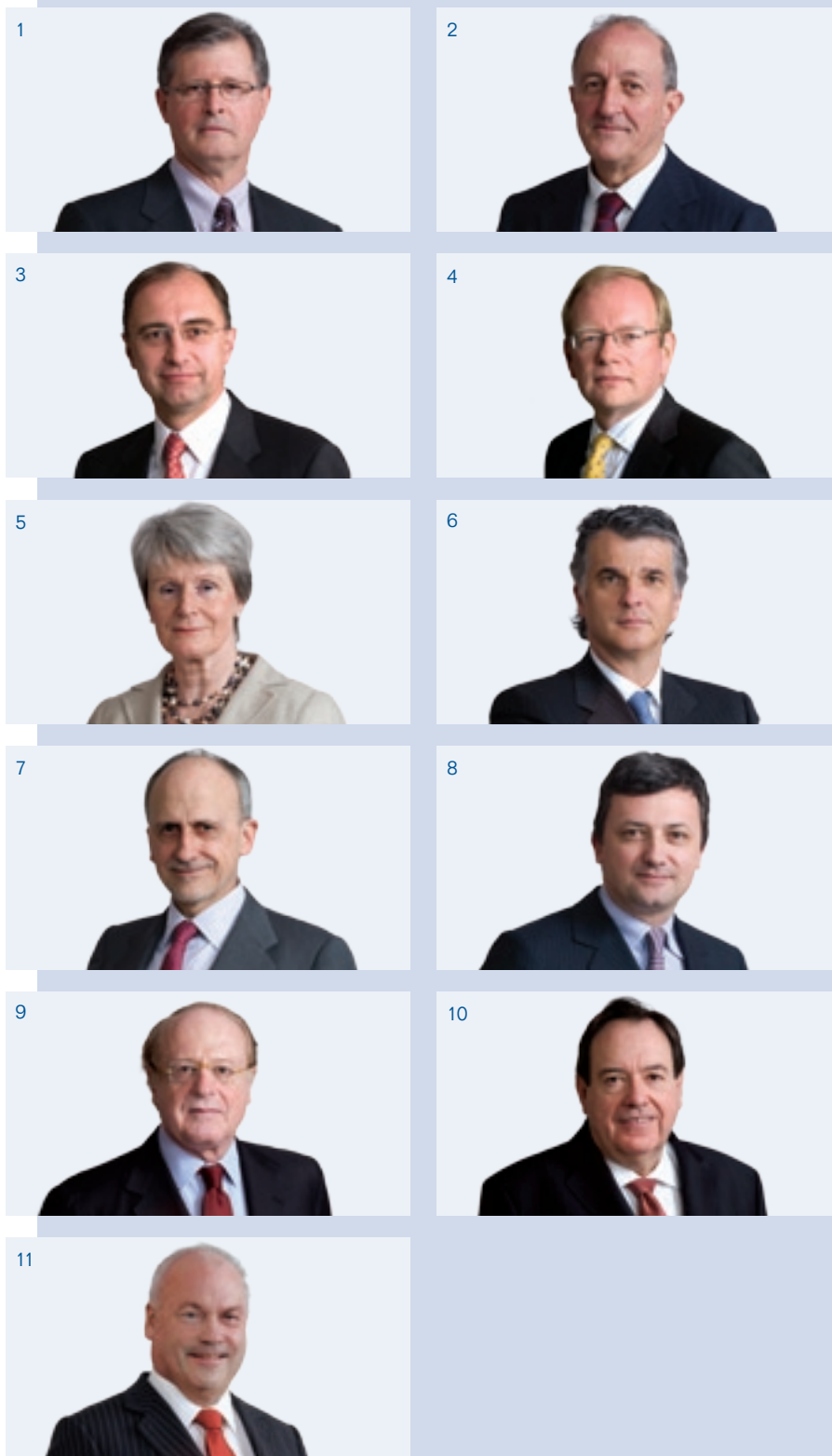
- Non-Executive Chairman (who was independent on appointment)
- Non-Executive Deputy Chairman and Senior Independent Director
- Seven other independent Non-Executive Directors
- Two Executive Directors

Board and Committee

Meetings in	2010	2009
Board	8	10
Supporting committees		
– Audit	4	4
– Remuneration	6	5
– Nomination	0	3

Changes

Board member changes are set out on page 38.



1. CHRIS GIBSON-SMITH (64)^{2,3}
CHAIRMAN

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

2. ANGELO TANTAZZI (70)^{1,3}
**DEPUTY CHAIRMAN AND
 SENIOR INDEPENDENT DIRECTOR**

Appointed to the Board in October 2007. Since July 2000 has held the position of Chairman and a Non-Executive Director of Borsa Italiana S.p.A., Monte Titoli S.p.A., CC&G S.p.A. and Prometeia S.p.A.. He is also Vice-Chairman of the publishing house Il Mulino and a Non-Executive Director of Banca Popolare dell'Emilia Romagna, Coesia S.p.A..

3. XAVIER ROLET (50)
CHIEF EXECUTIVE

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

4. DOUG WEBB (49)
CHIEF FINANCIAL OFFICER

Appointed to the Board in June 2008. At QinetiQ Group plc from 2003 to 2008, became its Chief Financial Officer in 2005. Previously Chief Financial Officer and Chief Operating Officer, North America and then Finance Director, Continental Europe at Logica plc from 1994 to 2003 and at Price Waterhouse from 1982 to 1994. He was appointed as a Non-Executive Director of SEGRO plc from May 2010.

5. BARONESS (JANET) COHEN (69)^{1,3}
NON-EXECUTIVE DIRECTOR

Appointed to the Board in February 2001. A Life Peer. Vice Chairman of Borsa Italiana S.p.A.. Non-Executive Director of Management Consulting Group plc and Proudfoot Trustees Limited. Previously Non-Executive Director of BPP Holdings plc from 1994-2002 and Chairman from 2002-2006, Freshwater UK plc from 2007 to February 2009 and Trillium Partners Ltd from September 2009 to April 2010. Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993. Governor of the BBC from 1994 to 1999.

6. SERGIO ERMOTTI (50)²
NON-EXECUTIVE DIRECTOR

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

7. OSCAR FANJUL (61)^{1,2}
NON-EXECUTIVE DIRECTOR

Appointed to the Board in February 2001. Vice-Chairman of Omega Capital. Non-Executive Director of Acerinox, Marsh & McLennan Companies, Lafarge (Deputy Chairman) and Areva (Conseil de Surveillance). He is also a Trustee of the International Accounting Standards Committee (IASC) Foundation. Formerly Chairman and CEO of Repsol.

8. ANDREA MUNARI (47)¹
NON-EXECUTIVE DIRECTOR

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

9. PAOLO SCARONI (63)^{2,3}
NON-EXECUTIVE DIRECTOR

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

10. NIGEL STAPLETON (63)¹
NON-EXECUTIVE DIRECTOR

Appointed to the Board in February 2001. Chairman Postal Services Commission. Non-Executive Director of Reliance Security and KazPost JSC, Chairman of the Mineworker's Pension Scheme. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996 and Chairman of Uniq plc from 2001 to 2006.

11. ROBERT WEBB QC (61)^{2,3}
NON-EXECUTIVE DIRECTOR

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

¹ Member of the Audit Committee

² Member of the Remuneration Committee

³ Member of the Nomination Committee

Corporate Governance

London Stock Exchange Group plc and its subsidiaries are committed to high standards of corporate governance and business integrity in all their activities. Throughout the year ended 31 March 2010 the Company has complied with all provisions of the Combined Code.

