This document has been prepared in connection with the ordinary share capital of London Stock Exchange Group plc (the "**Company**"), currently in issue and to be issued in connection with the proposed merger (the "**Proposed Merger**") between the Company and Borsa Italiana S.p.A. ("**Borsa Italiana**") by the Company pursuant to a combination agreement dated 23 June 2007 (the "**Combination Agreement**").

This document comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules of the Financial Services Authority (the "**FSA**") made under section 73A of the Financial Services and Markets Act 2000, as amended ("the **Prospectus Rules**" and the "**FSMA 2000**", respectively) and has been prepared in connection with the application to the FSA and to the London Stock Exchange respectively for admission of up to an additional 79,568,067 Ordinary Shares of 6 79/86 pence each in the Company (the "**New Ordinary Shares**"): (i) to the Official List of the UKLA (the "**Official List**"); and (ii) to the London Stock Exchange's Main Market for listed securities (together "**Admission**") to rank pari passu with the existing Ordinary Shares in the Company already admitted to the Official List and to trading on the London Stock Exchange's Main Market for listed securities. A copy of this document has been filed with the FSA and has been made available to the public as required by section 3.2 of the Prospectus Rules. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 1 October 2007. In addition, the Company intends to seek a listing of all of its Ordinary Shares on Borsa Italiana's Mercato Telematico Azionario as soon as practicable following Admission.

See "Risk factors" in Part 2 for a discussion of certain risks and other factors that should be considered prior to any investment in the Ordinary Shares.

London STOCK EXCHANGE

London Stock Exchange Group plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 5369106)

Application for admission to the Official List and to trading on the London Stock Exchange of up to 79,568,067 Ordinary Shares in London Stock Exchange Group plc

EXPECTED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Authorised			Issued and fully paid	
Number	Nominal Value		Number	Nominal Value
350,000,000	**£24,215,116**	**Shares of 6 79/86p each**	**279,331,382**	**£19,325,834**

Each of Lehman Brothers and Merrill Lynch is acting exclusively for the Company and no one else in connection with the Admission. None of Lehman Brothers and Merrill Lynch will regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for the giving of advice in relation to Admission or any transaction or arrangement referred to in this document.

Dated: 25 September 2007

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or of Borsa Italiana since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Restrictions on sales of shares outside the United Kingdom

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended. No actions have been taken to allow a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan. Subject to certain exceptions, the New Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any of the New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

CONTENTS

PART 1 SUMMARY

*This summary must be read as an introduction to this Prospectus. Any decision to invest in Ordinary Shares should be based on consideration of this Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area ("**EEA**"), no civil liability will attach to those persons responsible for this summary in any such Member State, including any translations of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before legal proceedings are initiated.*

1. Introduction

On 23 June 2007, the boards of the London Stock Exchange Group plc (the "**Company**") and Borsa Italiana S.p.A. ("**Borsa Italiana**") announced agreement of the terms for a Proposed Merger, to be achieved by way of a recommended offer by the Company to the shareholders of Borsa Italiana for the issue of 4.9 Ordinary Shares (the "**New Ordinary Shares**") in the Company in consideration for the transfer to the Company of each share held in Borsa Italiana (the "**Offer**").

The Proposed Merger was approved by shareholders of the Company at an extraordinary general meeting held on 8 August 2007. The Offer has been accepted by 99.92 per cent. of the shareholders of Borsa Italiana.

This Prospectus has been prepared in relation to the additional ordinary share capital in the Company to be issued in connection with the Offer. It is expected that the Offer will complete, and that admission of the New Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange will become effective on 1 October 2007 (the "**Effective Date**"). In addition, the Company intends to seek a listing of its Ordinary Shares on Borsa Italiana's Mercato Telematico Azionario as soon as practicable following Admission.

The Proposed Merger is the most important step yet in realising the Company's and Borsa Italiana's shared vision to be the world's capital market. The Proposed Merger will diversify the product and customer bases of the two exchanges, will create cross-access opportunities for issuers, intermediaries and investors and enlarge the liquidity pool thereby reducing trading costs and the cost of capital. Together, Borsa Italiana and the Company will leverage their highly compatible and broad range of skills to accelerate the growth of their market places. From this position of increased strength with excellent growth prospects the board of the Company and its subsidiaries following completion of the Proposed Merger will continue to explore ways of creating shareholder value through strategic and other opportunities.

Following the Effective Date, the Company will become the holding company of both Borsa Italiana and the London Stock Exchange and their respective subsidiaries (together, the "**Enlarged Group**") and will continue to maintain the existing Borsa Italiana and London Stock Exchange brands. The Company will remain incorporated in the UK, but it is intended in the future that the Company be renamed to reflect its international profile.

2. Background to and reasons for the Proposed Merger

The industry in which Borsa Italiana and the Company's wholly owned subsidiary London Stock Exchange operate is undergoing a period of unprecedented change as globalisation continues to gather pace, regulatory changes present new market opportunities, and trading practices continue to evolve, underpinned by a step change in technology capacity and speed.

The management of the Enlarged Group intends to be at the forefront of these changes in order to grow more rapidly by extending its international strategy in the fast-evolving exchange industry. Through the Proposed Merger, Borsa Italiana and the Company are creating the leading diversified exchange group in Europe which will serve as the platform for additional strong growth on a European and global scale.

The Enlarged Group will bring together two highly efficient and complementary businesses, coupling the strengths of Borsa Italiana in Italian cash equities, derivatives, securitised derivatives, fixed income products and efficient post-trade services with those of the London Stock Exchange in UK and international equities. It will bring together the best of the Italian and UK market places, and build on the international profile of the Italian financial market place by capturing the attractive macro-economic and market growth dynamics of Italian equities.

3. Financial effects of the Proposed Merger

The complementarity of the businesses of Borsa Italiana and the London Stock Exchange provides a strong basis for enhanced growth and substantial revenue synergies. Furthermore, the Proposed Merger creates the opportunity for cost synergies, notwithstanding the high levels of efficiency already achieved by both businesses.

The Proposed Merger is expected to achieve pre-tax cost synergies and other transaction-related cost savings, comprising an equal split of IT and non-IT related savings, of £20 million (€29 million) annually, with the full run-rate being achieved in the financial year 2010. Furthermore, given the highly complementary nature of the two businesses and the prospects for growth that underpin the Proposed Merger, approximately £20 million (€29 million) of annual revenue synergies are estimated to be achieved in the financial year 2011.

The identified synergies do not in themselves mean that earnings for the financial year 2008 will be greater than for the financial year 2007. The transaction is expected to be earnings neutral to positive in the financial year 2008 and earnings accretive by at least 10 per cent. in the financial year 2009, excluding amortisation of purchased intangibles and integration costs. The statements in this paragraph 3 do not constitute a profit forecast and should not be interpreted to mean that the earnings of the Company or earnings per share in the financial year in which the Proposed Merger completes, or in any subsequent period, would necessarily be greater than those in the preceding financial year.

4. Capital management

The Company has a policy of active capital management, which it intends to continue. The Company announced in the Circular that the Board planned to use £350 million of bank facilities available, but not required, for the exercise of withdrawal rights by Borsa Italiana Shareholders pursuant to article 2437 and following of the Italian Civil Code, together with other cash available to the Company to return £500 million to its Shareholders by the way of tender or market purchases or by a combination of methods. In addition, as growth and synergies are realised through the Proposed Merger, the Board stated that it envisaged making further returns of capital, subject to prevailing market conditions, in line with its policy of active capital management, while maintaining its strategic objective of an investment grade credit rating.

The Company further announced in the Circular that its planned return of capital would also include all of the remaining cash that would otherwise have been used for the previously announced share buy-back programme of up to £250 million and that the Company had completed £154 million of this share buy-back programme.

The method of any such return of capital (which could include share repurchases or other methods of capital return) would be subject to a subsequent Board decision and in considering the return of capital the Board will have regard to the impact on earnings per share and the interests of Shareholders generally.

5. Information on London Stock Exchange

The London Stock Exchange is the most international equities exchange in the world and Europe's largest pool of liquidity. By the end of March 2007, the market capitalisation of UK and international companies on the London Stock Exchange's markets amounted to £4.6 trillion, with £7.1 trillion of equity business transacted over the financial year.

The principal business of the London Stock Exchange is:

- providing a market for the issuing and trading of securities by assisting companies to raise capital through the issue of securities;
- providing platforms for investors and intermediaries to trade these and other financial investments; and
- collecting and distributing market information.

The Company's success in building liquidity is exemplified by its success in capturing a large share of international public offerings, the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders, and the breadth of data distribution to investors and traders.

6. Information on Borsa Italiana

Borsa Italiana is a market operating company responsible for the organisation and management of the securities market in Italy, involving equities, bonds, derivatives and structured products. Borsa Italiana Group's main activities include the provision of IT systems for trading services, information services, clearing and settlement activities and central depositary operations. The responsibilities of Borsa Italiana are the listing and admission of financial instruments to its markets, admission of intermediaries, overseeing transaction activities and supervising disclosure by listed companies.

Borsa Italiana's cash equities business is the fourth largest in Europe in terms of average daily volume of order book trading. Borsa Italiana Group has developed the most efficient post trade services in Europe, and through its stake in Società per il Mercato dei Titoli di Stato S.p.A. ("**MTS**") controls Europe's leading electronic fixed income platform. Borsa Italiana is also the leader in Europe in the electronic trading of ETFs and securitised derivatives and has a highly developed retail market.

7. Significant shareholders

As at 21 September 2007 (the latest practicable date prior to the publication of this Prospectus), the Company had been notified of the following holdings of interests in the capital of the Company or voting rights (as defined in the Disclosure and Transparency Rules of the FSA) directly or indirectly in respect of three per cent. or more of the Company's issued share capital.

Name	Per cent. of the Company's issued ordinary share capital
Borse Dubai Limited	28.00
Qatar Investment Authority	20.86
Kinetics Asset Management Inc. / Horizon Asset Management Inc.	14.16
Credit Suisse Securities (Europe) Limited	6.66
ABN AMRO Bank NV London Branch	6.09

The Company's significant Shareholders have identical voting rights to all other Shareholders.

The Company is not aware of any person who can currently or who will, directly or indirectly, jointly or severally, own or exercise or could exercise control over the Company.

8. Summary financial information

The following table sets out selected financial data for the LSE Group extracted without material adjustment from the audited IFRS financial information described in Part 8 and which is incorporated by reference into this document:

	Year ended 31 March		
	2007 £m	2006 £m	2005 £m
Revenue excluding exceptional items	349.6	291.1	244.4
Operating profit before exceptional items	185.6	120.1	84.6
Profit on ordinary activities before taxation	161.5	93.5	92.2
Adjusted basic earnings per share	56.2p	37.4p	24.2p

The following table sets out selected audited financial data for Borsa Italiana extracted without material adjustment from the IFRS financial information (which has been prepared under the accounting policies of the Company) described in Part 8 which is incorporated by reference into this document.

	Year ended 31 December		
	2006 €m	2005 €m	2004 €m
Revenue	249.5	226.4	195.2
Operating profit	100.2	87.6	62.1
Profit on ordinary activities before taxation	102.1	87.5	61.5
Basic and diluted earnings per share	€ 3.66	€ 3.11	€ 2.15

9. Risk Factors

The Enlarged Group faces risks relating to the financial markets industry, including:

- the economic environment and business conditions in the savings market supply chain can affect investment in securities which may in turn affect the Enlarged Group's financial performance; and
- participants in the securities market are undergoing a significant level of corporate restructuring and consolidation. This may have consequences for exchanges such as those operated by the Enlarged Group.

The Enlarged Group faces risks to its business, including:

- a slowdown in trading activity might adversely affect the Enlarged Group's revenues and a significant shift of liquidity away from the Enlarged Group's markets would have a material impact on revenue;
- the Enlarged Group needs to continue to meet certain regulatory obligations in relation to its operations and the markets it maintains;
- competitive pressures on exchanges are expected to increase;
- any interruption or failure of the Enlarged Group's information technology or communications systems could have an adverse effect on the Enlarged Group's business. In addition, the London Stock Exchange has recently completed the renewal of its IT infrastructure. Major IT replacements of this kind can have high levels of risk attached;
- if contractual arrangements were breached by LCH.Clearnet Limited, this could impact the efficiency and competitiveness of the Enlarged Group's markets. In addition, operational and counterparty default risks may arise from the Enlarged Group's operation of CCP clearing services in Cassa di Compensazione e Garanzia S.p.A. ("**CC&G**"); and
- there are risks connected with the operation of settlement services including authorisation to provide such services and operational risks.

There are risks that the Enlarged Group may fail to realise the perceived benefits of the Proposed Merger, including:

- the Enlarged Group may not realise the expected benefits and synergies from the Proposed Merger or may encounter difficulties in achieving these anticipated benefits;
- the Enlarged Group plans to migrate the trading of Italian securities onto the TradElect ("**TradElect**") platform. Major IT projects of this kind can have high levels of risk attached;
- the Enlarged Group's stake in MTS of 60.37 per cent. will be insufficient to pass special resolutions, which require a two-thirds majority; and
- there is a risk that the conditions to the Proposed Merger may not be satisfied.

The Ordinary Shares in the Company also have certain risks, including:

- substantial future sales of Ordinary Shares could impact the market price of the Ordinary Shares;
- the Company is a holding company and relies on payments from its subsidiaries in order to pay dividends; and
- if the results and cash flows generated by Borsa Italiana or the London Stock Exchange are not in line with the Company's expectations, it may materially impact on the financial performance of the Enlarged Group.

10. Current trading, trends and prospects

London Stock Exchange Group plc

The recent financial performance of the Company continues to be very strong.

As reported in the Company's pre-close trading statement issued on 25 September 2007, the Company has delivered an excellent performance for the financial year to date. Primary market activity has been very strong with 68 new issues (including 25 by international companies) on the market for companies who have been admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange's Main Market. Trading on the London Stock Exchange's secondary markets grew significantly over the period, with average trades per day for the first five months on SETS of 551,000, up 75 per cent. on the same period last year. Such levels of trading were facilitated by TradElect, the new trading platform, together with adjustments to the volume discount scheme and increased trading on SETSmm. The number of terminals receiving real time exchange data has shown further good progress, increasing by 18,000 to 125,000 compared with the same time last year. EDX London Limited delivered very strong growth with a total 17.7 million contracts traded, including 2.5 million contracts for Russian derivatives.

The Company has made a very strong start to the year, buoyed by excellent trading performance in all core businesses. As indicated previously, the Company expects a modest rise in operating costs as the business continues to grow strongly, and remains on course to report an excellent outcome for the first half of the financial year and the financial year as a whole.

Borsa Italiana Group

In the first eight months of 2007, the Italian primary market was highly active, with 39 new listed companies, of which 24 came through initial public offers, making it the most active first eight months in the history of the Italian market. Trading in shares reached an average of 296,900 trades per day representing €6.4 billion (up 34 per cent. and 48 per cent. respectively on the corresponding period for the previous year).

New records were also set by ETF Plus (the market for ETFs and ETCs) which recorded a daily average of 4,800 trades representing €117 million, and SEDEX (the market for securitised derivatives) which recorded a daily average of 21,100 trades representing €394 million.

In the same period the daily average for fixed income securities was 11,100 trades representing €591 million on the MOT retail market. Equity derivatives on the IDEM reached a daily average all-time high of 151,300 standard contracts representing a €6.4 billion notional turnover.

Enlarged Group

The Enlarged Group will be Europe's leading equities business, with 48 per cent. of the FTSEurofirst 100, the index of leading European quoted companies and the most liquid order book by value and volume traded; Europe's leading market for electronic trading of exchange traded funds ("**ETFs**") and securitised derivatives; and Europe's leading fixed income market, through its interest in the electronic trading platform MTS.

11. Dividend policy

Following the Proposed Merger, the Enlarged Group intends to continue the Company's existing progressive dividend policy. The New Ordinary Shares shall be issued credited as fully paid and shall rank pari passu with the existing Ordinary Shares in the Company and shall carry the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Ordinary Shares.

12. Capitalisation and indebtedness

As at 31 July 2007, total current debt of LSE Group was £51.7 million and total non-current debt was £412.0 million. Total capitalisation was £13.8 million.

13. Board and Senior Managers

The Board of the Company following Completion is expected to be as set out below:

Board

Chris Gibson-Smith, Chairman
Angelo Tantazzi, Deputy Chairman
Clara Furse, Chief Executive
Massimo Capuano, Deputy Chief Executive
Jonathan Howell, Director of Finance
Janet Cohen, Non-Executive Director
Sergio Ermotti, Non-Executive Director
Oscar Fanjul, Non-Executive Director
Andrea Munari, Non-Executive Director
Paolo Scaroni, Non-Executive Director
Nigel Stapleton, Non-Executive Director
Robert Webb QC, Non-Executive Director

Current Senior Managers of the Company

Martin Graham, Director of Market Services
David Lester, Chief Information Officer
David Pitman, Director of Marketing
Nic Stuchfield, Director of Corporate Development
John Wallace, Director of Media Relations

Key individuals of Borsa Italiana

Paolo Ciccarelli, Chief Financial Officer
Paolo Cittadini, General Manager of Monte Titoli S.p.A.
Andrea Giochetta, Chief Executive Officer of BIt Systems S.p.A.
Raffaele Jerusalmi, Markets Executive Director
Michele Monti, Legal & Institutional Affairs Executive Director
Bruno Siracusano, New Business Executive Director
Renato Tarantola, Chief Executive Officer of CC&G

The above lists only include the Senior Managers of the Company and Borsa Italiana's key individuals as at the date of this Prospectus. The senior managers of the Enlarged Group will be identified following Completion.

PART 2 RISK FACTORS

Any investment in the Ordinary Shares would be subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the following risk factors in addition to the other information contained in the Prospectus. The risks and uncertainties described below are those which, if they arose, in the opinion of the Directors and the Company could have an adverse effect on LSE Group's or the Enlarged Group's business, results of operations or financial condition. If this were to lead to a decline in the trading price of the Ordinary Shares, prospective investors may lose all or part of their investment. Additional risks and uncertainties relating to the Enlarged Group that are not currently known to the Company, or that it currently deems immaterial, may also have an adverse effect on the Company's business, financial condition and operating results. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Risks relating to the financial markets industry

Economic environment

Business conditions in the savings market supply chain can affect investment in securities. These conditions are influenced by a variety of factors including: demographic changes including the behaviour of the population in saving to pay for future obligations, the fiscal and monetary policies of governments and central banks; and any changes in EU and domestic legislation. Such changes may impact the ability of the Enlarged Group to achieve its targets. The Enlarged Group is not in a position to influence these factors directly and it is not always possible to predict or foresee the occurrence or scale of their impact on the business.

Structure of the industry

In response to the gradual liberalisation of world financial markets, participants in the securities market are undergoing a significant level of corporate restructuring. In particular, a high proportion of business in the securities market is becoming increasingly concentrated in a smaller number of institutions and the Enlarged Group's revenue may therefore become concentrated among a smaller number of customers. Further restructuring in the global exchange sector, were it to occur, could impact the Enlarged Group's ability to implement its strategy.

Risks relating to the business of the Enlarged Group

Market activity

The Enlarged Group's revenues and profitability are dependent upon the levels of activity on its markets. A slowdown in trading activity could lead to a decrease in trading volumes and fewer initial public offerings as well as to a drop in the number of information terminals receiving the relevant market data. Furthermore, given that Borsa Italiana Group's post-trading services are connected with the activity on both its own and third-party markets, the general level of market activity may have an impact on revenues and margins generated by the provision of these services. Such slowdown might adversely affect the Enlarged Group's revenues.

RIE regulation

The London Stock Exchange is authorised by the FSA as a RIE. In order to obtain RIE status, a body must satisfy the Recognition Requirements which include: the provision of proper and orderly markets; sufficiency of financial resources; safeguards for investors; monitoring and enforcement; and investigation of complaints. These requirements apply to all markets operated by the London Stock Exchange. If a RIE fails to continue to meet such Recognition Requirements, or if the RIE fails to comply with any obligation to which it is subject under FSMA 2000, then the FSA has the power to direct compliance by the RIE with such requirements and ultimately to revoke the RIE's recognition.

Regulation of Borsa Italiana

Borsa Italiana is authorised by Consob, the Italian securities and exchange commission, as the management company of regulated markets. In order to obtain authorisation to manage regulated markets, certain requirements must be satisfied which include minimum capital, integrity and experience requirements for persons performing administrative and management functions. Borsa Italiana is subject to supervision by Consob in accordance with the provisions of the law on financial intermediation ("**TUF**"). In addition, Consob supervises the regulated markets operated by Borsa Italiana (pursuant to the provisions of TUF) with the aim of ensuring transparency of the markets, orderly conduct of trading and protection of investors. Failure to adhere to Consob requirements could lead to Borsa Italiana's authorisation being revoked.

The Ministry for the Economy and Finance in Italy has the power to dissolve the administrative and control bodies of the market management company and to confer their powers to a special administrator in the event of serious irregularities in the management of markets or in the administration of market management companies and whenever necessary for the protection of investors. Where such irregularities prove to be particularly serious, the Ministry for the Economy and Finance can issue a decree revoking the authorisation to manage regulated markets.

Competitive pressure

The terms under which business has been conducted in the European Union have been further liberalised by MiFID, the Markets in Financial Instruments Directive, which is expected to come into effect on 1 November 2007. This legislation is intended to achieve increased transparency in transactions in securities traded on regulated markets and requires all business in securities traded on regulated markets to be published via a reporting venue irrespective of where the trade takes place. This legislation presents market participants with the opportunity to conduct and publish trades in different ways and on alternative venues, thereby removing national concentration rules where they exist, such as in Italy. MiFID provides the Enlarged Group with the opportunity to compete for pan-European trade reporting as well as generating a competitive threat for existing trade reporting revenues earned by the London Stock Exchange and Borsa Italiana, and execution fees earned by Borsa Italiana.

The Enlarged Group also faces competition from other exchanges as well as from Multilateral Trading Facilities and systematic internalisation by member firms. This competition may intensify in the near future especially as technological advances create pressure to reduce the costs of trading.

Competition among trading venues might increase competition to Borsa Italiana and the London Stock Exchange in the business of value added services, such as the provision of data. In addition, the information service vendors might be in a better position to collect and disseminate data, creating a threat to existing information services revenues.

Borsa Italiana Group and the London Stock Exchange are among the signatories of the European Code of Conduct for Clearing and Settlement signed on 7 November 2006 (the "**Code of Conduct**"). The Code of Conduct aims to offer market participants the freedom to choose their preferred provider of services separately at each layer of the transaction chain (trading, clearing and settlement). Competition among post-trading organisations might intensify as a result of the implementation of the provisions of the Code of Conduct leading to a potential loss of market share for Borsa Italiana in Italian equities clearing.

The European Central Bank has indicated a plan to create a centralised settlement mechanism for Eurozone equities (to be known as Target 2 for Securities or T2S). This is expected to reduce barriers for competition in settlement services in Europe, opening up new business opportunities for Monte Titoli, although there is a risk that there could be an impact on the settlement revenues of Monte Titoli.

MTS competes with other trading platforms and with brokers for trading in wholesale fixed income products. If competitors are better able to provide a market model to meet evolving customer requirements for trading in these products, this could lead to a loss of trading at MTS with a consequent impact on MTS's revenues.

Liquidity shift

A significant shift of liquidity away from the markets of London Stock Exchange or Borsa Italiana would have a material impact on revenue for all core divisions due to the interdependencies in the London Stock Exchange's and Borsa Italiana's respective businesses. A liquidity shift could occur where: a new entrant provides lower pricing and better quality of service; a new entrant can provide these services at lower cost; customers are dissatisfied with the incumbent provider; there is a powerful, concentrated customer group; the customer group moves in a co-ordinated fashion; there are no regulatory or political barriers; and there is full access to clearing and settlement infrastructure. The Enlarged Group may also suffer from having a significant overlap of major global intermediaries, should they attempt to execute business away from the exchanges within the Enlarged Group.

IT infrastructure

Services for the provision of a platform for the execution, clearing and settlement of securities trades and for the collection and aggregation of trade and price information predominantly depend on technology which is secure, stable and performs to high levels of availability and throughput. The Enlarged Group operates sophisticated technology platforms and service management processes in conjunction with Accenture, SIA, OMX and other strategic technology partners. In the event of a failure of these infrastructures, revenue and customer goodwill could be adversely impacted.

The London Stock Exchange has recently completed the renewal of its IT infrastructure to create a more modern, scalable and agile platform which can be operated at lower cost (TRM). Major IT replacements can have high levels of risk attached to them and there is no guarantee that the new system will bring all the benefits foreseen. In this event, the strategic flexibility of the Enlarged Group could be hampered and its ability to respond to customer needs for services or keener pricing could be reduced.

External service providers

The maintenance and operation of efficient IT platforms is critical to the business of the Enlarged Group. The Enlarged Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect their businesses. The Enlarged Group currently outsources the majority of its IT development and operations. Failure by the outsourced suppliers to meet their obligations could impact the Enlarged Group's businesses.

IT insourcing

The Company intends to bring in-house with effect from 1 October 2007 the IT maintenance services currently managed by Accenture under a services management agreement. Failure to properly manage this transition could lead to increased risk of service interruption, loss of key personnel, or delays in implementation of new systems which could adversely affect the Enlarged Group's business.

Borsa Italiana Group has announced its intention to bring in-house with effect no later than 31 December 2007 the IT operations supporting the cash trading system, information systems and clearing systems currently managed by SIA. This process is currently in progress and will involve the implementation of a new technical infrastructure (network and hardware) that will be directly provided and managed by Borsa Italiana Group. Failure to properly manage this transition could lead to increased risk of service interruption, loss of key personnel, or delays in implementation of new systems which could adversely affect Borsa Italiana Group's business.

Clearing services

Clearing services for securities on the London Stock Exchange's markets are provided by LCH.Clearnet, a subsidiary of LCH.Clearnet Group Limited, which, at present, is partly owned by a competitor of the London Stock Exchange. The Company has in place detailed contractual provisions designed to ensure the fair treatment of the London Stock Exchange and its customers by LCH.Clearnet. In the event that such contractual arrangements are breached by LCH.Clearnet, this could impact on the efficiency and competitiveness of the London Stock Exchange's markets. The Company has entered into a letter of intent with SIS setting out terms on which SIS would provide clearing services to customers of the London Stock Exchange, which would provide customers of the London Stock Exchange with a choice of clearing partner for equity trades.

Clearing services for securities traded on the Borsa Italiana markets are provided by CC&G. CC&G acts as the central counterparty clearing house which clears business transacted both on its own markets (mainly in Italian equities, equity derivatives and equity index derivatives) and also business executed on other markets, such as Italian government bonds and repo business transacted on MTS and ICAP's BrokerTec platform.

Borsa Italiana has in place a detailed services agreement with CC&G, governing the provision of clearing services. The services agreement details the standards for the provision of clearing services as well as CC&G's responsibilities. In the operation of such clearing services, Borsa Italiana may be exposed to operational risks deriving from interruption or functional anomalies of clearing services.

The management and provision of clearing services is regulated, inter alia, by article 77 of TUF and by the implementing legislation (Bank of Italy resolution of 22 October 2002). Article 77 of TUF provides that the provision of clearing services is subject to oversight by Bank of Italy and Consob. Such authorities may carry out inspections and, if necessary, Bank of Italy may adopt any measures considered appropriate. In addition, article 77 of TUF provides that Bank of Italy may act directly in the place of the administrators and managers of the systems and services.

Acting as a central counterparty, CC&G is exposed to the risk of default by its clearing members. CC&G closely monitors its exposure to clearing members, and addresses this exposure by holding collateral in the form of margin deposits from clearing members and by maintaining default funds of clearing members' contributions. Default by a clearing member could adversely affect Borsa Italiana Group's revenues and its customers' goodwill and, in extreme circumstances, could lead to a call on CC&G's own capital, potentially impacting its capacity to continue to do business.

Settlement services

Settlement services for securities traded on Borsa Italiana's markets are provided by Monte Titoli (save for those for which the settlement system is not that referred to in article 69 of TUF). Borsa Italiana has in place a detailed service agreement with Monte Titoli governing the provision of settlement services. The service agreement details the standards for the provision of services as well as Monte Titoli's responsibilities. In the operation of such settlement services, Borsa Italiana may be exposed to operational risks deriving from interruption or functioning anomalies of such services.

The management and provision of settlement services is regulated by articles 69 and 77 of TUF and by the implementing legislation (Bank of Italy resolution of 8 September 2000). The provision of settlement services must be authorised by Bank of Italy. Such authorisation can only be issued to a company managing the activity of central depository. The operation of settlement services is subject to Bank of Italy's and Consob's oversight. If necessary and/or in an emergency, Bank of Italy may adopt all appropriate measures to ensure the timely closure of settlement, and may act directly in the place of the administrators and managers of the systems and services. Bank of Italy, in agreement with Consob, in extreme cases may revoke the authorisation.

Intellectual property rights

The Enlarged Group protects its intellectual property by relying upon a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, strategic partners and others. The protective steps the Enlarged Group has taken may be inadequate to deter misappropriation of its proprietary information. Further, defending its intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Enlarged Group's business, financial condition and operating results.

Capital

In order to develop its business, the Board expects that the capital requirements of the Enlarged Group will be met from existing cash resources, internally generated funds and access to lending facilities. However, based on a variety of factors, including the rate of market acceptance of new products, the cost of service and technology upgrades, regulatory costs and other costs beyond the control of the Enlarged Group, capital requirements may vary from those currently planned. There can be no assurance that capital will be available in the longer term on a timely basis, on favourable terms or at all.

Exchange rate fluctuations

The Enlarged Group will be subject to risks associated with exchange rate fluctuations. The Enlarged Group will file its consolidated financial reports and accounts in sterling and pay dividends to Shareholders in sterling, although Borsa Italiana Group will generate its revenue in Euros. There can be no assurance that the resources which the Enlarged Group will devote to managing currency risk will be successful in negating the potential impact of risks associated with the volatility in foreign currency rates. Such rates or changes could have a material adverse effect on the value of the Enlarged Group's future cash flow required to pay dividends and on its results of operations and financial condition.

Competition risk

In 2003, following an inquiry into its issuer fees, London Stock Exchange provided an undertaking to the UK Office of Fair Trading not to increase UK annual and admission fees for the Main Market and AIM by more than the increase in the Office of National Statistics service sector wage index in the period from April 2003 to April 2007. In addition, the London Stock Exchange reduced annual and admission fees for AIM and annual fees for the Main Market to levels agreed with the UK Office of Fair Trading. The undertaking to the UK Office of Fair Trading expired in April 2007, but the impact on pricing may continue beyond 2007.

Property

The Enlarged Group has a portfolio of freehold and leasehold property. Damage to, or destruction of, property could impair the conduct of business and adversely impact revenue.

Employees

The success of the Enlarged Group depends, inter alia, upon the support of its employees and, in particular, the Executive Directors and senior managers within business divisions. The loss of key members of the Enlarged Group's staff could have a material adverse effect on its performance.

Borrowings

The Enlarged Group has existing borrowings with obligations to meet regular interest payments and comply with associated covenants. If the Enlarged Group's earnings fall substantially from current levels, this may result in restrictions being placed on future financing and operating activities.

The Enlarged Group may require additional funds in the longer term if its current position changes and the Enlarged Group may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available, may require restrictions to be placed on the Enlarged Group's future financing and operating activities.

Risks relating to the Proposed Merger

The Enlarged Group may fail to realise the perceived benefits of the Proposed Merger

The Enlarged Group may not realise the expected benefits and synergies from the Proposed Merger or may encounter difficulties in achieving these anticipated benefits. There can be no assurance that the Enlarged Group will realise these benefits in the time expected or at all. In addition, there can be no assurance that the costs of the implementation of the expense savings programme will not exceed those estimated. This could have a negative impact on the business, operating profit or overall financial condition of the Enlarged Group.

Issues may arise on integration of the IT systems

The Enlarged Group plans to migrate the trading of Italian securities onto the TradElect platform. Major IT projects of this kind can have high levels of risk attached to them and there is no guarantee that the new system will bring all the benefits foreseen. In this event, the strategic flexibility of the Enlarged Group could be hampered and its ability to respond to customer needs for services could be reduced.

The Enlarged Group may be constrained by the presence of minority shareholders in some of its subsidiaries

The presence of minority shareholders in Borsa Italiana and the presence of minority shareholders in CC&G, could limit the Enlarged Group's ability to implement corporate reorganisations, distributions or other actions in the limited circumstances where the rights of minority shareholders are protected. The Enlarged Group's stake in MTS will be insufficient to pass special resolutions, which require a two-thirds majority. Accordingly, pursuant to the By-Laws of MTS, the Enlarged Group may not be able, without the favourable vote of at least 67 per cent. of the capital of MTS, to adopt resolutions to amend the By-Laws of MTS on certain matters, inter alia, to change the city of the MTS registered office, the corporate purpose of MTS, the pre-emption rights, share transfer restrictions, shareholder meeting requirements, organisation of the management board and supervisory board. Without the favourable vote of at least 67 per cent. of the capital of MTS, the Enlarged Group may also not be able to pass resolutions for merging or de-merging MTS with other companies, for winding-up, reorganisation or dissolution of MTS or of its subsidiaries, for insolvency proceedings, or for redemption, purchase, repurchase or other acquisition for value of any MTS shares or any debt securities of MTS.