The Combined Code on Corporate Governance sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Services Authority requires companies listed in the UK to disclose, in relation to Section 1 of the Combined Code, how they have applied its main principles and whether they have complied with its provisions throughout the year. Where the provisions have not been complied with companies must provide an explanation for this. Further information on the Combined Code can be found on the Financial Reporting Council's website, at www.frc.org.uk. This Corporate Governance Report forms part of the Corporate Governance Statement on pages 55 to 56 of the Directors' Report.

Board of Directors

Changes to the Board

Dame Clara Furse stepped down as CEO in May 2009 and from the Board on 15 July 2009. Massimo Capuano stepped down from the Board of the Company with effect from 31 March 2010. He remains a director of Borsa Italiana until 31 July 2010.

The Directors recognise that the Board includes a number of long serving Directors who have now served more than nine years. Whilst the Board values their experience, the Board is also mindful of the need to periodically refresh its membership. By way of background, the Company faced a succession of takeover offers between 2004 – 2007 which meant it was not appropriate to change the Board composition. This was followed by significant changes to the Board in 2007 when a number of Directors left and five new Directors joined following the merger with Borsa Italiana. The Company also appointed a new CEO in 2009. The Board considered that a period of stability and continuity of Board membership was required. It did not therefore make further Non-Executive Director changes between 2008 – 2010.

As part of the 2010 Review of its Effectiveness, the Board reviewed its composition. It engaged an independent external consultant, MWM, to review existing competencies and identify additional skills, knowledge and experience needed at Board level to take the business to its next stage of development. Following interviews with each Board Director, the Board agreed a set of criteria to assist the Board in recruiting new Non-Executive Directors with the assistance of the external consultant. The Company will therefore shortly be announcing the appointment of new Non-Executive Directors, with some long serving Non-Executive Directors also stepping down over the course of the next 12 months.

Role of the Board

The Board is the principal decision-making forum for the Group and is responsible to shareholders for achieving the Group's strategic objectives and for delivering sustainable shareholder value. The Board has adopted a formal schedule of matters specifically reserved to it including:

- Establishing, reviewing and maintaining the Corporate strategy;
- The annual budget;
- Increases or significant variations in the terms of borrowing facilities;
- Committing to major capital expenditure or acquisitions; and
- Dividend policy.

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

Activities in 2010

Matters considered by the Group Board during the year included:

- Reports at each meeting from the Chief Executive on performance in each of the business areas, regulatory strategy, public affairs and Italian regulatory matters;
- Reports at each meeting from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury, UK Regulatory and HR matters;
- Updates from the Board Committees;
- Full and half year results and dividends;
- The results of the Board Effectiveness Review;
- Acquisitions of MillenniumIT, including the associated decisions regarding replacement of our trading systems, and Turquoise;
- Whether to establish a separate Risk Committee, where the Board agreed that risk could continue to be dealt with by the Audit Committee which, going forward, would hold at least two meetings a year focused on risk;
- Approval of the risk appetite for the Group and review of the Group Risk Register;
- Approval of Group Health and Safety policy;
- Papers relating to development of various elements of the Group strategy;
- Group response to various regulatory consultations;
- Approval of CSR strategy and Business Principles; and
- Board succession planning.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Chairman's other current significant commitments are set out in his biography on page 37. The Group Chief Executive has delegated authority from, and is responsible to, the Board for managing the business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

Board and Committee Meetings 2010

The Board held six scheduled meetings, two ad hoc meetings and three strategy days. The Chairman meets Non-Executive Directors without the presence of Executive Directors on a number of occasions throughout the year. As a result of feedback in the Board Effectiveness Review, the Board has also agreed that ahead of each scheduled Board meeting, the Chairman and Non-Executive Directors will meet without the Executive Directors at the start of each meeting to discuss the business of that meeting.

	Board and Strategy meetings	Audit	Remuneration	Nomination ¹
Total number of Meetings in the year ended 31 March 2010	11	4	6	0
Dr Chris Gibson-Smith	11			5
Professor Angelo Tantazzi	11	4		
Mr Xavier Rolet	11			
Mr Doug Webb	11			
Baroness Janet Cohen	10	4		
Mr Sergio Ermotti	9			5
Mr Oscar Fanjul	10	4		6
Mr Andrea Munari	10	4		
Mr Paolo Scaroni	7			5
Mr Nigel Stapleton	7	3		
Mr Robert Webb	10			6

Directors who left the Board during the year

Dame Clara Furse ²	1
Mr Massimo Capuano ³	9

¹ The Board considered that Board succession planning should be discussed by the Board as a whole (see description under changes to the Board). Additionally, members of the Nominations Committee have participated in interviews with Non-Executive Director candidates.

² Dame Clara Furse left the Board on 15 July 2009.

³ Massimo Capuano left the Board on 31 March 2010.

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

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. The Company purchased and maintained a directors' and officers' liability insurance policy throughout 2010. This policy covers the

Directors for any such liabilities in respect of which they are not indemnified by the Company, and the Company, to the extent to which it has indemnified the Directors. This insurance cover will be renewed on 1 June 2010. Neither the Company's indemnity nor insurance provides cover in the event that the Director is proved to have acted fraudulently or dishonestly.

Board Balance and Independence

There is a strong non-executive element on the Board and Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Group and its strategy. Following Massimo Capuano's departure from the Board on 31 March 2010, the Board comprises 11 Directors: the Chairman (who was independent on appointment), two Executive Directors and eight independent Non-Executive Directors.

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

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

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

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

Board Training

On joining the Board, Directors are offered a tailored induction programme covering the business of the Group, and they receive briefings and presentations from relevant executives. Periodically the Board meets at the Group's Milan office and briefings are also given at Board meetings on particular parts of the business.

Performance Evaluation

The annual performance evaluation of the Board, its Committees and Directors was undertaken in 2010 and was conducted by the Group Company Secretary using a detailed questionnaire. In addition, as highlighted above, the Board carried out a review of its composition using the services of an external provider. The results of the review were used to highlight areas of strength and weakness, assist in consideration of the future development of the Board and its Committees and further improve their performance. The review also included a separate assessment of the Chairman's performance with feedback provided to the Chairman on an individual basis.

The results were discussed by the Board and actions agreed where appropriate. The evaluation concluded that the Board and its Committees were working effectively. One of the key matters considered by the Board was a review of its future composition. The Board agreed that it should recruit new Non-Executive Directors to refresh the composition of the Board and agreed the criteria and process for doing this. The Board also agreed that: there should be further contact between Non-Executive Directors and all levels of management; there should be additional meetings between the Chairman and Non-Executive Directors; and talent management and succession planning should be considered more frequently.

Conflicts of Interest

The Articles of Association allow the Board to authorise conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The Company has established a procedure whereby actual and potential conflicts of interest are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new Director or if a new conflict arises. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and in making such decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board believes that during 2010 this procedure operated effectively.

Board Committees

Remuneration Committee

The Committee members as at 31 March 2010 were: Robert Webb (Chairman), Chris Gibson-Smith (who was independent on appointment), Oscar Fanjul, Paolo Scaroni and Sergio Ermotti. All members of the Committee are considered to be independent. Details of the Committee's remit and activities are set out in a separate Remuneration Report on pages 44 to 53. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website at www.londonstockexchange.com

Audit Committee

The Audit Committee is chaired by Oscar Fanjul and comprises four other independent Non-Executive Directors – Janet Cohen, Nigel Stapleton, Angelo Tantazzi and Andrea Munari. The Committee met four times during the year and maintains a formal agenda which ensures that all matters for which the Committee is responsible are addressed at the appropriate time. Recent and relevant financial experience is provided by the Chairman of the Committee. In addition the Board considers that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively.