The exercise of the MBE Option may trigger change of control clauses in some MTS subsidiaries

Certain subsidiaries within the MTS Group are jointly owned with customers or other partners. Three of these include in their by-laws or in a shareholders' agreement provisions triggered by a change of control of MTS, which may be triggered by the exercise of the MBE Option although arrangements are in place in relation to two of these subsidiaries to prevent this from occurring. As a result the Enlarged Group may be obliged to sell stakes in certain MTS subsidiaries, with a consequent loss of earnings.

The Proposed Merger is conditional and the conditions may not be satisfied

The Proposed Merger is conditional, amongst other things, upon regulatory approvals and antitrust clearances. There can be no assurance that these conditions will be fulfilled to the satisfaction of the Company or that Completion will be achieved, but the Board is confident that the conditions will be met to their satisfaction, and have discretion to waive certain conditions. In addition, the regulatory approval processes and/or the antitrust clearance processes may take a lengthy period to complete, which could delay Completion. Although the Board is confident that the required approvals will be obtained, there can be no assurance as to the timing or outcome of the approval processes, including the undertakings that may be required for approval. If Completion proceeds without such regulatory approvals it is possible that the Company or the Enlarged Group may be subject to penalties, including fines or censure, sale of certain interests or restrictions on voting rights.

Risks relating to the Ordinary Shares

Substantial future sales of Ordinary Shares could impact the market price of the Ordinary Shares

Upon Completion it is expected that the Borsa Italiana Shareholders will in aggregate hold up to 79,449,753 Ordinary Shares, representing approximately 28.4 per cent. of the issued Ordinary Share capital of the Company. Sales of substantial amounts of Ordinary Shares could adversely affect the prevailing market price of the Ordinary Shares. Any such sales could also make it difficult for the Enlarged Group to issue equity securities in the future at a time and at a price that it deems appropriate.

Payment of dividends

The Company is a holding company and will not conduct business of its own. Dividends from the Company's direct subsidiary, the London Stock Exchange and its subsidiaries, and following the Proposed Merger, dividends from Borsa Italiana and its other subsidiaries together with any investment income, are expected to be the Company's sole source of funds to pay expenses and to finance dividends, if any, for distribution to the Company's Shareholders. The inability of the Company's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable the Company to meet its cash requirements at the holding company level could have a material adverse effect on its business and its ability to pay dividends. Existing Borsa Italiana Shareholders which did not accept the Offer will remain as minority shareholders entitling them to receive a share of dividends paid by Borsa Italiana.

Borsa Italiana may not perform in line with expectations

If the results and cash flows generated by Borsa Italiana Group are not in line with the Company's expectations, it may materially impact on the financial performance of the Enlarged Group and a write-down may be required against the carrying value of its investment in Borsa Italiana. Such a write-down may affect the Enlarged Group's business and may also reduce the Company's ability to generate distributable reserves by the extent of the write-down, and consequently affect the Enlarged Group's ability to pay dividends.

PART 3 GENERAL INFORMATION

Responsible persons

The Directors of the Company, the Prospective Directors of the Company to be appointed upon Completion, all of whose names appear set out immediately below, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors, the Prospective Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Directors, Prospective Directors, Company Secretary, Registered Office and Advisers

Directors

Chris Gibson-Smith, Chairman
Clara Furse, Chief Executive
Jonathan Howell, Director of Finance
Janet Cohen, Non-Executive Director
Oscar Fanjul, Non-Executive Director
Nigel Stapleton, Non-Executive Director
Robert Webb Q.C., Non-Executive Director

Prospective Directors

Angelo Tantazzi, Deputy Chairman
Massimo Capuano, Deputy Chief Executive
Sergio Ermotti, Non-Executive Director
Andrea Munari, Non-Executive Director
Paolo Scaroni, Non-Executive Director

The Prospective Directors will be appointed to the Board with effect from Completion.

Company Secretary

Lisa Condron

Head Office, Registered Office and Directors' Address

10 Paternoster Square
London EC4M 7LS

Joint Sponsors and Joint Financial Advisers in relation to the Proposed Merger

Lehman Brothers Europe Limited
25 Bank Street
London E14 5LE

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Brokers

JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

Lehman Brothers Europe Limited
25 Bank Street
London E14 5LE

Auditors and Reporting Accountants

PricewaterhouseCoopers LLP
Hays Galleria
1 Hays Lane
London SE1 2RD

Legal Adviser to the Company

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Information regarding forward-looking statements

This document includes forward-looking statements which reflect the Company's, Borsa Italiana's, the Enlarged Group's or, as appropriate, the Directors' and Prospective Directors' current views as to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Enlarged Group) and future benefits of the Proposed Merger. These statements typically contain words such as "anticipate", "believe", "estimate", "expect", "forecast", "intend", "may", "plan", "prospects", "should", "targets", or the negative thereof, or other variations thereof, or comparable terminology indicating expectations or beliefs concerning future events. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary," "Risk factors," "Information on the Enlarged Group" – "Information on the Company's business" and "Information on Borsa Italiana's business" and "Operating and financial review" regarding strategy and other future events or prospects are forward-looking statements. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's and Borsa Italiana's control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are, or will be, a number of factors that could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified elsewhere in this document as well as the following possibilities: future revenues are lower than expected; competitive pressures in the industry increase; general economic conditions or conditions affecting the industry, whether internationally or in the places Borsa Italiana does business, the Company does business, or the Enlarged Group will do business are less favourable than expected; and/or conditions in the securities market are less favourable than expected.

Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules and save as required by law, the Company does not undertake any obligation to update the forward-looking statements to reflect actual results, or any change in events, conditions or assumptions or other factors. Forward-looking statements are not guarantees of future performance and actual results of operations, financial condition and liquidity, and the development of the industry in which the Company, Borsa Italiana or the Enlarged Group operate may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus.

Presentation of information

Unless otherwise indicated, all references in this prospectus to "sterling", "pounds sterling", "£", "pence" or "p" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent.. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

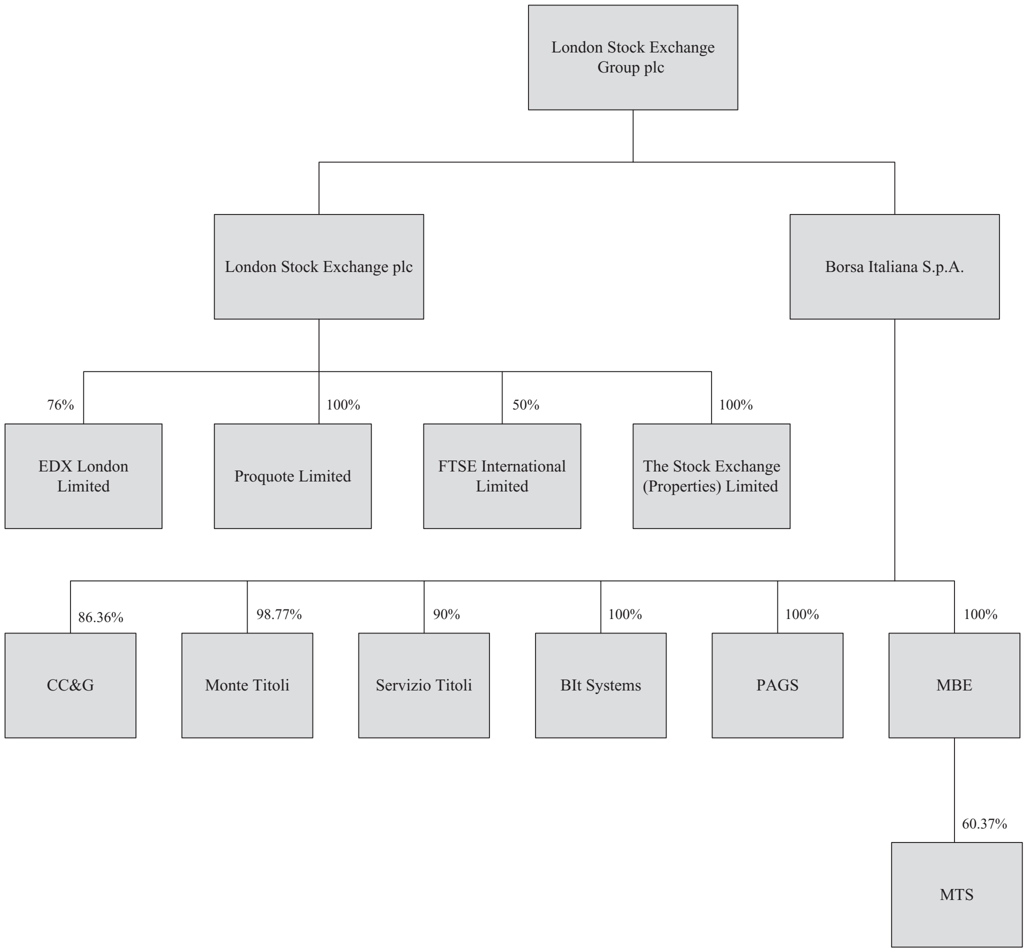
Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in the section headed "Definitions" in Part 11.

PART 4 INFORMATION ON THE ENLARGED GROUP

1. Proposed Merger of Borsa Italiana S.p.A. and London Stock Exchange Group plc

On 23 June 2007, the boards of Borsa Italiana and the Company announced agreement of the terms of the Proposed Merger to be achieved by way of a recommended offer by the Company to the shareholders of Borsa Italiana for the issue of 4.9 Ordinary Shares (the "**New Ordinary Shares**") in the Company in consideration for the transfer to the Company of each share held in Borsa Italiana (the "**Offer**"). The Proposed Merger was approved by shareholders of the Company at an extraordinary general meeting held on 8 August 2007. The Offer has been accepted by 99.92 per cent. of the Borsa Italiana Shareholders.

Following the Effective Date, the Company will become the holding company of both Borsa Italiana and the London Stock Exchange and their respective subsidiaries and will continue to maintain the existing Borsa Italiana and London Stock Exchange brands. The Company will remain incorporated in the UK, but it is intended in the future that the Company be renamed to reflect its international profile. The corporate structure of the Enlarged Group will be as follows[1]:



1 Diagram only includes significant subsidiaries and undertakings

The industry in which Borsa Italiana and the Company's wholly owned subsidiary, the London Stock Exchange, operate is undergoing a period of unprecedented change as globalisation continues to gather pace, regulatory changes present new market opportunities, and trading practices continue to evolve, underpinned by a step change in technology capacity and speed.

The management of the Enlarged Group intends to be at the forefront of these changes in order to grow more rapidly by extending its international strategy in the fast-evolving exchange industry. Through the Proposed Merger, Borsa Italiana and the Company are creating the leading diversified exchange group in Europe which will serve as the platform for additional strong growth on a European and global scale.

The Enlarged Group will bring together two highly efficient and complementary businesses, coupling the strengths of Borsa Italiana in Italian cash equities, derivatives, securitised derivatives, fixed income products and efficient post-trade services with those of the London Stock Exchange in UK and international equities. It will bring together the best of the Italian and UK market places, and build on the international profile of the Italian financial market place by capturing the attractive macro-economic and market growth dynamics of Italian equities.

The Enlarged Group will be:

- Europe's leading equities business, with 48 per cent. of the FTSEurofirst 100, the index of leading European quoted companies (the "**FTSEurofirst 100**") and the most liquid order book by value and volume traded;
- Europe's leading market for electronic trading of exchange traded funds ("**ETFs**") and securitised derivatives; and
- Europe's leading fixed income market, through its interest in the electronic trading platform Società per il Mercato dei Titoli di Stato S.p.A. ("**MTS**").

Moreover, the Enlarged Group will operate:

- the most advanced trading platform of any exchange; and
- the most efficient post-trade services in Europe.

The Proposed Merger will create a leading force in a broad range of businesses and provides strong foundations for the Enlarged Group's strategic positioning and future development in a number of areas.

Unique global strategic position

The Proposed Merger further strengthens the unique strategic position of the Enlarged Group and enhances its attractiveness as the partner of choice for other exchanges, both in the pursuit of collaborative opportunities and in the rapidly evolving world of exchange consolidation.

Largest European equities liquidity pool

The Enlarged Group will offer extensive coverage of the European markets with 48 per cent. of the FTSEurofirst 100 and leadership in terms of average daily value traded and number of order book trades. This will provide new trading opportunities for investors, thereby increasing the attractiveness of the Enlarged Group's markets for the deployment of global risk capital. The Proposed Merger will also strengthen Europe's leading ETF and securitised derivatives electronic trading platform.

Primary European and global listings venue

The Proposed Merger will consolidate the London Stock Exchange's lead as the primary centre for international companies and increase the visibility and access to European and global capital for issuers. The Enlarged Group will be the international and European market of choice for listings with over 3,500 listed companies from 69 countries.

The Proposed Merger will build on the global success of AIM enabling the development of new growth market opportunities, targeted at Italian and Continental European mid and small cap companies.

Leading European fixed income trading platform

On 14 September 2007, following the exercise of the MBE Option, MBE became a wholly owned subsidiary of Borsa Italiana and therefore the Enlarged Group will control MTS. The Proposed Merger will offer potential to extend MTS's offering into new markets and products such as the rapidly expanding European corporate bond markets, other new international markets and UK fixed income products.

World leader in trading technology

London Stock Exchange has built and delivered the world's most advanced exchange trading infrastructure. The deployment of this technology across the trading communities of both markets will accelerate the structural shift in equity trading by increasing the attractiveness of the combined markets, in particular to the rapidly expanding high velocity electronic trading community. This will drive further cost reductions and, in turn, stimulate additional business by extending the virtuous circle.

Most efficient provider of post-trade services in Europe

Borsa Italiana is acknowledged as the lowest cost provider of post-trade services, including central counterparty clearing and central securities depositary services, in Europe. As a result, the Enlarged Group will be strongly positioned to take advantage of market opportunities presented by the future implementation of the European Code of Conduct on Clearing and Settlement, signed by trading and post-trading infrastructure providers on 7 November 2006, which enables greater customer choice in the area of clearing and settlement.

A leading innovator in global information services

The Enlarged Group's information services offering will include a wide range of data and information services products supplying real-time prices, news and other information to the global financial community via a network of nearly 900,000 terminals across 106 countries. Opportunities exist to build further on this enhanced franchise in an expanding global market for sophisticated reference data and value-added information products.

Diverse derivatives market

The Proposed Merger offers potential opportunities to cross-sell Italian and international equity derivatives to EDX London Limited's and Borsa Italiana's Italian derivatives market ("**IDEM**") members, leveraging the Enlarged Group's position in a wide range of underlying markets to develop and build upon both exchanges' records for new and innovative product offerings.

2. Benefits to Customers

The Proposed Merger is expected to deliver substantial benefits to the Enlarged Group's issuer, intermediary and investor customers, strengthening the Italian financial market place and the City of London.

Issuers are expected to benefit from access to a wider investor base and reduced cost of capital, driven by the benefits of access to the Enlarged Group's liquidity pool in equity and fixed income products.

Intermediaries will have the opportunity to grow their corporate finance and trading businesses, brought about by cross-market access and supported by world-leading trading technology and Europe's most efficient post-trade services.

Investors will have a wider range of investment opportunities from an enlarged liquidity pool across the Enlarged Group's markets, and its enhanced ability to use this as a base for the development of new products.

3. Strategy

The Enlarged Group's strategy is built upon the London Stock Exchange's vision to be the world's capital market and, through doing so, create superior value for shareholders and customers. This is a vision that is shared by Borsa Italiana and the Enlarged Group will be well placed to achieve this compelling vision.

The existing strategy has three key elements:

- extending the Enlarged Group's lead in domestic and international markets. The quality of the Enlarged Group's markets will continue to be underpinned by the shared principle of mutual advantage which builds on the relationships between the Enlarged Group and its increased customer base, which makes the market more efficient;

- leveraging LSE Group's core strengths to diversify the business. LSE Group's market position at the heart of the most international financial centre in the world, and its internationally recognised brand, provide a strong basis on which the LSE Group seeks to diversify into contiguous markets, products or services where it can leverage its competitive edge in technology, markets and its customer franchise. The Proposed Merger will, in particular, give the Enlarged Group strong positions in both bond trading (where the Enlarged Group will own the leading European electronic bond trading platform) and derivatives (where the Enlarged Group will become the third largest derivatives exchange in Europe); and
- promoting the growth and efficiency of capital markets. As an operator and developer of markets, the Company places at the centre of the Enlarged Group's strategy the philosophy that what is profitable for the Enlarged Group's customers and the market creates value for the Enlarged Group and its shareholders. The Enlarged Group aims to develop more efficient markets through innovation in market structure, technology and by investing in customer relationships. More efficient markets reduce the cost of equity capital for companies and the cost of trading for investors and intermediaries. This increases trading volumes which in turn makes the market more liquid and efficient, fuelling the virtuous circle which continuously drives the growth of the Enlarged Group's businesses. The transaction enhances the Enlarged Group's position in a number of respects: by enabling a broader range of investors and intermediaries to access the central markets in the UK and Italy, by deploying the London Stock Exchange's world-leading TradElect platform for Italian equities and by enabling users of the UK market to access Borsa Italiana's post-trade services (especially CC&G) – the most cost-efficient in Europe.

The Proposed Merger is the most important step yet in realising the Company's and Borsa Italiana's shared vision to be the world's capital market. The Proposed Merger will diversify the product and customer bases of the two exchanges, will create cross-access opportunities for issuers, intermediaries and investors and enlarge the liquidity pool thereby reducing trading costs and the cost of capital. Together, Borsa Italiana and the Company will leverage their highly compatible and broad range of skills to accelerate the growth of market places. From this position of increased strength with excellent growth prospects, the board of the Company and its subsidiaries following completion of the Proposed Merger will continue to explore ways of creating shareholder value through strategic and other opportunities.

4. Governance and management

With effect from Completion, the Company will be the holding company of the Enlarged Group. The Company will retain a unitary board which will continue to operate in accordance with United Kingdom corporate governance principles including the Combined Code. The Board following Completion will comprise 12 members, seven directors nominated by the existing Board (who shall include the Chairman and the two Executive Directors of the Company), and five directors nominated by the board of Borsa Italiana (the "**Borsa Italiana Board**"), who shall include the present Chairman and the present Chief Executive of Borsa Italiana and three non-executive directors, Sergio Ermotti, Andrea Munari and Paolo Scaroni. Chris Gibson-Smith will continue as Chairman of the Company and Clara Furse will continue as Chief Executive. Professor Angelo Tantazzi, the present Chairman of Borsa Italiana, shall become the Deputy Chairman of the Company and Massimo Capuano, the present Chief Executive of Borsa Italiana, shall become the Deputy Chief Executive of the Company, responsible for the integration process of Borsa Italiana and the Company.

In addition, the Company's Nominations, Remuneration and Audit Committees will be reconstituted to comprise, in each case, three directors to be nominated by the existing Board and two directors to be nominated by the Borsa Italiana Board. Chris Gibson-Smith will chair the Nominations Committee and the Chairman of Borsa Italiana will also be a member of the Nominations Committee.

Following the Effective Date the board of London Stock Exchange will comprise 11 directors with five executive directors and six non-executive directors. The board of directors of Borsa Italiana is expected to comprise 12 directors, with four executive directors (planned to increase to five in 2008), and eight non-executive directors (planned to decrease to seven in 2008).

The Board will be constituted as follows following Completion:

Board

Chris Gibson-Smith, Chairman
Angelo Tantazzi, Deputy Chairman
Clara Furse, Chief Executive
Massimo Capuano, Deputy Chief Executive
Jonathan Howell, Director of Finance
Janet Cohen, Non-Executive Director
Sergio Ermotti, Non-Executive Director
Oscar Fanjul, Non-Executive Director
Andrea Munari, Non-Executive Director
Paolo Scaroni, Non-Executive Director
Nigel Stapleton, Non-Executive Director
Robert Webb QC, Non-Executive Director

Senior Managers

Martin Graham, Director of Market Services
David Lester, Chief Information Officer
David Pitman, Director of Marketing
Nic Stuchfield, Director of Corporate Development
John Wallace, Director of Media Relations

The above lists only include the Senior Managers of the Company as at the date of this Prospectus. The senior managers of the Enlarged Group will be identified following Completion.

Board of Directors

The Board will be responsible to Shareholders for achieving the Enlarged Group's strategic objectives and will be accountable to Shareholders for financial and operational performance. There is a written list of matters which may be approved only by the Board including:

- the Company's corporate strategy;
- the annual budget;
- policies in relation to risk management, health and safety and environmental matters;
- increases or variations to borrowing facilities;
- committing to major capital expenditure or acquisitions; and
- dividend policy.

The Board also views the London Stock Exchange's brand and the London Stock Exchange's reputation as a RIE as important assets of the Enlarged Group and protection of brand and reputation are key parts of the Board's role.

At each of its regular meetings the Board will receive a full written report from the Chief Executive on financial performance and key activities in each of the divisions. The executive management team will present to the Board on their business responsibilities on a regular basis and also will present at the Board's periodic strategy sessions.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Company's business.

The Company is committed to high standards of corporate governance and will continue to be so following the Effective Date. The Company has complied with all provisions of the Combined Code except as explained in the sectioned headed "Corporate Governance" on pages 32 to 34 of the 2007 Annual Report, which is incorporated by reference into this Prospectus. Following Completion the Company expects to comply fully with the Combined Code.

Board Committees

The following sections disclose the operation of the Company's Board Committees and intended operation after the Effective Date.

Remuneration Committee

The Remuneration Committee members are currently Robert Webb (Chairman), Janet Cohen, Oscar Fanjul and Chris Gibson-Smith, and following Completion in accordance with the terms of the Combination Agreement will be reconstituted to comprise three directors from the existing Board and two of the Prospective Directors. The Remuneration Committee normally invites the Chief Executive, Head of Human Resources and Director of Finance to attend part of the meeting and the Chairman to attend throughout. The Remuneration Committee has written terms of reference. The Remuneration Committee meets at least twice a year to review and present recommendations to the Board regarding remuneration and conditions of service of the Chairman, Chief Executive, Executive Directors and Senior Managers, including the grant of entitlements under London Stock Exchange Employee Share Schemes.

Audit Committee

The Audit Committee members are currently Nigel Stapleton (Chairman), Janet Cohen and Oscar Fanjul, and following Completion in accordance with the terms of the Combination Agreement will be reconstituted to comprise three directors from the existing Board and two of the Prospective Directors. The Board is satisfied that various members of the Committee have recent and relevant financial experience. The Audit Committee meets at least three times a year and has an agenda linked to events in the Company's financial calendar. The Audit Committee normally invites the Chairman, Director of Finance, Head of Finance, Head of Internal Audit and senior representatives from PricewaterhouseCoopers, the Company's external auditors, to attend its meetings. Other Senior Managers are invited to present such reports as are required by the Audit Committee. The Audit Committee considers the audit plan and the interim and annual results. It also reviews the adequacy and effectiveness of the key systems of internal control (including accounting systems) and monitors the efficiency and independence of the internal audit function. The Audit Committee reviews the financial statements and makes recommendations regarding their approval by the Board as a whole.

The Audit Committee meets privately with its PricewaterhouseCoopers partner on an annual basis. It has the opportunity at each meeting to review any issues with the external auditors and with the Head of Internal Audit without any other members of executive management being present.

Nomination Committee

The Nomination Committee members are currently Chris Gibson-Smith (Chairman), Janet Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb, and following Completion in accordance with the terms of the Combination Agreement will be reconstituted to comprise three directors from the existing Board and two of the Prospective Directors. The Nomination Committee normally invites the Chief Executive to attend its meetings. The Nomination Committee meets as necessary to make recommendations to the Board on all new Board appointments and to consider executive and Board succession planning.

5. Financial effects of the Proposed Merger

The complementarity of the businesses of Borsa Italiana and the London Stock Exchange provides a powerful backdrop for enhanced growth and substantial revenue synergies. Furthermore, the Proposed Merger creates the opportunity for cost synergies, notwithstanding the high levels of efficiency already achieved by both businesses.

Total annual pre-tax synergies and other transaction-related cost savings are estimated at £40 million (€59 million), of which £20 million (€29 million) relate to revenue enhancements and £20 million (€29 million) relate to cost synergies and other transaction-related cost savings. The full annual run-rate of pre-tax cost synergies is expected to be achieved in the financial year 2010, and the full run-rate of revenue synergies is expected to be achieved in the following financial year.

The estimated revenue synergies, which are equivalent to four per cent. of the combined revenue of the Enlarged Group, are expected to arise in the following areas:

- creating attractive cross-market access opportunities via the operation of both markets on TradElect, the London Stock Exchange's world-leading trading platform and enlarging the liquidity pool available to listed companies;

- accelerating the development of the small and medium enterprises' ("**SME**") market place in Italy and other European markets;
- linking the two equity derivatives product offerings, thereby creating a larger liquidity pool for existing and new products;
- adding new bond products on to the MTS trading platform; and
- expanding Borsa Italiana's highly efficient clearing services to other European markets.

The pre-tax cost synergies equate to eight per cent. of the combined cost base (excluding exceptional costs) and are expected to comprise an equal split of IT and non-IT related savings. IT synergies are expected to arise from the integration of the Enlarged Group's IT infrastructure, including the combination of the Enlarged Group's cash equities trading on to TradElect (expected in mid-2008). Non-IT synergies are expected from consolidating overlapping operations in a number of areas and by reducing overall combined corporate expenses.

The aggregate pre-tax cost of achieving the above identified synergies is estimated to be approximately £40 million (€59 million) and is planned to be incurred in total by the end of the financial year 2010.

The identified synergies do not in themselves mean that earnings for the financial year 2008 will be greater than for the financial year 2007. The transaction is expected to be earnings neutral to positive in the financial year 2008 and earnings accretive by at least 10 per cent. in the financial year 2009, excluding amortisation of purchased intangibles and integration costs.

The statements in this paragraph 5 do not constitute a profit forecast and should not be interpreted to mean that the earnings of the Company or earnings per share in the financial year in which the Proposed Merger completes, or in any subsequent period, would necessarily be greater than those in the preceding financial year.

6. Dividend policy

Following the Proposed Merger, the Enlarged Group intends to continue the Company's existing progressive dividend policy. The New Ordinary Shares shall be issued credited as fully paid and shall rank pari passu with the existing Ordinary Shares in the Company and shall carry the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Ordinary Shares.

It is envisaged that the Company will pay an interim dividend in January and a final dividend in August of each year and for interim and final dividends to be paid in the approximate proportions of one third and two thirds respectively of the expected total dividend. The payment of dividends will be subject to the Enlarged Group having sufficient distributable reserves.

7. Capital management

The Company has a policy of active capital management, which it intends to continue. The Company announced in the Circular that the Board planned to use £350 million of bank facilities available, but not required, for the exercise of withdrawal rights by Borsa Italiana Shareholders pursuant to article 2437 and following of the Italian Civil Code, together with other cash available to the Company to return £500 million to its Shareholders by the way of tender or market purchases or by a combination of methods. In addition, as growth and synergies are realised through the Proposed Merger, the Board stated that it envisaged making further returns of capital, subject to prevailing market conditions, in line with its policy of active capital management, while maintaining its strategic objective of an investment grade credit rating.

The Company further announced in the Circular that its planned return of capital would also include all of the remaining cash that would otherwise have been used for the previously announced share buy-back programme of up to £250 million and that the Company had completed £154 million of this share buy-back programme.

The method of any such return of capital (which could include share repurchases or other methods of capital return) would be subject to a subsequent Board decision and in considering the return of capital the Board will have regard to the impact on earnings per share and the interests of Shareholders generally.

PART 5 INFORMATION ON THE COMPANY'S BUSINESS

The financial information discussed below has been extracted without material adjustment from the documents incorporated by reference described in Part 8: "Financial Information on the Company and Borsa Italiana".

The operating information discussed below is derived from the Enlarged Group's internal operational and financial reporting systems.

1. History and development

The Company became the holding company of London Stock Exchange plc and its subsidiaries on 15 May 2006 and replaced London Stock Exchange as the listed entity. London Stock Exchange is the Company's principal operating subsidiary and is one of the world's leading stock exchanges and, based in London, is at the heart of global financial markets.

The principal business of the Company is:

- providing a market for the issuing and trading of securities by assisting companies to raise capital through the issue of securities;
- providing platforms for investors and intermediaries to trade these and other financial investments; and
- collecting and distributing market information.

The Company's success in building liquidity is exemplified by its success in capturing a large share of international initial public offerings, the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders, and the breadth of data distribution to investors and traders.

The Company's core business areas are:

- **Issuer Services** – which facilitates the raising of capital through the issuing of securities by companies from around the world and the dissemination of regulatory news;
- **Broker Services** – which provides a forum for investors and intermediaries to trade securities via a range of robust electronic trading systems, an effective regulatory environment and a high level of price and trade transparency;
- **Information Services** – which distributes high quality, real-time price, news and other information relating to trading on the London Stock Exchange's platforms; and
- **Derivatives Services** – which provides services for trading derivatives through the London Stock Exchange's covered warrants market for retail investors and the London Stock Exchange's subsidiary EDX.

The revenue of the LSE Group for the last three financial years ended 31 March 2007 was as follows:

	2007 Audited IFRS £m	2006 Audited IFRS £m	2005 Audited IFRS £m
Issuer Services	63.2	56.9	43.3
Broker Services	163.8	125.5	100.6
Information Services – ongoing	105.9	94.1	86.7
Information Services – exceptional	—	6.4	—
Derivatives Services	9.3	7.7	6.8
Other income	7.4	6.9	7.0
Total Revenue	**349.6**	**297.5**	**244.4**

The above analysis is extracted from the Company's 2007 Annual Report, which is incorporated by reference into this Prospectus.

2. Issuer Services

Issuer Services provides a range of markets for companies issuing debt and equity securities to raise money by selling those securities to investors.

The Company operates three primary markets:

- the Main Market – which helps more established companies to gain access to London's deep pools of institutional investment capital. The profile of the Main Market is given added prominence by attribute segments and tailored FTSE indices;
- AIM – which provides these facilities for smaller growing companies. To further enhance and support AIM's profile and attractiveness, the London Stock Exchange recently undertook a fundamental review of the AIM regulatory model and implemented rule changes to prepare the market for future growth. In addition, the London Stock Exchange has recently announced and implemented its strategy to develop AIM as the market of choice for SMEs across Europe and, further, announced an agreement with the Tokyo Stock Exchange to work together to explore opportunities to develop a growth market for Japan; and
- the Professional Securities Market – which allows issuers to list debt securities or depositary receipts of any denomination on production of a prospectus aimed at a wholesale or professional audience.

The London Stock Exchange also recently announced its intention to launch a dedicated new market for issuers of specialist funds. The Specialist Fund Market, which will open for admissions from 1 November 2007, will be the London Stock Exchange's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors. The Specialist Fund Market is designed to further enhance London's appeal to specialist investment managers seeking a flexible and adaptable route to accessing permanent capital from a highly sophisticated global investor base.

The Company has a successful track record of developing and promoting markets and segments to meet the specific needs of issuers and facilitate capital formation, by providing liquidity in their securities and visibility amongst investors. It does this through the following key services:

- admission to trading on the London Stock Exchange's markets enables securities to be freely traded. This increases the pool of investors that can invest in an issuer's securities;
- the operation of trading platforms which facilitates price formation and trading in an issuer's securities; and
- RNS, the UK's leading Primary Information Provider providing a facility for regulatory and non-regulatory news disclosure and focused capital markets news distribution on behalf of issuers.

As at 30 June 2007, the total number of companies on the London Stock Exchange's markets increased to 3,273 (30 June 2006: 3,193). In the three month period to 30 June 2007 there were 128 new issues on London Stock Exchange's markets, raising a total of £10.2 billion (3 months to 30 June 2006: 138; £4.7 billion), including 83 IPOs (2006: 96). This accounted for 43 per cent. of IPOs in Western Europe during the period (2006: 51 per cent.).

In the three months to 30 June 2007 new admissions on the Main Market were at their highest level in six years, with 43 new issues raising £7.5 billion (2006: 23; £1.7 billion). The number of international Main Market new issues for the period was 14 (2006: 4). This continues the London Stock Exchange's success in attracting important international listings from key countries, including US, Canada, China and India. To reinforce its commitment to the Asia-Pacific region following the opening of an office in Hong Kong in 2004, the London Stock Exchange has recently confirmed that it intends to open an office in China.