The Committee normally invites the Chairman of the Board, Chief Financial Officer, Group Financial Controller, Head of Group Internal Audit and the Group's external auditor, PricewaterhouseCoopers LLP, to attend its meetings. As a matter of best practice the Committee meets privately after each committee meeting with each of the external auditor and the Head of Group Internal Audit, both of whom have direct access to the Chairman of the Audit Committee. The Chairman reports to the subsequent meeting of the Board on the Committee's work.

Activities of the Audit Committee

The Committee's main responsibilities include:

- Reviewing the Group's accounting and financial reporting process and integrity of the financial statements;
- Reviewing the effectiveness of the Group's internal controls and risk management systems;
- Monitoring and reviewing the effectiveness of the Group's internal audit function; and
- Overseeing the relationship with the Group's external auditor.

The full remit of the Committee is set out in its terms of reference, which are approved by the Board, reviewed on an ongoing basis and are available on the Company's website at www.londonstockexchange.com or on request from the Group Company Secretary.

During the year the Committee discharged its responsibilities as set out in its terms of reference by reviewing the following:

- The Group's annual and half yearly reporting including significant financial reporting judgements made by management. Particular focus has been placed during the year under review on revenue recognition for software projects following the acquisition of MillenniumIT, acquisition accounting including the preliminary valuation of intangibles, the evaluation of goodwill for any impairment, and the application of International Financial Reporting Standard (IFRS) 8 – Operating Segments;
- The revised Group risk management procedures as set out in the section on the internal control framework. In addition to reviewing the Group risk register arising from this process, each Executive Committee member also presented the risk register and heat map for their respective division to the Committee. The Committee also agreed that at least two of its meetings a year should focus on risk;

- The effectiveness of the Group's internal control environment;
- The remit and performance of the Group's internal audit department;
- Key findings from internal audit reviews and actions taken in response by management;
- The internal audit department annual plan;
- The external auditors' report and findings from the half year review and year end audit;
- The Group's arrangements for dealing in confidence with employee whistle-blowing complaints; and
- The revised guidance on Audit Committees issued by the Financial Reporting Council.

The Committee may obtain, at the Group's expense, legal and other independent professional advice on any matter within its terms of reference. No such advice was sought by the Committee during the year.

Auditors' Independence

The Committee assesses annually the independence and objectivity, qualifications, expertise and resources of the Group's external auditor. It also reviews the effectiveness of the audit process.

PricewaterhouseCoopers LLP have been the Group's auditors for many years, although they were only appointed as auditors of Borsa Italiana in 2008 following the merger.

Under Italian law, the auditors of regulated entities are appointed for nine years and PricewaterhouseCoopers were therefore appointed as auditors of Borsa Italiana until the year ending 31 March 2016. The auditors can be replaced after a three year period, although Borsa Italiana would have to demonstrate to regulators that there are valid reasons for doing so. The auditors must be replaced at the end of the nine year tenure and cannot be re-appointed within three years.

The external auditors rotate lead engagement partners at least every five years as required by their own rules and relevant professional standards. In accordance with this requirement PricewaterhouseCoopers LLP appointed a new audit partner, who has previously had no involvement in the audit of any Group company, to lead the annual audit for the financial year covered by these financial statements.

The Committee recognises that certain work of a non-audit nature is best undertaken by the external auditors and has established a policy governing the provision of such services to ensure that it would not impair the external auditors' independence and objectivity. The policy permits specified compatible services, prohibits the provision of selected other services and requires prior approval by the Chief Financial Officer or Chief Executive Officer of those services that are potentially incompatible with independent external audit services where the aggregate fee for the service is anticipated to be less than £50,000. Above this level prior approval by the Audit Committee is required. The Committee semi-annually reviews all non-audit services provided by the external auditor to ensure compliance with the policy. The policy separately considers the provision of non audit services by other "big four" firms to ensure that their independence and objectivity is not impaired and that they could be considered, should the Group wish to change external auditors.

Annually, the external auditors are required to provide an account of all relationships with the Group and assess, in their professional judgement, whether they are independent of the Group.

The Committee has updated the policy on the employment of former employees of the external auditor. The policy outlines, inter alia, that partners involved in the audit of the Group would not be employed until two years have lapsed from the end of their involvement.

The Committee reviews the ratio of audit fees to non-audit fees charged by the external auditors and the economic importance of our business to the external auditor. The Committee has concluded that the fee payable in respect of audit services is appropriate and the nature and extent of overall and non-audit fees do not compromise the external auditors' independence. A breakdown of amounts paid to the external auditors is given in note 37 to the financial statements.

The Committee is satisfied that there is an appropriate framework in place to ensure the required level of independence and objectivity, and that the external audit process remains effective. Accordingly, the Group does not consider it necessary to tender for the provision of audit services. There are no contractual obligations that restrict the Group's choice of external auditor except as highlighted above. Resolutions to authorise the Board to re-appoint PricewaterhouseCoopers LLP as auditors of the Group and determine their remuneration will be proposed at the Company's Annual General Meeting (AGM) on 14 July 2010.

Nomination Committee

The Nomination Committee members as at 31 March 2010 were: Chris Gibson-Smith (Chairman), Janet Cohen, Robert Webb, Angelo Tantazzi and Paolo Scaroni. The Committee's role is to review the size and structure of the Board, succession planning and to make recommendations to the Board on potential candidates for the Board. The Committee normally invites the Chief Executive to attend. The Committee has written terms of reference which are available from the Group Company Secretary or at the corporate governance section of the Company's website www.londonstockexchange.com

As described above, the Board as a whole discussed and agreed the criteria and process for the appointment of new Non-Executive Directors. Members of the Nominations Committee have been involved in the process of selecting and interviewing prospective candidates.

Internal Control

The Board has overall responsibility for the framework of risk governance and maintaining an adequate system of internal control which meets the Group's particular needs and risks to which it is exposed. The Audit Committee assists the Board in discharging this responsibility by reviewing and assessing the Group's systems of risk management and internal control. A divisional internal control and risk management certification process is also performed as part of this review process. The system of controls is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The fundamental elements of the Group's internal control framework are described below:

Organisational structure

The day to day running of the Group is managed by the Executive Committee which meets regularly, chaired by the Chief Executive Officer. This team is also responsible for recommending the Company strategy to the Board and its implementation. The Group is organised into a number of divisions, each comprised of a number of business units. Each division is overseen by a member of the Executive Committee. Line management are accountable for internal controls and risk management and appropriate delegated authorities are in place, with a clear definition of those matters reserved for Executive Committee and Board approval only.

Policies and procedures

The Group has established a number of policies and procedures which are designed to outline and enhance the system of internal control. These policies are reviewed and updated to meet changing business needs and are available to all employees via the Group's intranet.

Risk management system

As part of an increased focus on risk management, the continuing geographical expansion of the Group and changes to the executive management team, a revised risk management framework and process has been implemented. Underlying this process is a Board endorsed risk management policy and a risk appetite statement. The Board has categorised the Group's risk appetite using a five point scale ranging from zero to high, and has established limits for each risk type which have been cascaded throughout the organisation via appropriate Group policies, delegated levels of authority and its internal control framework. For example, the Group has a zero tolerance for matters such as fraud or unethical behaviour, although will tolerate a moderate amount of risk (where such risks can be quantified and managed) where an opportunity is likely to lead to successful delivery whilst providing an acceptable level of return.

Risk management is an integral part of managements' agenda and business managers are responsible for risk identification, analysis, evaluation, mitigation, monitoring and reporting in their area within the framework of appetite and policy established by the Board.

Risks are identified at a business unit, divisional and Group level. A bottom up approach is adopted initially with review and assessment by a panel of senior management and thereafter by the Executive Committee and the Board. Executive Committee members are responsible for presenting the risk register for their respective divisions annually to the Audit Committee. Divisional registers are consolidated into a Group Risk Register which is discussed and agreed by the Executive Committee and then presented to the Audit Committee and the Board for approval every six months. The principal risks and uncertainties for the Group are detailed on pages 32 to 35.

Financial Reporting Process

A comprehensive financial reporting and review process using a single consolidation system is in place which includes an annual budget approved by the Board, monthly reporting of financial and key performance indicators, analysis of variances and corrective action where required. This process provides management with appropriate and relevant financial information on which to base decisions. Key issues are reported at each Board meeting. Clear authorisation levels and appropriate segregation of duties are in place. Clearly defined guidelines have been established for all investment decisions including the preparation of budgets and appraisal and review procedures.

Programme and Project Governance

The Group has an established project management methodology governing the projects that it undertakes. Individual projects are monitored by a project board, which includes Executive Committee representation where appropriate and who are accountable for project delivery. A comprehensive project portfolio report summarised by division, encompassing project status and cost reporting, is reviewed regularly by the Executive Committee.

Regulatory Monitoring

Regulatory and compliance risks are monitored by experienced compliance functions who work closely with the FSA and CONSOB, the respective UK and Italian regulators. These compliance functions are managed independently from the customer facing business units.

Internal Audit

The Internal Audit department undertakes a risk-based audit plan which is approved by the Audit Committee with individual reviews performed using a risk assessment approach. All major Group projects are audited regularly.

The Board confirms that it has reviewed the operation and effectiveness of the Group's internal controls including financial, operational and compliance controls and risk management for the financial year to which these statements apply and up to the date of their approval. No significant failings or weaknesses were identified during this review and the Group remains compliant with the revised Turnbull guidance (2005).

Relations with Shareholders

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

The IR team, which reports to the CFO, has responsibility for organising the IR programme and for day to day contact with the market. The Chief Executive Officer and Chief Financial Officer engage in regular dialogue with shareholders through meetings and presentations to discuss strategy and performance, and 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. Senior management and the IR team held meetings and calls with over 350 shareholders and potential investors in the UK, Europe, the Middle East and North America during the course of the past year.

The Investor Relations section of the website at www.londonstockexchange.com is the primary source of regularly updated information about the Group. Annual and interim reports and accounts, interim management statements, news releases, presentations at investor conferences and other key documents are archived on the website together with a summary of analysts' forecast 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.

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

Remuneration report

The Remuneration Report sets out the remuneration policies operated by the Group in respect of the Directors, along with disclosures on Directors' remuneration including those required by The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

Details of Directors' remuneration and benefits are set out in the tables within this report. The tables on pages 50 to 53 have been subject to audit.

Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee meets regularly to consider, on behalf of the Board, executive remuneration including terms and conditions of employment, incentive schemes and retirement benefits. During the year ended 31 March 2010, the Committee met on six occasions. The Committee's remit includes the remuneration of the Chairman of the Group, Executive Directors and the Executive Committee, including the awards made under the performance related incentive schemes. The five current members of the Committee are:

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

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

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

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

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

The Remuneration Committee continues to be mindful of recommendations from key stakeholders, including institutional investor bodies, and the Committee consulted with major shareholders on the key decisions taken. The Committee continues to keep all these matters under review.

2009/10 Review

As in previous years, the Committee reviewed executive remuneration arrangements to ensure that they remain aligned with the business strategy and shareholders' interests. The following sets out a summary of the key decisions made in relation to Executive Directors in the year ended 31 March 2010.

No salary increases

Executive Directors' salaries have been frozen again for the year ending 31 March 2011.

Review of long term incentives

The Committee reviewed the operation of the Long Term Incentive Plan (LTIP) and resolved that for upcoming awards, performance would still be measured against Total Shareholder Return (TSR) and Earnings Per Share (EPS). It also determined that it would be appropriate to set absolute targets for TSR growth and average growth targets for EPS (described later in this report). The Committee believes this approach is particularly appropriate in the context of our continuing objective to significantly increase shareholder value over the next three to five years and the difficulty of defining an appropriate group of companies against which to compare TSR performance.

Termination arrangements for Deputy Chief Executive

Massimo Capuano ceased to be a Director of the Company and his employment with Borsa Italiana ended with effect from 31 March 2010. The terms of his severance arrangements are set out in full in the Service Contracts section below. He will continue as a Non-Executive Director of Borsa Italiana until 31 July 2010.

The Committee recognises that the headline numbers are higher than UK market practice and best practice guidelines. However, in Massimo Capuano's case, his contract prior to the merger with Borsa Italiana provided for substantial termination payments, consistent with Italian market practice. At the time of the merger these termination arrangements were re-negotiated and reduced

to a significantly lower level. The Committee remains committed to ensuring that any compensation paid to departing executives is in line with ABI and NAPF best practice.

Remuneration Policy

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

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

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

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

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

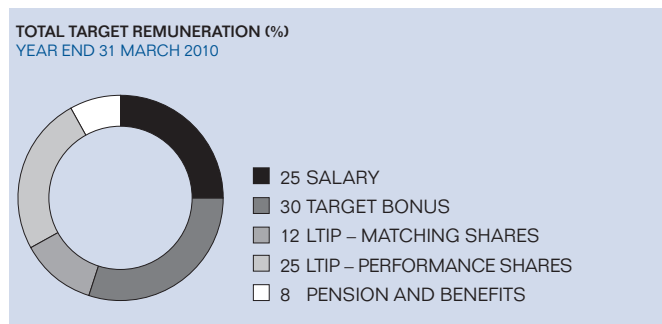
The chart above shows the average proportions of total target remuneration represented by the different elements of compensation (salary, target bonus, expected value of long term incentives, pension and benefits) for the year to 31 March 2010.

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

During the year, the Committee reviewed the comparator group against which remuneration is benchmarked. Whilst elsewhere in this report reference is made to the difficulties of finding a performance benchmark group for the purposes of the LTIP, it was considered appropriate to continue to use the benchmark group of companies ranked 31–100 in the FTSE for benchmarking remuneration. Overall the Committee wishes to position total target remuneration at or around the median of the FTSE 31–100. The Committee considers it appropriate to reward superior performance with upper quartile compensation levels.

Regard is given to pay and conditions elsewhere in the Group when determining the remuneration policy for the Executive Directors. The same remuneration policy and incentive structure is applied to senior executives immediately below the Board, and all employees participate in the annual bonus pool and flexible benefits arrangements.

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



Base Salary

Reflecting the Committee's desire to place greater emphasis on variable pay than in most FTSE 31–100 companies, base salaries are to be set at or around 80 per cent of the median of the pay comparator group. Salaries are typically reviewed with effect from 1 April each year. Adjustments may be made to reflect changes in responsibilities and to ensure that total remuneration levels are consistent with the Company's remuneration policy. For 2010 Executive Directors' base salaries were not increased and will remain as follows:

	2010
Xavier Rolet	£650,000
Doug Webb	£330,000

For the year ended 31 March 2010, Massimo Capuano's base salary was €750,000 and he received an additional Director's fee of €126,000 as Managing Director of Borsa Italiana which was not included for the purposes of calculating annual bonus and LTIP awards.

Annual Bonus

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

The Remuneration Committee continues to believe that it is appropriate to use a balance between annual financial targets, corporate objectives and individual performance objectives. For the year ended 31 March 2010, the Committee determined that the sole annual financial target should be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the combined Group and believes it should continue to be the main financial focus for annual bonus plan purposes.

For the year ended 31 March 2010, the maximum bonus opportunities were 225 per cent of salary for the Chief Executive and 200 per cent of salary for other Executive Directors. For the forthcoming year, it is intended that the same maximum opportunities will apply.