The total number of companies traded on AIM reached 1,656 by 30 June 2007, an increase of 107 companies compared to a year earlier (30 June 2006: 1,549), including 319 international companies (2006: 270).

3. Broker Services

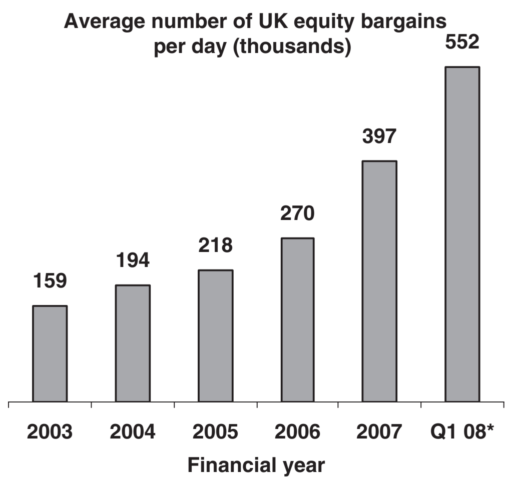
Broker Services is responsible for delivering price formation and execution services in UK and international securities, through robust trading systems, effective regulation and a high level of price and trade transparency. It derives its revenue principally from fees for execution on the electronic order book and also from reporting fees for trades carried out away from the order book.

Broker Services provides membership and market-maker registration services and fast and efficient access to liquidity, trade execution and reporting through its key trading services:

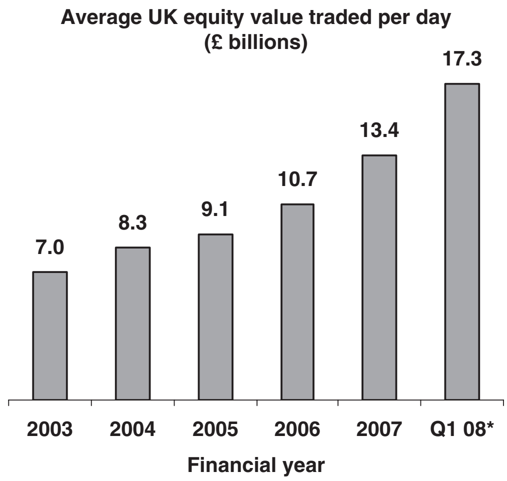
- SETS – the London Stock Exchange's fully automated electronic order book for the most liquid equity securities. Currently 159 domestic securities are traded on SETS, including all FTSE 100 securities;
- SETSmm – a hybrid trading service introduced in 2003. Currently 980 securities are traded on SETSmm, including all FTSE 250 securities not traded on SETS, all FTSE Small Cap Index companies, Exchange Traded Funds and Exchange Traded Commodities. Since its introduction, by centralising liquidity and increasing transparency, headline spreads for mid cap stocks have reduced by more than 81 per cent.;
- SEAQ – a screen based service displaying competing offer prices;
- SETSqx – a hybrid system for less liquid securities, combining continuous price formation from market makers with periodic auctions;
- International Order Book ("**IOB**") – an electronic order book service for international securities. Currently 316 securities are traded on this platform; and
- International Bulletin Board – a screen-based trading service displaying competing bid and offer prices for international securities.

In all, the London Stock Exchange provides and maintains the underlying electronic platforms on which shares, bonds and other products are traded by more than 387 member firms in 43 countries worldwide, with over 19,500 securities tradable on London Stock Exchange's platforms.

The average daily number of bargains on the SETS electronic order book in the three months to 30 June 2007 reached 501,000, an increase of 51 per cent. compared to a year earlier (2006: 332,000). SETSmm continued its strong growth to an average of approximately 131,000 bargains per day (2006: 70,000). The total number of UK equity bargains during the period was 33.7 million, with a value of £1.1 trillion (2006: 23.1 million; £0.8 trillion).



Source: London Stock Exchange
Note: * 3 months to 30 June 2007



Source: London Stock Exchange
Note: * 3 months to 30 June 2007

New products and services

The London Stock Exchange has developed a number of enhancements to the trading services for less liquid securities with the migration of additional suitable securities to SETSmm, the introduction of the SETSqx platform to replace SEATS PLUS and SEAQ, for listed securities to provide MiFID compliance, and the larger size market maker scheme aimed to provide tighter spreads and bigger sizes in conjunction with market makers.

Technology

A key aspect of the Company's business is the technological excellence of its trading platforms. The Technology Road Map ("**TRM**") is the Company's programme of work which delivers a step change in the capability of the Company's IT systems. TRM includes Infolect, the Company's new Information Dissemination Platform implemented in September 2005, and TradElect, the new trading platform delivered in June 2007 which enables customers to execute trades fully and resiliently in around ten milliseconds, and has increased capacity more than fourfold.

Regulation

The Company recognises the importance to the quality of its markets of transparency of information on trading taking place on its platform and issuer disclosures. In relation to both secondary market trading and admission to its primary markets, the Company imposes balanced and proportionate regulatory standards. The London Stock Exchange also has its own Admission and Disclosure Standards for issuers admitted to trading on the Main Market, and AIM companies are subject to the AIM Rules written and administered by the London Stock Exchange.

As a RIE, the London Stock Exchange is responsible for ensuring the fairness and transparency of activity on its trading platforms and the adequate and timely disclosure of information required by investors to make informed investment decisions. The London Stock Exchange monitors trading in real time with sophisticated surveillance technology so that action can be taken immediately if a breach of its rules occurs.

4. Information Services

The Information Services division delivers real-time and historical market data, along with other specialist securities information, ensuring efficient price discovery and comprehensive market intelligence for investors.

Information Services' principal products and sources of revenue include:

- Infolect – the London Stock Exchange's proprietary information service. Infolect data includes order book and trade prices and sizes from the London Stock Exchange's markets. Subscribers are able to choose between different levels of information to meet their specific requirements. As at 30 June 2007, the total number of terminals supplied with the London Stock Exchange's real-time market data increased to 120,000, compared with 107,000 at 30 June 2006. Of this total, approximately 99,000 terminals were attributable to professional users, compared with 89,000 at 30 June 2006;
- Extranex – the London Stock Exchange's proprietary high performance private network which provides speed, capacity and reliability for communications solutions tailored to the needs of London Stock Exchange's different customer segments;
- historical and reference data services – including SEDOL Masterfile, the London Stock Exchange's expanding securities identification service, providing unique identification codes for global securities and enabling greater efficiency in the processing of trades. At 30 June 2007 over 1,100 licences had been taken for the use of the SEDOL Masterfile service and the number of instruments covered by the service had grown to over 2 million from 1.4 million at 30 June 2006; and
- Proquote – the London Stock Exchange's wholly owned subsidiary, which provides financial market software and data services to a wide range of buy-side, sell-side, retail and private client market professionals. Proquote's data and trading functionality is available over the internet and therefore provides a cost efficient alternative source of real-time financial information.

New products and services

London Stock Exchange continues to expand and enhance its Information Services offering. In addition to further improvements to the Infolect data link, current developments include:

- planned geographic expansion of the SEDOL Masterfile and expansion of instrument types covered and functionality offered; and

- continued data expansion of the Proquote product. An order management system for Proquote's retail and institutional clients was launched in March 2006 and development of trading, order routing and treasury functionality is also planned.

5. Derivatives Services

The London Stock Exchange's derivatives business is operated primarily through EDX, a joint venture between Stockholmsborsen AB, a subsidiary of OMX AB, and the London Stock Exchange, which started trading in June 2003. EDX is a FSA regulated RIE.

EDX offers trading in derivatives based on Nordic equities, fixed income and interest products through an electronic market place. Market makers provide continuous prices in the products listed and members benefit from a common order book with access to domestic liquidity through the linked exchange network. Currently members can trade Swedish, Norwegian, Danish and Finnish products through the link arrangements, which enables trading firms to access multiple international derivative markets via a single membership.

Since 1 December 2006, EDX has also offered trading in derivatives contracts based on the newly developed FTSE Russia IOB Index, comprising the 10 most liquid Global Depositary Receipts traded on the IOB. At the same time single stock derivatives were launched on each of the constituents of the index.

Derivatives Services also includes the trading of covered warrants carried out on the London Stock Exchange's platforms.

In the three months to 30 June 2007, EDX traded 9.3 million contracts (2006: 8.5 million), including 0.6 million contracts in Russian IOB derivatives.

6. Employees

The numbers of employees at the end of the financial years ended 31 March 2005, 2006 and 2007 by division were as follows:

	2007	2006	2005
Issuer Services and Broker Services	182	216	214
Information Services	81	95	97
Derivatives Services	20	24	33
IT & Corporate	161	166	175
Total	444	501	519

7. Current trading, trends and prospects

The recent financial performance of the Company continues to be very strong.

As reported in the Company's pre-close trading statement issued on 25 September 2007, the Company has delivered an excellent performance for the financial year to date. Primary market activity has been very strong with 68 new issues (including 25 by international companies) on the market for companies which have been admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange's Main Market. Trading on the London Stock Exchange's secondary markets grew significantly over the period, with average trades per day for the first five months on SETS of 551,000, up 75 per cent. on the same period last year. Such levels of trading were facilitated by TradElect, the new trading platform, together with adjustments to the volume discount scheme and increased trading on SETSmm. The number of terminals receiving real time exchange data has shown further good progress, increasing by 18,000 to 125,000 compared with the same time last year. EDX delivered very strong growth with a total 17.7 million contracts traded, including 2.5 million contracts for Russian derivatives.

The Company has made a very strong start to the year, buoyed by excellent trading performance in all core businesses. As indicated previously, the Company expects a modest rise in operating costs as the business continues to grow strongly, and remains on course to report an excellent outcome for the first half of the financial year and the financial year as a whole.

PART 6 INFORMATION ON BORSA ITALIANA'S BUSINESS

The financial information discussed below has been extracted without material adjustment from the documents incorporated by reference described in Part 8: "Financial Information on the Company and Borsa Italiana".

1. Overview

Description of Borsa Italiana's business

Borsa Italiana is a market operating company responsible for the organisation and management of markets in financial instruments.

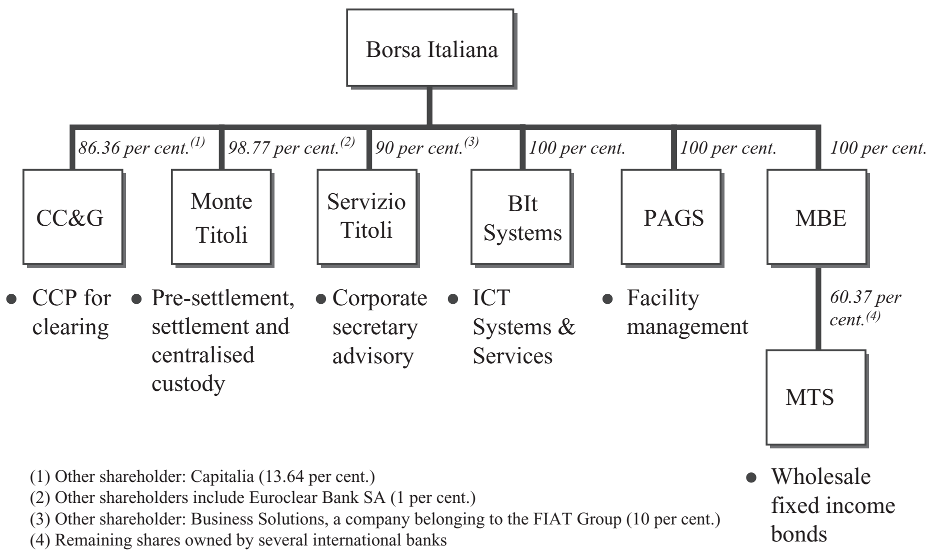
Borsa Italiana carries out the following services either directly or through companies in Borsa Italiana Group:

- preparation, operation, maintenance and marketing of software, hardware and electronic platforms and networks for trading, order transmission and data transmission systems;
- processing, distribution and marketing of data concerning financial instruments traded in the markets they operate and data relating to the markets;
- promotion of the market's image, inter alia, by disseminating information on the market and issuers and engaging in any other activity aimed at the development of the market;
- creation and operation of systems for checking and correcting trades involving financial instruments and transmission of the related balances to the clearing and settlement service;
- creation and operation of clearing and guarantee systems for trades carried out in markets;
- clearing and settlement of trades on non-derivative financial instruments; and
- creation and operation of a central depositary system for financial instruments.

The main responsibilities of Borsa Italiana are to:

- define the rules and procedures for admission to and listing on the market of issuing companies;
- define the rules and procedures for admission of intermediaries;
- oversee transaction activities; and
- supervise listed companies' disclosure.

The corporate structure of Borsa Italiana Group is shown in the chart below.



*Cassa di Compensazione e Garanzia S.p.A. ("**CC&G**")*

Established in 1992, the purpose of CC&G is to guarantee market integrity.

CC&G manages the CCP for the Blue Chip, Star and Standard segments and the related Trading After Hours market, for MTA International and for the funds markets MTF and ETF Plus, for the IDEM derivatives market, all regulated and managed by Borsa Italiana, and for the markets regulated and managed by MTS S.p.A. and BrokerTec with exclusive reference to Italian government bonds.

CC&G's presence eliminates counterparty risk, becoming the guarantor of the final settlement of the contracts, acting as buyer towards each seller and as seller towards each buyer.

*Monte Titoli S.p.A. ("**Monte Titoli**")*

Monte Titoli is the Italian Central Securities Depository and Settlement Company.

Monte Titoli was founded in 1978 and since 1986 has been the Italian Central Securities Depository for all Italian financial instruments (Italian government bonds included since 2000) currently centralised at the company and traded almost exclusively in dematerialised form.

In October 2002, Bank of Italy and Consob authorised Monte Titoli to manage clearing services for non-derivatives financial instruments transactions. In November of the same year, Monte Titoli started Express, the delivery versus payment real-time gross settlement service, and on 26 January 2004 completed the launch of Express II which, integrating net with gross settlement functionality, replaced the previous procedure managed by the Bank of Italy.

In support of settlement services, Monte Titoli manages X-TRM, a daily matching service, and a securities lending service.

Monte Titoli also offers its participants added value services, such as the FIS and CPA services which support issuers' investor relations and communications.

Monte Titoli's services are available through different communication channels: RNI (the domestic interbank network), SWIFT and MT-X, the Monte Titoli Internet Communication System (a web based platform).

*Servizio Titoli S.p.A. ("**Servizio Titoli**")*

Servizio Titoli provides listed companies with software, outsourcing and advisory services in relation to their shareholders. Servizio Titoli has more than 130 customers and around five million managed shareholders.

*BIt Systems S.p.A. ("**BIt Systems**")*

BIt Systems is responsible for the management, maintenance and development of Borsa Italiana Group's information systems. BIt Systems also provides high quality IT consulting services to investment banks, brokerage houses, institutional investors, internet brokers and companies that operate market places, offering technological knowledge and valuable experience in creating solutions that integrate and rationalise business processes.

It provides consulting services on the development of complex projects and offers analysis of technological and telecommunication infrastructures. BIt Systems also liaises with other IT partners and suppliers on the development and operation of cost efficient IT solutions, both at the planning and at the implementation stage, and data and information dissemination and internet systems.

*Piazza Affari Gestione & Servizi S.p.A. ("**PAGS**")*

PAGS was established in 2000 and is entirely controlled by Borsa Italiana. It provides facility and property management to guarantee the efficient operational management of Borsa Italiana's principal premises in Milan, Palazzo Mezzanotte, and its congress and training centre.

The congress centre is available not only to the financial community but also to any Italian or international company seeking a state-of-the-art infrastructure, with advanced audio-visual facilities, and is ideal for the organisation of events, seminars, congresses and training activities.

*MBE Holding S.p.A. ("**MBE**")*

MBE, established as a joint venture between Borsa Italiana and Euronext, is the company that owns the majority stake (60.37 per cent.) in the capital of MTS. On 3 August 2007, Borsa Italiana announced that it had signed an agreement with Euronext to acquire the 51 per cent. stake in MBE owned by Euronext. Euronext's 51 per cent. stake in MBE was transferred to Borsa Italiana on 14 September 2007. Therefore MBE is now a wholly owned subsidiary of Borsa Italiana.

*Società per il Mercato dei Titoli di Stato S.p.A. ("**MTS**")*

MTS is a leading regulated electronic trading platform for European wholesale government bonds and other types of fixed income securities. MTS has succeeded in a short time frame in building a cross-border, truly pan-European business, improving simultaneously its technology and its user-friendly platform.