For the year ended 31 March 2010 the Remuneration Committee considered that, in an environment of uncertain and difficult market conditions, a mix of 50 per cent operating profit and 50 per cent strategic performance objectives was most appropriate for determining bonus. These objectives included a number of criteria, for example: achievement of targets attached to our cost reduction programme; expansion of existing businesses in Capital Markets and Information Services into new markets; identification and execution of alternate technology solutions;

developing a strategy to respond to the growth in alternative trading venues; and extending the Company’s pan-European and global reach. These objectives also include core business performance against group and divisional targets.

Adjusted operating profit has fallen when compared to the previous year and, consequently, the overall bonus pool (available to be paid to Executive Directors and all other staff) has also fallen. In relation to strategic performance objectives, there have been a number of significant achievements in what has been a challenging external environment. Key highlights include:

- Successful cost reduction programme. This includes reducing the number of employees by 12 per cent delivering £11 million of annualised savings and reduction of property costs for Paternoster Square of £3 million per annum from the next financial year;
- Completion of MillenniumIT and Turquoise acquisitions, enabling significant transformation of our technology and Capital Markets capabilities; and
- In absolute terms, an increase of over 50 per cent in Total Shareholder Return over the year.

Based on the above context and an assessment of individual performance, the Remuneration Committee awarded an annual bonus of £1,040,000 to Xavier Rolet, €400,000 to Massimo Capuano and £350,000 to Doug Webb.

Long Term Incentive Plan

The LTIP was approved by shareholders in July 2004 and amended by ordinary resolution at the AGM in July 2008. The LTIP has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of all or some of their annual bonus in the Company’s shares. The Matching Shares element of the LTIP only applies to the Executive Directors and selected other senior management. This senior management group is also eligible for the Performance Shares element of the LTIP along with a wider group of executives.

The LTIP arrangements for awards granted in the year ended 31 March 2010 are illustrated below:

<p>BONUS DEFERRED Executives may invest all or part of their pre-tax bonus, up to 50 per cent of base salary</p>	
<p>PERFORMANCE SHARES With a face value of up to 200 per cent of base salary may be granted (300 per cent on recruitment)</p>	<p>MATCHING SHARES The deferred bonus is matched with a performance-related Matching Share award. Maximum match of 2:1</p>
<p>Vesting conditional 50 per cent on TSR performance and 50 per cent on EPS performance over a single three-year period</p>	

For the year to 31 March 2010, awards of Performance Shares were made to Executive Directors over shares with a value of £1,000,000 for Xavier Rolet, \$500,000 for Massimo Capuano and \$500,000 for Doug Webb. Doug Webb also received awards of Matching Shares equivalent to 100 per cent of salary following his investment in London Stock Exchange Group shares.

Vesting of Performance Shares and Matching Shares

The policy for share awards granted in the year to 31 March 2010 is that the proportion of Performance Shares and Matching Shares which vest is determined 50 per cent by the Company’s Total Shareholder Return (TSR) performance and 50 per cent by the Company’s adjusted Earnings Per Share (EPS) performance over a single three year period (‘the performance period’) beginning on the first day of the financial year in which the award is made. For TSR, performance is calculated using a two month average share price at the start and end of the performance period to ensure that any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three year period. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders.

For awards made in year to 31 March 2010, the following vesting schedules apply:

Awards made in year to 31 March 2010	
TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of TSR element vesting
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%
Aggregate adjusted EPS performance over the 3 year period	Proportion of EPS element vesting
Below 181p	0%
181p	30%
Straight-line pro-rating applies between these points	
234p or above	100%

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

Awards made in year to 31 March 2009	
TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of TSR element (50%) vesting
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%
Average EPS growth in excess of RPI over 3 years	Proportion of EPS element (50%) vesting
Less than 5% p.a.	0%
5% p.a.	30%
Straight-line pro-rating applies between these points	
9% p.a. or more	100%

**Awards made in year to 31 March 2008
(based on TSR performance only)**

TSR performance against FTSE 31-150 (excluding investment trusts)	
Less than median	0%
Median	30%
Straight-line pro-rating applies between these points	
Upper quintile	100%

Awards made in year to 31 March 2008

TSR performance in the three year period to 31 March 2010 was below median against the FTSE 31-150 comparator group and accordingly Performance and Matching Shares awards made in May 2007 did not vest in May 2010 and have lapsed. The TSR performance was independently verified on behalf of the Committee by Deloitte LLP.

Future awards

Following shareholder consultation, awards for the year ending 31 March 2011 will remain subject half to TSR performance and half to adjusted EPS performance. As explained earlier in this report, instead of relative TSR performance against those companies ranked 31-100 in the FTSE, absolute TSR targets have been set. For awards made in the year ended 31 March 2010 cumulative EPS targets were used for the first time. For the year ending 31 March 2011, EPS targets will revert to average annual growth targets in common with market practice. These TSR and EPS targets are described below:

Awards made in year to 31 March 2011

Absolute TSR growth over 3 years	Proportion of TSR element vesting
Less than 8% per annum	0%
8% per annum	30%
Straight-line pro-rating applies between these points	
16% per annum	100%
Average EPS growth over 3 years	Proportion of EPS element vesting
Less than 6% p.a.	0%
6% p.a.	30%
Straight-line pro-rating applies between these points	
12% p.a. or more	100%

Benefits

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

Xavier Rolet and Doug Webb receive a flexible benefit allowance of \$20,000 per annum. These values have not been increased since last year. These Executive Directors also receive benefits in kind which principally include private health care and life assurance arrangements.

Massimo Capuano received benefits in kind, which included permanent invalidity insurance, life insurance, company car and private medical expenses insurance. This is in line with the benefits he received before Borsa Italiana's merger with the Company. In addition Massimo Capuano was provided with accommodation in London to enable him to split his working time equally between the UK and Italy.

Pensions

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

Pension provision takes the form of a non-consolidated allowance. In the year ended 31 March 2010, Xavier Rolet and Doug Webb received an allowance equivalent to 25 per cent of base salary. This is invested in the defined contribution pension scheme up to HM Revenue & Customs lifetime allowance limits. Where lifetime allowance limits are exceeded, these are paid as a cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Massimo Capuano received a pension allowance equal to 25 per cent of his combined base salary and fees. In addition Massimo Capuano participated in pension arrangements under the relevant collective labour arrangements in Borsa Italiana.

Share Ownership Guidelines

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

Full details of the interest in shares of the Executive Directors are shown on pages 51 to 53.

Other Share Plans

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

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

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

In 2009 a HM Revenue & Customs Approved Share Option plan was introduced and awards made to a limited number of employees under this plan. Any recipient of an award under the LTIP, including Executive Directors and other senior executives, is not eligible to participate in this plan.

Service Contracts

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

Notice periods

The Executive Directors have one year rolling service contracts. The Remuneration Committee considers that this is consistent with current best practice.

Xavier Rolet entered into a service agreement on 16 March 2009. Doug Webb entered into a service agreement on 2 June 2008. Massimo Capuano entered into a service agreement with Borsa Italiana on 12 October 2006 which was amended on 1 October 2007 in connection with the merger with Borsa Italiana.

All service agreements may be terminated by the relevant employer on not less than 12 months' notice. Xavier Rolet and Doug Webb are each required to give 12 months' notice of termination and Massimo Capuano was required to give six months' notice.

Termination arrangements

The Company's current policy is that Directors' service agreements should not contain a liquidated damages clause which would apply in the event of the service agreement being terminated and that appropriate mitigation should be applied to any payment made on termination.

Xavier Rolet's notice period is 12 months on either side and there is no liquidated damages clause. Alternatively, the Company may terminate the contract without cause by payment in lieu of notice of a sum equal to 12 months' salary and benefits paid in a lump sum or, at the Committee's discretion, on a monthly basis. If the payment is paid in instalments, the instalments will be reduced by any earnings from new employment taken up within 12 months after leaving employment. Doug Webb's service agreement may be terminated by either party giving at least 12 months' notice. There are no provisions for pay in lieu of damages or liquidated damages. Instead the parties will rely on common law to assess what, if any, damages may be payable for any loss resulting from any termination in breach of contract.

Massimo Capuano stepped down from his role as Deputy Chief Executive and resigned as a Director of the Company on 31 March 2010. His employment with Borsa Italiana terminated on the same date. In accordance with the terms of his service contract with Borsa Italiana, he received a total compensatory payment of €1,968,750 (£1,756,558) comprising €1,781,250 (£1,589,267) being equal to 15 months salary and fifteen-twelfths of the bonus awarded to him for the previous financial year and €187,500 (£167,291) in exchange for compliance with certain post termination restrictive covenants for periods of three and six months after the date of his termination. He is also entitled to continue to receive life insurance, permanent invalidity insurance and private medical expenses insurance for three years following termination of employment, at an estimated total cost of €175,000 (£156,138). He also received the sum of €10,000 (£8,922) as consideration for a waiver of any claims against Borsa Italiana and €160,000 (£142,755) in lieu of his fee as Managing Director of Borsa Italiana for the remainder of the term of his appointment to July 2011.

Mr Capuano is liable to UK tax on a portion of his earnings (including the payments made on termination) which are attributable to his UK duties. The required UK tax has been withheld and accounted for to the UK tax authorities and since these earnings are also subject to Italian tax, Mr Capuano has agreed to claim any appropriate tax credits in respect of the UK tax that has been paid on his behalf (to the extent that it cannot be claimed by Borsa Italiana directly) and to pay to Borsa Italiana an amount equal to any such offsetting tax credit. In addition Borsa Italiana has agreed to keep Mr Capuano indemnified for any penalty that may be imposed on him by the Italian tax authorities if it is concluded that he was not entitled to claim such tax credit. Under Italian law all employees have an entitlement to *trattamento di fine rapporto* (TFR) which accrues during their employment and is released to individuals or paid into a retirement fund as a lump sum payment when their employment ends. They are also entitled to be paid for any accrued but untaken holidays. Massimo Capuano received a TFR payment of €1,069,157 (\$953,923) and €221,000 (£197,181) for 48 days of untaken holiday. None of the LTIP awards held by Massimo Capuano were capable of vesting on termination of his employment since the performance targets had not been satisfied at that time and accordingly LTIP awards over 320,311 shares held by Mr Capuano have lapsed. Under good leaver provisions and with the agreement of the Remuneration Committee, Massimo Capuano retains options over 1,838 shares granted under the International Sharesave Plan which will remain exercisable on a time pro-rated basis until 30 September 2010.

As previewed in last year's report, Clara Furse stepped down from her role as Chief Executive on 20 May 2009 and ceased to be a Director on 15 July 2009. She did not receive any cash compensation in respect of salary or bonus for resigning her position. She was eligible for a bonus for the period from 1 April 2009 to 15 July 2009, determined as a pro rata proportion of the bonus awarded to her for the year to 31 March 2009. This was subject to performance in relation to the transitioning of the Chief Executive role and amounted to £187,000. She continues to be employed by the Group until 15 July 2010 to provide ongoing support and advice to the Board at its request, for which she is paid £2,500 per annum. She is entitled to continued private medical insurance until 31 July 2010. Under 'good leaver' provisions and with the agreement of the Remuneration Committee, her currently vested share options will remain exercisable up until October 2010 in respect of 488,480 shares and up until January 2011 in respect of 266,164 shares. These options will be satisfied from shares currently held in the Group's employee benefit trust. Clara Furse forfeited 325,905 unvested LTIP shares.

Outside appointments

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

In the year ended 31 March 2010 Xavier Rolet served as a director of LCH.Clearnet Group Ltd for which he receives a fee of £40,000 per annum (£13,333 for year ended 31 March 2010) which he donates to charity. No other Directors received fees for outside appointments during the year ended 31 March 2010. Doug Webb was appointed on 1 May 2010 to the Board of SEGRO plc as a Non-Executive Director and Audit Committee Chairman for which he will receive a fee of £49,000 per annum.

Non-Executive Directors' Remuneration

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

During the year, the Chairman's and Non-Executive Directors' fees were reviewed against the FTSE 31–100. For the year commencing 1 April 2010 the Remuneration Committee Chairman's fee will be increased by £5,000 to £17,500, to reflect market levels and be comparable with the Audit Committee Chairman's fee. All other fees remain in line with market levels so will be unchanged.

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

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

- Chairman of Borsa Italiana S.p.A. €533,000 (£471,765); and
- Chairman, Monte Titoli S.p.A. €173,000 (£153,124).

Angelo Tantazzi does not receive any additional fees as Deputy Chairman of the Company or as Chairman of CC&G. His appointment as Chairman of Borsa Italiana S.p.A. and Monte Titoli S.p.A. are for fixed terms expiring at the AGMs in June 2011 and 2012 respectively.

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

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

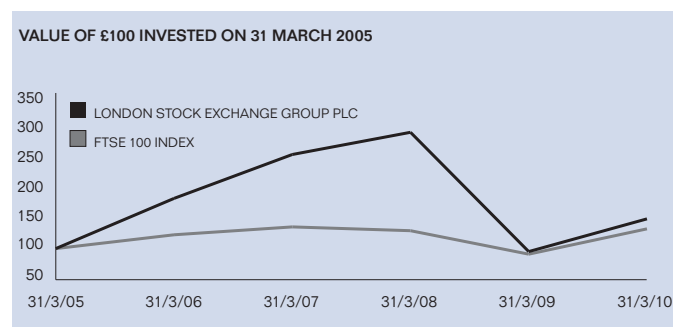
Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb have letters of appointment with the Company reflecting their responsibilities and commitments dated 1 February 2010 (with no notice period). Each of their appointments continues until

31 January 2013, provided each Non-Executive Director is re-elected. Angelo Tantazzi, Sergio Ermotti, Andrea Munari and Paolo Scaroni have letters of appointment (with no notice period) with the Company dated 1 October 2007. Each of their appointments continues until 30 September 2010, provided each Non-Executive Director is re-elected. The Chairman has a letter of appointment dated 15 July 2009. His appointment is for three years until the end of the AGM in 2012 and can be terminated on six months notice.

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

Total Shareholder Return (TSR) Performance

The following line graph shows, for the financial year ended 31 March 2010 and for each of the previous five financial years, the TSR on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 100 is calculated.



The TSR graph represents the value, at 31 March 2010, of £100 invested in London Stock Exchange plc on 31 March 2005 compared with the value of £100 invested in the FTSE 100 index over the same period. The FTSE 100 index is considered appropriate as for the majority of the year and as at the date of the approval of the annual report, the market capitalisation of London Stock Exchange Group is ranked in the top 100 companies of the FTSE.