MTS is authorised to conduct such activities by Italy's Ministry for the Economy and Finance, and is regulated by the Bank of Italy and Consob. MTS plays a key role in promoting the ongoing development and integration of the European government bond market. It covers the national debt markets of every Eurozone member as well as government bond markets of other countries, including Poland and Turkey. The MTS market model uses a common trading platform for all domestic market places, while corporate governance and market supervision are based on the respective national regulatory regimes. MTS today covers over 30 market places through various companies and continues to expand its geographic scope.

Sources of revenues

The financial information incorporated by reference into this document shows that during the year ended 31 December 2006, Borsa Italiana Group generated the following revenues and operating profits from the following sources:

	Revenue €m	Operating profit €m
Listing	29.8	19.5
Cash trading	52.4	24.1
Derivatives trading	20.7	2.9
Clearing	35.2	21.7
Settlement	32.1	11.4
Custody and ancillary services	40.6	24.0
Information services	40.1	23.8
Other services	22.2	1.0
Corporate	2.1	(28.2)
Intercompany elimination	(25.7)	—
	249.5	**100.2**

Listing

Borsa Italiana collects the fees associated with the admission to listing or trading of financial instruments, and annual fees from issuers having financial instruments traded on its markets. These fees are mainly related to the market capitalisation of such financial instruments (or equivalent metric).

Cash and derivatives trading

Borsa Italiana and MTS collect fees from intermediaries which are allowed to trade on its markets. These fees are paid for admission to the markets, technological infrastructure of the markets and volumes of activity generated.

Clearing

CC&G collects fees from intermediaries for the provision of risk management and information services for Borsa Italiana's and third-party markets. These fees are paid for membership, necessary technological infrastructure, volumes of activity generated and other related services (e.g. cash and collateral management, management of failed transactions).

Settlement

Monte Titoli collects fees from intermediaries and issuers for the provision of settlement and related information and ancillary services for Borsa Italiana's and third party markets. These fees are paid for membership, necessary technological infrastructure, volumes of activity generated and other related services (e.g. management of corporate actions, securities lending).

Custody and ancillary services

Monte Titoli also collects fees from intermediaries and issuers for the provision of custody and information services, related information and ancillary services. These fees are paid for membership to the necessary technological infrastructure, the outstanding amount of financial instruments and other related services.

Information services

Borsa Italiana and MTS distribute the data generated from the management of their markets (prices, trades and other information) in a variety of formats and through a broad range of information products. These information packages are bought by international and domestic information vendors, media companies and other distributors of financial information.

Other services

Borsa Italiana Group generates revenues from external clients from a series of other services, including ASP services from BIt Systems, management of the congress and training centre in Palazzo Mezzanotte by PAGS and advertising and educational services. Starting from 2007, Borsa Italiana Group (through Servizio Titoli) also provides software, outsourcing and advisory services for the management of corporate secretary functions and shareholders' meetings.

2. History and development

Borsa Italiana was founded in 1997 following the privatisation of the exchange and has been operational since 2 January 1998. Borsa Italiana's primary objective is to ensure the development of managed markets, maximising their liquidity, transparency and competitiveness and at the same time pursuing high levels of efficiency and profitability. Following privatisation, Borsa Italiana broadened its range of products into post-trading services and IT systems, developed new markets and introduced changes to the operation of its existing markets. In 2000, Borsa Italiana obtained a controlling stake in CC&G and in 2002, Borsa Italiana completed the acquisition of 99 per cent. of the shares of Monte Titoli. In 2005, Borsa Italiana entered the business of wholesale trading of fixed income instruments through MBE, a joint venture company established with Euronext and which holds 60.37 per cent. of MTS. On 3 April 2007, Borsa Italiana signed a sale and purchase agreement for the acquisition of 90 per cent. of the share capital of Servizio Titoli. On 3 August 2007, Borsa Italiana announced that it had signed an agreement with Euronext to purchase the 51 per cent. stake in MBE owned by Euronext. Euronext's 51 per cent. stake in MBE was transferred to Borsa Italiana on 14 September 2007. Therefore MBE is now a wholly owned subsidiary of Borsa Italiana.

Borsa Italiana's cash equities business is the fourth largest in Europe in terms of average daily volume of order book trading. Borsa Italiana Group has developed the most efficient post trade services in Europe, and through its indirect stake in MTS, controls Europe's leading electronic fixed income platform. Borsa Italiana is also the leader in Europe in the electronic trading of ETFs and securitised derivatives and has a highly developed retail market.

3. Property

Borsa Italiana Group owns the following real estate:

- Monte Titoli offices in Milan, via Mantegna 6; and
- Servizio Titoli offices in Milan, via Griziotti 4 (financial leasing agreement).

Borsa Italiana Group rents the following real estate:

- Borsa Italiana offices in Milan, Palazzo Mezzanotte, Piazza degli Affari 6;
- BIt Systems offices in Milan, via Mazzini 9/11;
- CC&G offices in Rome, Piazza del Popolo, 18;
- Servizio Titoli offices in Turin, Corso Ferrucci 112/A;
- Servizio Titoli offices in Turin, via Oropa 28; and
- Servizio Titoli offices in Rome, via Monte Giberto 33.

4. Borsa Italiana's key individuals

The following table shows the key individuals important to the business of Borsa Italiana:

Key Individuals	Position	Date of Appointment
Massimo Capuano	President and Chief Executive Officer	29 December 1997
Paolo Ciccarelli	Chief Financial Officer	28 March 1997
Paolo Cittadini	General Manager of Monte Titoli	4 January 2001
Andrea Giochetta	Chief Executive Officer of BIt Systems	13 September 2001
Raffaele Jerusalmi	Markets Executive Director	1 October 2001
Michele Monti	Legal & Institutional Affairs Executive Director	15 March 2001
Bruno Siracusano	New Business Executive Director	2 July 1998
Renato Tarantola	Chief Executive Officer of CC&G	5 May 2000

5. Current trading, trends and prospects

In the first eight months of 2007, the Italian primary market was highly active, with 39 new listed companies, of which 24 came through initial public offers, making it the most active first eight months in the history of the Italian market. Trading in shares reached an average of 296,900 trades per day representing €6.4 billion (up 34 per cent. and 48 per cent. respectively on the corresponding period for the previous year).

New records were also set by ETF Plus (the market for ETFs and ETCs) which recorded a daily average of 4,800 trades representing €117 million, and SEDEX (the market for securitised derivatives) which recorded a daily average of 21,100 trades representing €394 million.

In the same period the daily average for fixed income securities was 11,100 trades representing €591 million on the MOT retail market. Equity derivatives on the IDEM reached a daily average all-time high of 151,300 standard contracts representing a €6.4 billion notional turnover.

PART 7 OPERATING AND FINANCIAL REVIEW

The financial information discussed below has been extracted without material adjustment from the documents incorporated by reference described in Part 8: "Financial Information on the Company and Borsa Italiana".

The operating information discussed below is derived from the Company's internal operational and financial reporting systems.

Overview

The Company's principal business is providing a market for the issuing and trading of securities by assisting companies to raise capital through the issue of securities, providing platforms for investors and intermediaries to trade these and other financial investments, and collecting and distributing market information.

The Company's success in building liquidity is exemplified by: its success in capturing a large share of international initial public offerings; the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders; and the breadth of data distribution to investors and traders.

Current trading

On 11 July 2007, the Company issued its Interim Management Statement for the three months ended 30 June 2007 ("**Q1**") which showed that trading performance continues to be very strong, benefiting from increasingly positive trends in all core business areas. Revenues for the first quarter increased strongly, up 19 per cent. to a record £100.1 million (2006: £84.3 million). Record trading volumes on the London Stock Exchange's electronic order book continued to drive Broker Services revenue growth with average daily number of SETS bargains increasing by 51 per cent. to 501,000 and average daily value traded increasing by 27 per cent. to £8.4 billion. In addition the new high speed TradElect trading platform was successfully launched, on schedule, in June. Issuer Services had a very strong quarter with 43 Main Market new issues, nearly double the number last year (23) and the highest first quarter number in six years. Professional terminals numbered 99,000 – up 10,000 on June 2006 and 3,000 since March 2007.

Issuer Services delivered an excellent result for the period, with revenue up 35 per cent. to a record £19.4 million (2006: £14.4 million). Activity in the primary market remained very strong, with 128 new issues on the London Stock Exchange's markets, raising a total of £10.2bn (2006: 138; £4.7bn). New admissions on the Main Market were at their highest level in six years, with 43 new issues (2006: 23) raising £7.5 billion (2006: £1.7 billion). In the first quarter there were 14 international Main Market new issues (2006: 4) raising £5.5 billion, more than half the £10.4 billion raised during the whole of the financial year 2007. AIM, the international market for smaller, growing companies, performed well with a total of 84 new issues (2006: 115). Income from annual fees rose during the period, mainly as a result of an increased number of companies on the London Stock Exchange's markets. At 30 June 2007, a total of 3,273 companies were traded on London Stock Exchange's markets (2006: 3,193) including 1,656 on AIM (2006: 1,549). Income from RNS also increased, contributing £2.7 million to turnover (2006: £2.5 million) with RNS retaining a 75 per cent. share of announcements in Q1 (2006: 76 per cent.).

Broker Services' revenue reached £47.5 million, the second-best quarterly performance on record, an increase of 18 per cent. over the same period last year (2006: £40.4 million). Trading on SETS continued to be the principal driver of growth. Average daily bargains increased 51 per cent. to 501,000 bargains per day, a new quarterly record (2006: 332,000), and the average daily value of shares traded on SETS increased 27 per cent. to £8.4 billion (2006: £6.6 billion). SETSmm, the hybrid electronic order book, continued its strong growth, with an average 131,000 bargains per day during the quarter (2006: 70,000). Overall, the average size of a SETS bargain reduced to £16,700 (2006: £20,000) with a yield per SETS bargain of approximately £1.09 during the period (2006: £1.44), reflecting in part the extension of tariff discounts to intermediaries. This performance reflects the continuation of the structural shift in trading, in particular the increased use of algorithmic trading, direct market access and derivatives-based business. The 51 per cent. growth in volume on SETS in Q1 puts the London Stock Exchange well on course to achieve or exceed the targeted 480,000 bargains per day in financial year 2008, as set out in January of this year. Trading on SETS in the first quarter accounted for 84 per cent. of total Broker Services income (2006: 83 per cent.).

Information Services showed strong growth, with revenue up 11 per cent. to £28.4 million (2006: £25.5 million). The increase mainly reflects growth in terminal numbers, together with increased contributions from Proquote and SEDOL Masterfile. The total number of terminals receiving real-time exchange data at the end of Q1 was 120,000 (31 March 2007: 116,000; 30 June 2006: 107,000) of which approximately 99,000 were attributable to the higher-yield professional user base (31 March 2007: 96,000; 30 June 2006: 89,000). The number of Proquote screens rose to 3,600 (30 June 2006: 3,100), including 1,100 international screens.

Derivatives Services' revenue increased 23 per cent. to £2.7 million (2007: £2.2 million). EDX London performed very well with 9.3 million contracts traded (2006: 8.5 million), including 0.6 million contracts for Russian derivatives, launched at the end of 2006.

In June 2007 the London Stock Exchange launched its new high speed trading system, TradElect. The new platform has performed as expected, giving the market the ability to execute trades fully and resiliently in around 10 milliseconds and with capacity increasing more than fourfold. This enhanced performance is already supporting message rates at a much higher level than possible on the previous system.

The Exchange issued an update on trading for the financial year based on data for the first five months ending 31 August 2007, through a routine statement released on 25 September 2007.

In summary, the Exchange delivered an excellent trading performance for the financial year to date:

- there were 216 new issues in the period, with total money raised up 12 per cent. to £26.8 billion;
- average daily number of SETS bargains increased strongly, up 75 per cent. to 551,000, exceeding the target level of 480,000 for the full year;
- professional terminal numbers reached 102,000 at the end of August - up 12,000 since August 2006 and 3,000 since June 2007.

Material factors affecting results of operations and financial condition

The following factors have had and are likely to continue to have a material effect on the Company's results of operations and financial condition:

New listings and annual fees

The number and market capitalisation of companies listing on the Company's markets has varied significantly from year to year and may continue to do so. New issues in the year ended 31 March 2007 totalled 503 companies, compared with 622 in the year ended 31 March 2006, and contributed to a £2.3 million increase in admission revenue to £28.2 million. The Company has continued to increase its marketing activities and improve focus on growth markets such as Russia, China and India, with the intention of broadening the scope and number of companies that may elect to list on the Company's markets.

While the annual Issuer Service fees are based on market capitalisation, the tariff structure is designed to limit the impact of stock market fluctuations so this revenue is protected to a certain extent – a 20 per cent. fall in the market capitalisation of all companies listed on the Company's markets is estimated to result in a reduction in annual fee revenue of approximately £1 million.

SETS volumes/value traded

Of the total Broker Services revenue for the year ended 31 March 2007, £136.1 million related to trading on SETS, including order charges. SETS revenue depends on the value and volume of trades transacted on the platform, which is in part dependent upon conditions in the savings market supply chain, although trading volumes have also increased as a result of a structural shift in trading patterns facilitated by the TRM upgrade. These conditions are influenced by a variety of factors including demographic changes, government policy, interest rates and EU and domestic legislation. The Company is unable to control these factors, however, management continuously monitors trends and engages in dialogue with regulatory and governmental authorities. The Company's position at the heart of the most international financial centre in the world and its internationally recognised brand act to support the level of business. In addition, the ever-improving quality of the Company's markets, operating under the principle of mutual advantage, have helped drive growth in the business.

Real-time data terminals

The Information Services division delivers real-time market data through Infolect, the Company's proprietary information service. Revenue from data charges has typically been 60–70 per cent. of total Information Services revenue and is dependent upon the number of subscribers to the London Stock Exchange's real-time data services. The number of terminals varies with market conditions and cyclical factors over which the Company has minimal control. The Company has sought to diversify its sources of revenue in order to protect the Information Services division against potential falls in demand by the introduction of new services such as, for example, SEDOL Masterfile, the Company's securities identification service.

Competitive pressures

Recent EU directives such as MiFID will present the opportunity to conduct and publish trades in different ways and on alternative venues. The Company also faces competition from other exchanges as well as from electronic communication networks and alternative trading and trade reporting systems. These developments might adversely impact revenue growth. The Enlarged Group is very well placed to address competitive pressures through the steps it has taken and continues to take, for example to develop new products and services and to provide advanced trading and information technology to meet customers' needs. In particular, the Company's new trading platform TradElect has delivered a step change in performance, capacity and flexibility.

Nature of cost base

The Company's cost base is largely fixed, with an estimated 70-80 per cent. of costs not able to be varied in the short term. As a result, while this is beneficial on the upside, operating profit and the Company's financial condition are more susceptible to falling revenue. The Company regularly monitors trading performance and updates financial forecasts with a view to identifying potential future downturns so that appropriate mitigating action can be taken.

Historic annual results of operations and financial condition

The following table sets out selected financial data extracted from the IFRS financial information, incorporated by reference into this document.

	Year ended 31 March 2007 Audited IFRS £m	Year ended 31 March 2006 Audited IFRS £m	Year ended 31 March 2005 Audited IFRS £m
Selected income statement information			
Issuer Services	63.2	56.9	43.3
Broker Services	163.8	125.5	100.6
Information Services	105.9	94.1	86.7
Derivatives Services	9.3	7.7	6.8
Other income	7.4	6.9	7.0
Ongoing revenue excluding exceptional items	349.6	291.1	244.4
Operating expenses before exceptional items	(164.0)	(171.0)	(159.8)
Operating profit before exceptional items	185.6	120.1	84.6
Profit on ordinary activities before taxation	161.5	93.5	92.2
Basic earnings per share	50.5p	27.8p	24.2p
Diluted earnings per share	49.4p	27.4p	23.9p
Adjusted basic earnings per share	56.2p	37.4p	24.2p
Selected cash flow statement information			
Cash flows from operating activities	180.4	140.6	95.4
Net interest (paid)/received	(8.7)	5.9	7.9
Corporation tax paid	(33.5)	(29.0)	(24.3)
Net cash flow from operating activities	138.2	117.5	79.0
Capital expenditure	(19.9)	(25.8)	(40.8)
Receipts from fixed asset disposal	—	33.2	32.3
Further consideration for acquisition of subsidiary undertaking	—	(6.2)	—
Dividends received	2.0	2.0	1.4
Net cash flow from investing activities	(17.9)	3.2	(7.1)
Dividends paid	(33.2)	(22.8)	(177.6)
Cash impact of capital return	(497.9)	—	—
Share buyback	(105.3)	—	—
Issue of ordinary share capital	—	5.9	0.2
Purchase of own shares by ESOP trust	(47.8)	(4.7)	(2.5)
Proceeds from own shares on exercise of employee share options	5.4	2.7	5.7
Proceeds from bond issue	249.2	—	—
Redemption of loan notes	—	—	(1.5)
Net proceeds from unsecured borrowings	155.4	0.6	0.3
Net cash flow from financing activities	(274.2)	(18.3)	(175.4)
(Decrease)/increase in cash and cash equivalents	(153.9)	102.4	(103.5)

Year ended 31 March 2007 compared with year ended 31 March 2006

Overall financial performance for the year ended 31 March 2007 showed continued growth in revenue and earnings per share, and cash flows remained strong.