Table A - Directors' Remuneration - Auditable

	2010				2009				2010	2009
	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Salary (Note i) £000	Performance bonus £000	Benefits (Note ii) £000	Total £000	Pensions (Note iii) £000	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	370	–	–	370	370	–	–	370	–	–
Chief Executive										
C Furse	171	189	1	361	560	648	1	1,209	39	135
X Rolet	670	1,040	1	1,711	31	–	1	32	162	8
Executive Directors										
M Capuano (Note iv)	775	357	142	1,274	730	562	80	1,372	188	177
D Webb	350	350	1	701	292	330	1	623	83	69
	2,336	1,936	145	4,417	1,983	1,540	83	3,606	472	389

Non-Executive Directors' Fees

	Fees £000	Benefits £000	Total £000	Fees £000	Benefits £000	Total £000	Pensions £000	Pensions £000
A Tantazzi (Note iv)	619	55	674	583	49	632	–	–
Baroness Cohen (Note iv)	77	–	77	76	–	76	–	–
S Ermotti	54	–	54	54	–	54	–	–
O Fanjul	72	–	72	72	–	72	–	–
A Munari	54	–	54	54	–	54	–	–
P Scaroni	54	–	54	54	–	54	–	–
N Stapleton	54	–	54	54	–	54	–	–
R Webb	67	–	67	67	–	67	–	–
Total Non-Executive Directors' fees (Note v)	1,051	55	1,106	1,014	49	1,063	–	–
Total Directors' Emoluments			5,523			4,669	472	389

Notes

i) Salary

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

ii) Benefits

For C Furse, X Rolet and D Webb, benefits represent the cash value of health and life insurance cover. For M Capuano, benefits represent the cash value of health and life insurance cover, luncheon vouchers, car benefit and provision of accommodation in London. For A Tantazzi, benefits represent the cash value of provision of accommodation in Milan.

iii) Pensions

The Company contributed to the senior executive defined contribution plan for D Webb as shown in the table above. C Furse, X Rolet and M Capuano received their pension as a cash supplement.

iv) Executive and Non-Executive Directors

M Capuano and A Tantazzi, are paid in euros. Baroness Cohen is a Non-Executive Director of Borsa Italiana S.p.A. for which she receives an annual fee of €26,000 (£23,013). Where their remuneration is presented in sterling in the Remuneration Report, a euro:sterling conversion rate of 1.13 has been used for 2010 and 1.20 for 2009.

v) Non-Executive Directors' fees

Fees paid directly to the employer company of two (2009: two) Non-Executive Directors were £108,000 (2009: £108,000).

vi) Waiver of emoluments

None of the Directors waived their emoluments during 2009 and 2010.

Table B - Directors' Share Interests - Auditable

Current share schemes

Long Term Incentive Plan

At the AGM in 2004, shareholders approved a new Long Term Incentive Plan (LTIP). The LTIP has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive in the Company's shares. For awards made in 2007 and the years prior, performance conditions were based on the Company's total shareholder return over a three year period beginning on the first day of the first financial year in which the award was made.

From 2008, 50 per cent of shares awarded are dependent on TSR performance with the other 50 per cent dependent on an adjusted basic EPS growth target. Details of the performance conditions are set out on pages 46 and 47.

Share awards	Number of shares				Price at award date	Date of award	Final vesting date
	At start of year	Awarded during year	Vested during year	At end of year ¹			
X Rolet	290,016	–	–	290,016	4.48	16/03/09	Prelims 2012
	–	147,928	–	147,928	6.76	16/07/09	16/07/12
	290,016	147,928	–	437,944			
M Capuano	28,493	–	–	–	18.82	16/11/07	lapsed
	30,318	–	–	–	17.72	04/12/07	lapsed
	73,724	–	–	–	8.06	30/06/08	lapsed
	113,812	–	–	–	7.84	23/07/08	lapsed
	–	73,964	–	–	6.76	16/07/09	lapsed
	246,347	73,964	–	–			
D Webb	37,016	–	–	37,016	8.92	09/06/08	09/06/11
	36,104	–	–	36,104	9.14	10/06/08	10/06/11
	63,137	–	–	63,137	7.84	23/07/08	23/07/11
	–	73,964	–	73,964	6.76	16/07/09	16/07/12
	–	48,349	–	48,349	6.83	28/07/09	28/07/12
	136,257	122,313	–	258,570			

¹ Under his termination arrangements, Massimo Capuano forfeited 320,311 unvested LTIP awards.

Executive Directors in the UK are entitled to participate in the all employee SAYE scheme, Italian Executive Directors can participate in the International Sharesave plan. Options granted under these schemes are:

SAYE

Share options	Number of shares				At end of year	Option price (£)	Date of grant	Vesting date	Expiry date
	At start of year	Granted during year	Exercised during year	Lapsed during year					
C Furse	1,652	–	–	1,652	–	5.69	07/08/08	–	–
D Webb	1,652	–	–	–	1,652	5.69	07/08/08	01/09/11	01/03/2012
	3,304	–	–	1,652	1,652				

International Sharesave Plan

Share options	Number of shares				At end of year ¹	Option price (£)	Date of grant	Vesting date	Expiry date
	At start of year	Awarded during year	Exercised during year	Lapsed during year					
M Capuano	1,838	–	–	–	1,838	5.69	07/08/08	31/03/10	30/09/10
	1,838	–	–	–	1,838				

¹ Under his termination arrangements, Massimo Capuano can exercise his option under the International Sharesave Plan until 30 September 2010.

Previous Share Schemes - all now closed and no awards granted after August 2004

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

Executive Share Option Plan

Share Option grants	Number of options				Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Vesting date	Expiry date
	At start of year	Granted during year	Exercised during year	At end of year					
C Furse	76,924	–	–	76,924	–	3.90	15/07/02	15/07/05	15/01/11
	102,168	–	–	102,168	–	3.23	16/05/03	16/05/06	15/01/11
	87,072	–	–	87,072	–	3.79	20/05/04	20/05/07	15/01/11
	266,164	–	–	266,164					

Share option grants and share awards in 2001 and prior

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

Share Option grants	Number of options			Market price of shares on date of exercise (£)	Option price (£)	Date of grant	Vesting date ¹	Expiry date	
	At start of year	Granted during year	Exercised during year						At end of year
C Furse	273,600	–	–	273,600	–	2.52	25/01/01	25/01/02	15/10/10
	211,450	–	–	211,450	–	3.15	25/01/01	25/01/02	15/10/10
	3,430	–	–	3,430	–	3.65	25/06/01	25/06/02	15/10/10
	488,480	–	–	488,480					

¹ These options became exercisable between one and five years from the date of grant at 20 per cent in each year.

The market price of the shares on 31 March 2010 was £7.11 and the range during the year was £5.51 to £9.41.

Directors' interests in shares

The Directors who held office at 31 March 2010 had the following other beneficial interests in the shares of the Company:

	Ordinary Shares		Ordinary Shares	
	31 March 2010	B shares 31 March 2010	31 March 2009	B shares 31 March 2009
C Gibson-Smith	63,757	–	50,768	10,213
A Tantazzi	–	–	–	–
X Rolet	–	–	–	–
M Capuano	202,390	–	176,678	–
D Webb	24,820	–	10,660	–
Baroness Cohen	6,616	–	6,616	–
S Ermotti	–	–	–	–
O Fanjul	21,901	–	21,901	–
A Munari	–	–	–	–
P Scaroni	–	–	–	–
N Stapleton	4,795	–	4,795	–
R Webb	1,200	–	1,200	–

There have been no changes in Directors' own shares between 31 March 2010 and 21 May 2010.

Directors' report

The Directors of the London Stock Exchange Group plc are pleased to present their annual report to shareholders, together with the financial statements for the year ended 31 March 2010.

Principal Activities and Results

The principal activities of the Company and its subsidiaries are the admission of securities to trading, the delivery of trading systems, clearing and settlement of trading in securities, the organisation and regulation of markets in securities and the provision of associated information and technology services. The Group made a profit before taxation, before impairment of goodwill, amortisation of purchased intangible assets and exceptional items, of £242.0 million (2009: £304.7 million). After taking into account impairment of goodwill, amortisation of purchased intangible assets and exceptional items, the profit of the Group before taxation for the year ended 31 March 2010 was £144.3 million (2009: £250.8 million loss) and profit after taxation was £91.7 million (2009: £332.8 million loss).

Business Review

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

- Introduction pages one to 13; and
- Review of the Business (including the Financial Review) pages 14 to 35.

Dividend

The Directors are recommending a final dividend for the year of 16.0 pence (2009: 16.0 pence) per share which is expected to be paid on 16 August 2010 to shareholders on the register on 23 July 2010. Together with the interim dividend of 8.4 pence (2009: 8.4 pence) per share paid in January 2010, this produces a total dividend of 24.4 pence (2009: 24.4 pence) per share estimated to amount to £65.4 million (2009: £65.1 million).

Share Capital

As at 31 March 2010 the Company had 271.1 million ordinary shares in issue with a nominal value of 6 ⁷⁹/₁₀₀ pence each, representing 100 per cent of the total issued share capital. Details of the changes to the Company's issued ordinary share capital during the year are set out in note 30 to the financial statements on page 95.

B Shares

As at 31 March 2009, 1.1 million B shares were in issue, representing 11.1 per cent of the total issued share capital. All remaining B shares were redeemed by the Company on 1 June 2009 in accordance with their terms.

Share Rights

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

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Every shareholder who is present in person or by proxy shall have one vote on a show of hands and one vote for every ordinary share he or she holds on a poll. Proxy appointments and voting instructions must be received by the Company's Registrars not less than 48 hours before the time appointed for holding a general meeting or adjourned general meeting if in hard copy or electronic form or, in either case, not less than 24 hours before the time appointed for the taking of a poll where a poll is taken more than 48 hours after it is demanded. Proxy appointments and voting instructions in hard copy form, where a poll is not taken forthwith but is taken not more than 48 hours after it is demanded, may be delivered at the meeting at which the poll was demanded to the Chairman, Secretary or any Director.

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

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

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

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

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

Transfers of Shares

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

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

Corporate Governance Statement

The Company's Corporate Governance Report is set out on pages 38 to 43 and is, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

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

by special resolution at a general meeting of the shareholders. The Company proposes to adopt new articles of association at the forthcoming AGM in order to reflect further changes in English company law pursuant to the full implementation of the Companies Act 2006.

Substantial shareholding

As at 21 May 2010 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with DTR 5 of the FSA's Disclosure and Transparency Rules:

Borse Dubai Limited	20.6%
Qatar Investment Authority	15.1%
Unicredito Italiano S.p.A.	6.0%
Intesa Sanpaolo S.p.A.	5.3%
Legal & General Group plc	5.0%
Horizon Asset Management Inc.	3.7%

Directors

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

In accordance with the Company's Articles of Association, at each AGM one third of the Directors retire and offer themselves for re-election, and each Director must stand for re-election at least once every three years. Additionally it is the Company's policy in line with the Combined Code that Directors who have served nine years or more will be subject to annual re-election.

Powers of the Directors

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

Issue of shares

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

Authority to Allot Shares

The authority conferred on the Directors at last year's AGM to allot the unissued share capital of the Company up to a maximum nominal amount of £6,200,000 (representing approximately 33.1 per cent of the issued share capital of the Company as at the date of the notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of amount of £12,400,000 (representing approximately 66.2 per cent of the issued share capital of the Company as at the date of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

Authority to Purchase Shares

The authority for the Company to purchase in the market up to 27 million of its ordinary shares, representing approximately 10 per cent of the issued ordinary share capital of the Company, as at the date of the notice of the Company's last AGM, granted at the AGM held on 15 July 2009, expires at the end of the next AGM. Shareholders will be asked to give a similar authority to repurchase shares at the forthcoming AGM.

Directors' Interests

Directors' interests in the shares of the Company as at 31 March 2010 according to the register maintained under the Companies Act 2006 are set out in the Directors' Remuneration Report on pages 51 to 53. 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 30. The Company provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support. All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

Donations

Charitable Donations

During the year the Group gave £506,000 (2009: £300,000) to charitable organisations.

Political Donations and expenditure

The Group made no political donations and incurred no political expenditure during the year. The Board is proposing that shareholders pass a resolution at the forthcoming AGM to authorise the Company to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006) in amounts not exceeding £100,000 in aggregate, until the end of the Company's AGM in 2011. It is the Company's policy not to make political donations or incur political expenditure and the Board has no intention of using this authority for that purpose. However, the application of the relevant provisions of the Companies Act 2006 is potentially very broad in nature and this authority is sought to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities.

Supplier Payment Policy

It is the Group's ongoing policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods and services have been satisfactorily supplied. During the year, the London Stock Exchange plc became an approved member of The Prompt Payment Code, part of a structured initiative devised by the UK Government, with the Institute of Credit Management, to tackle the issue of late payment and help small businesses. The Prompt Payment Code can be viewed at: www.promptpaymentcode.org.uk. The creditor days at 31 March based on the aggregate of the amount which was owed to trade creditors and the operational costs of the Group incurred at the end of the year was 16 days (2009: 25 days).

Significant Contracts

The Company (as borrower) has entered into:

- (i) a revolving facility agreement with Barclays Bank plc and The Royal Bank of Scotland plc dated 9 February 2006 (as amended and restated 1 March 2007 and as further amended by a waiver and amendment request dated 18 July 2007, and by an amendment letter dated 12 November 2008) (the First Revolving Facility Agreement);
- (ii) a revolving facility agreement with, among others, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, and Intesa Sanpaolo S.p.A., dated 24 July 2008 (the Second Revolving Facility Agreement); and
- (iii) a revolving facility agreement with HSBC Bank plc dated 24 October 2008 (the Bi-lateral Facility Agreement).

Each of these Agreements contains a change of control provision which, if triggered, allows the relevant facility agent upon instructions from the majority lenders (and in the case of the Bilateral Facility Agreement upon instructions from the lender itself) to cancel the relevant facility and declare all outstanding loans under the relevant agreement, together with accrued interest and all other amounts accrued, due and payable.

The Company has issued two sterling Notes due 2016 and 2019. Both Notes contain a redemption on change of control provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows Noteholders to exercise their option to require the issuer to redeem the Notes and pay any accrued and unpaid interest due on the Notes.

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

Employee Benefit Trust

As at 31 March 2010 the trustee of the London Stock Exchange employee benefit trust, which is an independent trustee, held 3.0 million shares (2009: 3.6 million) under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share schemes. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Contractual Arrangements Essential to the Company

Under the UK Companies Act 2006 we are required to provide information about persons with whom the company has contractual or other arrangements which are essential to the business. The Group has contractual arrangements with LCH, Clearnet for clearing services to London Stock Exchange members and with SIA for the provision of technology to CC&G, Monte Titoli and MTS, which remain essential for the business. Various Group entities are regulated and the Group attaches the highest priority to complying with local regulatory requirements.

Financial Risk Management

The use of financial instruments by the Group and the Group's financial risk management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 32 to 35 of this report, and in the notes to the Financial Statements on pages 64 to 100.

Audit Information

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

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

Auditors

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

By Order of the Board

Lisa Condon

Group Company Secretary
21 May 2010

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

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

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

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

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

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

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

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Introduction, Business Review and in the Market Position and Outlook, on pages one to 35. In particular, the current economic conditions have created a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 32 to 35.

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 68 to 72. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed funding at 31 March 2010 increased to £975 million (2009: £905 million) of which £950 million is committed until February 2012 or beyond, described further in the Financial Review on pages 26 to 29.

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

Directors' Responsibility Statement

Each of the Directors, whose names and functions are set out on page 37 of this Annual Report, confirm that, to the best of their knowledge and belief:

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

By order of the Board

Lisa Condron

Group Company Secretary
21 May 2010