Ongoing revenue increased 20 per cent. to £349.6 million (2006: £291.1 million) and operating profit before exceptional items increased 55 per cent. to £185.6 million (2006: £120.1 million), with a 104 per cent. increase in operating profit after exceptional costs to £174.2 million. Basic earnings per share increased 82 per cent. to 50.5 pence per share from 27.8 pence per share and adjusted basic earnings per share, before exceptional items, increased 50 per cent. to 56.2 pence per share (2006: 37.4 pence). Following the capital return in May 2006 and the ongoing share buyback programme, the weighted average number of shares decreased in the year from 254.3 million to 217.2 million.

Revenue

Issuer Services' revenue increased 11 per cent. to £63.2 million (2006: £56.9 million) reflecting increases in admission fee and annual fee revenues. Capital raised by new and further issues increased to £53.7 billion (2006: £34.1 billion) with the average money raised by a Main Market new issue increasing to £196 million (2006: £118 million). Main Market new issues remained strong at 106 (2006: 107) and AIM saw another record year with £9 billion raised by 395 new issues (2006: £8 billion; 510). The international profile of the London Stock Exchange's primary markets was enhanced further with 35 international listings on the Main Market (2006: 18), including high profile listings from Kazakhstan, Russia and Pakistan making a total of 139 international companies joining the London Stock Exchange's markets (2006: 154), including PSM and AIM. As at 31 March 2007, the total number of companies on London Stock Exchange's markets had increased to 3,245 (2006: 3,141), including an 11 per cent. increase in companies traded on AIM to 1,637 (2006: 1,473). RNS had a record year with an 18 per cent. increase in the number of company announcements and a 10 per cent. increase in revenue to £10.1 million (2006: £9.2 million).

Broker Services' revenue increased 31 per cent. to £163.8 million (2006: £125.5 million), reflecting a very substantial uplift of performance for SETS. The structural shift in equities trading facilitated by investments in technology has continued to benefit SETS. The total number of SETS bargains for the year ended 31 March 2007 increased to 89.0 million (2006: 56.8 million), reflecting a 58 per cent. increase to an average of 353,000 bargains per day (2006: 223,000). Value traded on SETS increased 37 per cent. to £1,635 billion (2006: £1,190 billion). SETSmm continued its strong growth with 80,000 daily average bargains, more than double the previous year (2006: 36,000). Furthermore, with an 89 per cent. increase in bargains traded on the IOB, the international profile of the London Stock Exchange's secondary market saw very strong growth.

Information Services' revenue before exceptional items rose 13 per cent. to £105.9 million (2006: £94.1 million), accounting for 30 per cent. of total revenue (2006: 32 per cent.). This strong growth was primarily attributable to new customers utilising the Company's real-time market data, the SEDOL Masterfile service and rising revenue from Proquote and FTSE. As at 31 March 2007, the number of terminals taking the Company's real-time market data stood at 116,000 (2006: 104,000), an increase of 12 per cent.. Of this total, 96,000 terminals (2006: 88,000) were attributable to professional users. SEDOL Masterfile enjoyed good growth with the number of securities covered increasing to more than 1.8 million (2006: 1.2 million). Proquote, the Company's provider of financial market software and data, increased the number of installed screens at year end by 23 per cent. to 3,700 (2006: 3,000).

Derivatives Services' revenue increased 21 per cent. to £9.3 million (2006: £7.7 million) representing three per cent. of total revenue. EDX traded a total of 31.4 million contracts (2006: 22.2 million). EDX successfully introduced Russian derivative products in December 2006.

Other income, primarily from property subletting, increased from £6.9 million to £7.4 million as a result of increased subletting at Paternoster Square – with surplus space fully let from October 2006.

Expenses

Operating expenses (excluding exceptional items) decreased four per cent. to £164.0 million (2006: £171.0 million) principally from business efficiencies and contract negotiations. Net exceptional items totalling £11.4 million mainly reflect advisers' fees in respect of the Nasdaq bid defence (£13.5 million), partially reduced by release of a provision in respect of EDX (£3.1 million).

Profit for the year

Operating profit before exceptional items rose 55 per cent. to £185.6 million (2006: £120.1 million). Exceptional expenses in the year amounted to £11.4m (2006: £41.1 million), and profit before taxation improved 73 per cent. to £161.5 million (2006: £93.5 million). The taxation charge amounted to £50.9 million. The effective tax rate was slightly higher than the standard tax rate principally due to the net effect of non deductible costs. After tax and minority interests, the profit for the year was £109.6 million (2006: £70.7 million).

Basic earnings per share increased 82 per cent. to 50.5 pence (2006: 27.8 pence) and adjusted basic earnings per share (excluding exceptional items) rose by 50 per cent. to 56.2 pence (2006: 37.4 pence).

Cash flow and balance sheet strength

Cash generated from operating activities increased to £180.4 million (2006: £140.6 million), with cash flows from operating activities before exceptional items increasing to £198.6 million (2006: £145.9 million), due to the strong operating performance during the year.

Key cash outflows were due to the £512 million capital return undertaken in May 2006, and the Company's buyback of 9.0 million of its own shares at an aggregate cost of £109.9 million. This reflects the completion of the buyback of up to £50 million of shares during the year ended 31 March 2007, announced in February 2006, and good progress on a subsequent commitment by the Company to an additional share buyback programme of up to £250 million.

The Company had net liabilities of £349.9 million at 31 March 2007 compared to net assets of £288.8 million at 31 March 2006, mainly as a result of the £512 million capital return; share buy back purchases of £109.9 million effected in the year and share buyback liability of £60 million at 31 March 2007; purchase of own shares by ESOP trust of £47.8 million; and dividends paid of £33.2 million, offset by recognised gains for the period of £115.7 million.

Borrowings of £420.1 million at 31 March 2007 (2006: £1.1 million) mainly consist of the £250 million 2016 corporate bond and £156 million drawn down under the Company's £200 million revolving credit facility.

At 31 March 2007 cash resources were £72.9 million (2006: £226.8 million).

Year ended 31 March 2006 compared with year ended 31 March 2005

The Company delivered an excellent financial outcome for 2006, benefiting from strong performances in all core business areas. Total revenue for the year ended 31 March 2006 increased 22 per cent. to £297.5 million, including exceptional income of £6.4 million in respect of a settlement reached with a customer in relation to reporting for information services. Before exceptional items, revenue grew 19 per cent. to £291.1 million (2005: £244.4 million), reflecting strong performances by all core business areas.

Revenue

Issuer Services' revenue increased 31 per cent. to £56.9 million (2005: £43.3 million) mainly reflecting increases in both the size and number of new issues. Total money raised on the Company's markets increased 81 per cent. to £34.1 billion (2005: £18.8 billion) with the average market capitalisation of a Main Market IPO increasing 118 per cent. to £285 million (2005: £131 million). Total new issues on the Company's markets increased 21 per cent. to 622 (2005: 514). Growth in Main Market new issues was strong, increasing 30 per cent. to 107 (2005: 82). AIM enjoyed another record year with 510 new issues (2005: 432). Once again the Company listed the majority of IPOs in Western Europe, capturing a 67 per cent. share. The total number of companies on the Company's markets at 31 March 2006 was 3,141 (2005: 2,916). Of these, 1,473 companies were traded on AIM, an increase of 31 per cent. (2005: 1,127). Annual fee income, the revenue the Company receives from companies on its markets rose 17 per cent. to £20.3 million. RNS performed very well during the year delivering a 23 per cent. increase in revenue to £9.2 million (2005: £7.5 million).

Broker Services' revenue was up 25 per cent. to £125.5 million (2005: £100.6 million), reflecting another year of very strong performance on SETS. The total number of SETS bargains increased 33 per cent. to 56.8 million (2005: 42.8 million), reflecting a 31 per cent. increase in average daily bargains to 223,000 (2005: 170,000). Total value traded on SETS was up 35 per cent. to £1,190 billion (2005: £881 billion), representing a daily average of £4.7 billion (2005: £3.5 billion). The average value of a SETS bargain for the year was steady at £21,000 (2005: £21,000) and, at just over £1.50, average yield per SETS bargain was broadly in line with last year. Overall, SETS trading (excluding order charges) contributed 69 per cent. of Broker Services revenue (2005: 66 per cent.). Reflecting the strong performance by SETS, the total number of equity bargains increased 31 per cent. to 89.0 million (2005: 67.9 million), a daily average of 349,000 bargains (2005: 271,000). Total value traded increased 23 per cent. to £5.8 trillion (2005: £4.7 trillion).

Information Services' revenue for the year rose nine per cent. to £94.1 million (2005: £86.7 million), reflecting growth in the number of terminals taking the Company's real-time market data, as well as the increasing contribution of recent initiatives. Total terminals increased nine per cent. to 104,000 (2005: 95,000). Of this number, 88,000 terminals were attributable to the professional user base, up 5,000 on the previous year (2005: 83,000) and 2,000 since 31 December 2005 (86,000). SEDOL Masterfile increased the number of licences signed to 1,100 (2005: 1,000) and the number of securities covered to more than 1.2 million (2005: 450,000). Proquote increased the number of installed screens by 11 per cent. to 3,000 (2005: 2,700), benefiting from the introduction of Proquote International.

Derivatives Services contributed £7.7 million to revenue (2005: £6.8 million) up 13 per cent.. EDX London traded a total of 22.2 million contracts (2005: 18.3 million), representing an average of 86,000 per day (2005: 73,000) up 18 per cent..

Expenses

Administrative expenses (excluding exceptional items) increased seven per cent. to £171.0 million (2005: £159.8 million), mainly reflecting an increase in staff costs. Exceptional costs of £41.1 million comprised: the £23.1 million charge in respect of EDX London, (principally for the impairment of goodwill); one-off implementation costs of £5.9 million associated with achieving additional cost efficiencies; and £12.1 million for advisors' fees in respect of potential offers for the Company.

Profit for the year

Operating profit excluding exceptional revenues and costs increased 42 per cent. to £120.1 million (2005: £84.6 million) and one per cent. to £85.4 million including exceptional items (2005: £84.5 million). The taxation charge amounted to £26.7 million – the effective tax rate was below the standard tax rate due mainly to adjustments to the tax charge in respect of previous years. After tax and minority interests, profit attributable to equity holders for the year was £70.7 million (2005: £65.0 million).

Adjusted basic earnings per share, excluding exceptional items, rose 55 per cent. to 37.4 pence per share (2005: 24.2 pence per share). Basic earnings per share increased 15 per cent. to 27.8 pence per share (2005: 24.2 pence per share).

Cash flow and balance sheet strength

Cash generated from ongoing operating activities increased to £145.9 million (2005: £100.9 million), due to the strong operating performance during the period. Together with the receipt of the final instalment of £33.2 million from the disposal of Stock Exchange Tower and lower capital expenditure, this resulted in a total increase in cash of £102.4 million. This compared to a cash outflow of £103.5 million in 2005 (due to the payment of a special dividend of £162.5 million in August 2004).

Net assets of the Company increased to £288.8 million (2005: £236.3 million), mainly due to the increase in cash arising from operating performance, partly offset by the £23.1 million charge arising from the impairment and provision in respect of EDX London Ltd.

At 31 March 2006 sterling cash resources were £226.8 million (2005: £124.4 million) with debt of £1.1 million (2005: £3.3 million).

Capital Resources

At 31 March 2007, the last reported balance sheet date, cash and cash equivalents amounted to £72.9 million which were mainly deposited with banks in short term deposits. All balances are held in pounds sterling.

At 31 July 2007, the Company's net financial funding (unaudited, and stated under IFRS) was £387.4 million, comprising £76.3 million cash and cash equivalents (including restricted cash) offset by £51.7 million current financial debt and £412.0 million non-current loans. A table of the Company's unaudited capitalisation and indebtedness as at 31 July 2007 is set out in Section 13 of Part 10.

The Company funds its operations through retained earnings, equity, bank debt and notes. Details of the Company's bank debt and notes are summarised below. Whilst the Company is not subject to significant seasonal trends, cash flows will vary from month to month as a result of factors such as significant payments (for example, bond interest and dividends) and billing arrangements.

Except for customary restrictions on any such payments under corporate law in their respective jurisdictions of incorporation and regulatory requirements that the London Stock Exchange and EDX London Limited must adhere to as RIEs, there are no specific or legal or economic restrictions that can materially affect the ability of the subsidiaries of the Company to make payments to Company in the form of dividends, loans or advances.

Derivative contracts are used by the Company where appropriate, to hedge foreign cash inflows in Scandinavian currencies and manage interest rate risks associated with borrowings.

On 9 February 2006, the Company signed a facility agreement with Barclays Capital, the investment banking division of Barclays Bank Plc ("**Barclays**") and The Royal Bank of Scotland plc ("**RBS**") for a revolving facility amounting to £200 million, which was amended and restated on 1 March 2007, and was further amended on 18 July 2007 (the "**Revolving Facility**"). The Revolving Facility is available for general corporate purposes. The borrowings under the Revolving Facility are unsecured. The Revolving Facility matures on 9 February 2011.

On 1 March 2007, the Company signed a facility agreement with Barclays and RBS for a term loan facility amounting to £250 million which was amended and restated on 22 June 2007 and was further amended on 18 July 2007 (the "**Term Facility**"). The facility is available to fund returns of capital to shareholders. The borrowings under the Term Facility are unsecured. The Term Facility may be drawndown by up to eight drawings, at any time prior to, or on 31 December 2007. The Term Facility matures on 17 July 2009; and

On 22 June 2007, the Company signed a facility agreement with Barclays and RBS for a bridge facility amounting to £460 million, which was amended on 18 July 2007 (the "**Bridge Facility**"). Utilisation of the Bridge Facility is conditional upon Completion and amounts under the Bridge Facility can be principally used for either (a) the purposes of acquiring shares in Borsa Italiana, if required, or to the extent this is not required, for any return of capital to the Company's shareholders, or (b) for refinancing of borrowings of Borsa Italiana. The borrowings under the Bridge Facility are unsecured. The Bridge Facility matures after 364 days from the date of signing the Bridge Facility. The Company has an option to extend the final maturity date of the Bridge Facility by a further 12 months upon the payment of an extension fee.

On 4 July 2006, the Company issued £250 million of 5.875 per cent. notes due in 2016. The notes are constituted by a trust deed dated 7 July 2006 made between the Company and HSBC Trustee (CI) Ltd and couponholders. Interest on the notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July each year at the rate of 5.875 per cent. of the principal amount. Under the terms of the notes the interest payable on the notes will be increased or decreased in the event of a change in the credit rating assigned to the notes.

PART 8 FINANCIAL INFORMATION ON THE COMPANY AND BORSA ITALIANA

The following documents are incorporated in, and form part of, this Prospectus:

(a) the special purpose restated audited consolidated financial information of the London Stock Exchange prepared under IFRS covering the financial year ended 31 March 2005 and the accountants' report thereon (set out on pages 40 to 67 of the prospectus issued by the Company on 5 May 2006);

(b) the audited consolidated financial information of the London Stock Exchange for the financial year ended 31 March 2006 and the auditors' report thereon (set out on pages 39 to 65 of the London Stock Exchange's annual report for 2006);

(c) the audited consolidated financial information of the Company for the year ended 31 March 2007 and auditors' report thereon (set out on pages 45 to 70 of the Company's annual report for 2007);

(d) the unaudited consolidated financial information of the Company for the three months ended 30 June 2007 and 2006 as set out in the Interim Management Statement for the three months ended 30 June 2007 published by the Company on 11 July 2007;

(e) the historical financial information of Borsa Italiana Group covering the three financial years ended 31 December 2004, 2005 and 2006 and the accountants' report thereon (set out on pages 23 to 49 of the Circular); and

(f) the pro forma statement of net assets of the Enlarged Group and the accountants' report thereon (set out on pages 50 to 53 of the Circular).

The information detailed above has been made public and is available on the London Stock Exchange's website at www.londonstockexchange.com

PART 9 TAXATION

1. UK Taxation – shareholders resident in the UK

General

The following summary is intended as a general guide only and relates only to certain UK tax consequences of holding the Ordinary Shares. It is based on current UK tax law and the current practice of UK HM Revenue & Customs ("**HMRC**"), both of which are subject to change, possibly with retrospective effect. The summary is intended to apply only to shareholders who are resident in the UK for UK tax purposes, who hold the Ordinary Shares as investments and not on trading account, and who are the beneficial owners of the Ordinary Shares. The summary is not intended to apply to certain classes of shareholders such as dealers in securities, insurance companies or collective investment schemes. **Any shareholders or prospective shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposition of the Ordinary Shares and/or who are subject to tax in a jurisdiction other than the UK should consult their own independent tax advisers.**

Dividends

Under current tax law the Company will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will generally be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the net dividend and the related tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to one-ninth of the cash dividend paid, or 10 per cent. of the gross dividend.

A UK resident shareholder who is liable to income tax at the starting, lower or basic rate will be subject to income tax on dividends paid by the Company at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. If and to the extent that a UK resident individual shareholder is liable to pay income tax at the higher rate he will be subject to income tax on the gross dividend at 32.5 per cent. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (an effective tax rate of 25 per cent. of the net cash dividend received).

Shareholders who are not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit.

(b) Companies

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. A corporate shareholder will not be able to claim repayment of the tax credit attaching to any dividend.

Capital gains

Corporate shareholders who are tax resident in the UK are subject to corporation tax chargeable on the disposal of shares. Individual shareholders who are resident or ordinarily resident in the UK for tax purposes will normally be liable to UK capital gains tax on chargeable gains arising from the disposal of shares.

UK inheritance tax (including chargeable and potentially chargeable gifts)

Inheritance tax is chargeable on shares situated in the UK at the time of the death of or the gift by (where chargeable) the beneficial owner regardless of the residence or domicile status of that individual. Registered shares are situated where they are registered, which is generally the place where the share register is maintained and where transfer of the shares can be legally executed. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to inheritance tax.

Therefore this section only refers to UK situated Ordinary Shares.

Ordinary Shares beneficially owned by an individual will be subject to inheritance tax on the death of the individual or, in certain circumstances, if the Ordinary Shares are the subject of a gift by such individual. For inheritance tax purposes, as well as an outright gift, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Inheritance tax is not generally chargeable on gifts made by individuals to other individuals more than seven years before the death of the donor but is generally chargeable on transfers to trusts. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements.

Shareholders should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country.

Stamp duty and stamp duty reserve tax ("SDRT")

Except in relation to depository receipt arrangements or clearance services where special rules apply:

(i) no stamp duty or SDRT will be payable on the issue of Ordinary Shares;

(ii) an agreement to sell Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the Ordinary Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the actual consideration paid. When stamp duty is paid within six years of the date of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

Where depository receipt arrangements or clearance services apply:

(i) SDRT at the rate of 1.5 per cent. is payable upon the issue or transfer of the Ordinary Shares into such an arrangement. This liability for SDRT will be accountable for by the depository, clearance service or its nominee;

(ii) where a clearance service provider has opted for the normal rates of SDRT of 0.5 per cent. to apply to the consideration paid for transfer of the shares into or within the service, this lower rate will apply to all subsequent transfers of the shares whilst within the service.

PEPs and ISAs

If existing shareholders of London Stock Exchange currently hold scheme shares in a PEP or the stocks and shares component of an ISA, the Ordinary Shares should qualify for inclusion in a PEP or in the stocks and shares component of an ISA.

2. UK Taxation – Shareholders not resident in the UK

General

The following summary is intended as a general guide only and relates only to certain UK tax consequences of holding the Ordinary Shares. It is based on current UK tax law and the current practice of UK HMRC, both of which are subject to change, possibly with retrospective effect. The summary is intended to apply only to shareholders who are not resident in the UK for UK tax purposes, who hold the Ordinary Shares as investments and not on trading account, and who are the beneficial owners of the Ordinary Shares. The summary is not intended to apply to certain classes of shareholders such as dealers in securities, insurance companies or collective investment schemes. **Any shareholders or prospective shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposition of the Ordinary Shares should consult their own independent tax advisers**.

Dividends

Under current tax law the Company will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual shareholder who is not resident in the UK for tax purposes and who receives a dividend from the Company will generally not be subject to UK tax on that receipt. Italian tax resident individuals will not be entitled to claim repayment of any tax credits from HMRC.

(b) Companies

A corporate shareholder which is not resident in the UK for tax purposes and which receives a dividend from the Company will generally not be subject to UK taxation on that receipt. Italian tax resident companies will not be entitled to claim repayment of any tax credits from HMRC.

Capital Gains

Non-UK resident corporate shareholders, and individual shareholders who are neither resident nor ordinarily resident in the UK for taxation purposes, are not generally subject to UK tax on chargeable gains unless they carry on a trade or profession in the UK through a branch or agency and the shares are, or have been, used, held or acquired for the purposes of that activity.

An individual shareholder who has previously been resident in the UK and who remains non-resident for less than five complete tax years, may be subject to tax in the year of his or her return to the UK, on capital gains realised during the period of non-residency.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

Except in relation to depository receipt arrangements or clearance services where special rules apply:

(i) no stamp duty or SDRT will be payable on the issue of Ordinary Shares;

(ii) an agreement to sell Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the Ordinary Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the actual consideration paid. When stamp duty is paid within six years of the date of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

Where depository receipt arrangements or clearance services apply:

(i) SDRT at the rate of 1.5 per cent. is payable upon the issue or transfer of the Ordinary Shares into such an arrangement. This liability for SDRT will be accountable for by the depository, clearance service or its nominee;

(ii) where a clearance service provider has opted for the normal rates of SDRT of 0.5 per cent. to apply to the consideration paid for transfer of the shares into or within the service, this lower rate will apply to all subsequent transfers of the shares whilst within the service.

UK Inheritance Tax (including chargeable and potentially chargeable gifts)

Please see the comments for shareholders resident in the UK.

PART 10 ADDITIONAL INFORMATION

1. Incorporation and registered office of the Company

1.1. The Company was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005 it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it re-registered as a public limited company pursuant to section 43 of the Companies Act and changed its name to London Stock Exchange Group plc.

1.2. The registered and head office of the Company is at 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

1.3. The principal legislation under which the Company operates, and under which the New Ordinary Shares have been created, is the Companies Act and the Companies Act 2006.

1.4. PricewaterhouseCoopers LLP, whose address is Hays Galleria, 1 Hays Lane, London SE1 2RD, are the auditors of the Company and have been the only auditors of the Company since its incorporation. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

1.5. PricewaterhouseCoopers LLP, whose address is Hays Galleria, 1 Hays Lane, London SE1 2RD, are the auditors of the London Stock Exchange. PricewaterhouseCoopers LLP audited the financial statements of the London Stock Exchange for the years ended 31 March 2005, 31 March 2006 and the Company for the year ended 31 March 2007. The reports in respect of the financial statements for each of the three years to 31 March 2007 were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

1.6. Following the Proposed Merger, the Company will become the holding company of both the London Stock Exchange and Borsa Italiana and will continue to maintain the existing Borsa Italiana and London Stock Exchange brands. The Company will remain incorporated in the UK, but it is intended in the future that the Company be renamed to reflect its international profile. In addition to its listing in London, the Company intends to seek a listing on Borsa Italiana's Mercato Telematico Azionario.

2. Information about the Company's New Ordinary Shares

2.1. The New Ordinary Shares will be credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares in issue at the time the New Ordinary Shares are delivered pursuant to the Proposed Merger, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date of the Proposed Merger. The expected date of issue of the New Ordinary Shares is the date of Admission.

2.2. The New Ordinary Shares will be Ordinary Shares in registered form and, from Admission, will be capable of being held either (i) in certificated form or (ii) in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where New Ordinary Shares are held in uncertificated form, the relevant CREST stock account of the registered members will be credited.

3. Share capital of the Company

3.1. On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1.00 each. Of such shares, one ordinary share was taken by the subscriber to the Memorandum of Association and was paid up in full. On 20 October 2005, the subscriber's ordinary share of £1.00 was transferred to an employee of London Stock Exchange. On 5 December 2005, another employee of London Stock Exchange, subscribed for one ordinary share of £1.00 in the Company which was paid up in full.

3.2. On 5 December 2005, resolutions were passed by the shareholders of the Company at that time to increase the authorised share capital from £1,000 to £51,000 by the creation and allotment of one fixed rate redeemable preference share of £50,000 and amend the Company's Articles of Association including the rights associated with the Redeemable Preference Share and other changes in order to effect the re-registration of the Company as a public limited company.

3.3. On 9 March 2006, resolutions were passed at an extraordinary general meeting of the Company to increase the authorised share capital of the Company by the creation of 350,000,000 Ordinary Shares of £5.00 each; 260,000,000 B Shares of £2.00 each; and 99,999,900,000 Class A Ordinary Shares of 1 pence each; and each of the existing 1,000 ordinary shares of £1.00 each in the capital of the Company was sub-divided and reclassified into 100,000 Class A Ordinary Shares of 1 pence.

3.4. On 17 March 2006, a resolution was passed at an extraordinary general meeting of the Company to the effect that the authorised share capital of the Company was increased by the creation of a further 300,000,000,000 Class A Ordinary Shares of 1 pence each having the rights of Ordinary Shares set out in the Company Articles of Association.

3.5. On 13 April 2006, resolutions were passed at an extraordinary general meeting of the Company to the effect that, conditional upon a scheme of arrangement with the Company and London Stock Exchange becoming effective, all Ordinary Shares of £5.00 each in the capital of the Company were consolidated and sub-divided into ordinary shares with a nominal value equal to 6 79/86 pence and the amount, standing to the credit of the Company's merger reserve resulting from the scheme of arrangement becoming effective was applied in paying up in full Class A Ordinary Shares in the Company of one pence each which were then immediately reduced and cancelled and all authorised but unissued Class A Ordinary Shares were also reduced and cancelled. The scheme of arrangement became effective on 15 May 2006 and the resolutions were effective as at that date.

3.6. On 8 August 2007 a resolution was passed at an extraordinary general meeting of the Company to the effect that the directors of the Company (or any duly authorised committee thereof) be authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to a maximum aggregate nominal amount of £5,505,000 for the purposes of the Proposed Merger to the former shareholders of Borsa Italiana.

3.7. London Stock Exchange does not hold any Ordinary Shares in treasury.

3.8. No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of the Company.

3.9. Immediately prior to the publication of this document, the authorised share capital of the Company was £45,479,624, comprising:

(i) 350,000,000 Ordinary Shares of 6 79/86 pence each, of which 199,881,629 shares were issued, all of which were fully paid or credited as fully paid; and

(ii) 10,632,254 B Shares of £2.00 each, of which 6,862,753 shares were issued, all of which were fully paid or credited as fully paid.

3.10. The ISIN number for the Ordinary Shares is GB00B0SWJX34.

4. Memorandum and Articles of Association

Memorandum of Association

The Memorandum of Association of the Company provides that its principal objects are to carry on the business of an investment exchange and clearing house; to provide, manage and regulate markets in, and clearing and settlement services with respect to transactions in, investments of all kinds, whether direct or derivative, including financial instruments and currencies; and to provide facilities for the transaction of the businesses of broking, dealing, market-making, stocklending, investment management and advice and other businesses in the field of financial services. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 24 of this Part 10.

Articles of Association

The Company's Articles of Association include provisions to the following effect.

4.1. Share rights

Subject to the provisions of the Companies Act, 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.

The Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Company's Articles of Association and to the Companies Act, the unissued share capital of the Company (whether forming part of the original or any increased capital) is at the disposal of the Board.

The rights attaching to the New Ordinary Shares and B Shares are set out below.

4.1.1. Dividends on B Shares

(i) The holders of the B Shares are entitled, in priority to any payment of dividend or other distribution to the holders of any Ordinary Shares and before profits are carried to reserves, to be paid a non-cumulative preferential dividend at such rate on the amount of £2.00 in respect of each B Share as is calculated in accordance with sub-paragraphs (ii) and (iii) below. Dividends on B Shares shall be payable to the extent that the Company has sufficient distributable reserves and it is therefore not guaranteed. Such dividend is paid (without having to be declared) semi-annually in arrears on 1 June and 1 December in each year (or if any such day is not a Business Day, the next following day that is a Business Day (without any interest or payment in respect of such delay) (each a "**Payment Date**")).

(ii) Each six month period ending on a Payment Date is called a "**Calculation Period**". The annual rate applicable to each Calculation Period is the lower of (i) 25 per cent. per annum and (ii) 75 per cent. of LIBOR for six month deposits in pounds sterling which appears on the display designated as page 3750 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying London inter-bank offered rates of leading banks for pounds sterling deposits) as determined by JPMorgan Cazenove Limited or such other agent as the Company shall appoint from time to time (the "**Reference Agent**") at or about 11.00 a.m. (UK time) on the first Business Day of such Calculation Period.

(iii) If for any reason the rate does not appear, or if the relevant page is unavailable then the Company (or the Reference Agent) will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this proviso had not happened to provide to the Company (or the Reference Agent) through its normal London office its offered quotation to leading banks for pounds sterling deposits in London for a six month period and the rate shall be the arithmetic mean (rounded upward if necessary to the nearest 1/16 per cent.) of the respective rates per annum notified to the Company or the Reference Agent such quotations (or such of them, being at least two, as provided) as determined by the Reference Agent.

(iv) Payments of dividend on B Shares shall be made to holders of the B Shares on the register on a date selected by the Directors being not less than 15 days or more than 42 days (or, in default of selection by the Directors, on the date falling 15 days) prior to the relevant Payment Date.

(v) The holders of the B Shares shall not be entitled to any further right of participation in the profits of the Company.

(vi) All preferential dividends payable on the B Shares which are unclaimed for a period of 12 years from the date of due payment shall be forfeited and shall revert to the Company.

4.1.2. Capital Redemption Rights

Holders of B Shares are able to make further elections to have some or all of their B Shares redeemed for the sum of £2.00. The redemption can take place semi-annually on 1 June and 1 December in each year (or if any such day is not a Business Day, the next following day that is a Business Day (without any interest or payment in respect of such delay) (each a "**Redemption Date**")) until 1 June 2009.

On 1 June 2009, or at any time after the third anniversary of 22 May 2006, or, when the total number of B Shares remaining in issue becomes less than 25 per cent. of the total number of B Shares issued, the Company may (subject to the provisions of the Companies Act and every other statute, statutory instrument, regulation or order in force concerning companies regulated under the Companies Act including the Listing Rules), on giving notice in writing to the holders of the B Shares, redeem all but not some only of the B Shares then in issue on that date specified in the notice, which shall not be less than 10 days nor more than 42 days from the date of such notice (a "**Redemption Call Date**") in such a manner as the Directors may determine, including the manner set out in the Company's Articles. The redemption shall be on the basis of £2.00 per B Share.

On any Redemption Call Date, each holder of B Shares being redeemed is entitled to a dividend which is equal to the relevant proportion of the dividend in respect of the B Shares which would have been payable, if the Redemption Call Date was the same as the last day of the then current Calculation Period.

The relevant proportion is the number of days from and including the last Payment Date to but excluding the Redemption Call Date divided by 183. The aggregate amount of dividend payable to each holder of B Shares shall be rounded down to the nearest whole penny.

On a return of capital on a winding-up (except on a redemption in accordance with the terms of issue of any share, or purchase by the Company of any share or on a capitalisation issue and subject to the rights of any other class of shares that may be issued) there shall be paid to the holders of the B Shares the sum of £2.00 in respect of each B Share held by them respectively, together with a sum equal to the relevant proportion of the dividend which would have been payable if the winding-up had taken effect on the last day of the then current Calculation Period. The relevant proportion shall be the number of days from and including the preceding Payment Date to, but excluding, the date of such winding-up divided by 183. The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by them shall be rounded down to the nearest whole penny. The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company. If on such a winding-up the amount available for payment is insufficient to cover in full the amounts payable on the B Shares, the holders of such shares will share on a pro rata basis in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled.

4.1.3. Attendance and voting at general meetings

The holders of the B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meetings of the Company or to attend, speak or vote at any such general meetings.

4.1.4. Purchase of B Shares

Subject to the provisions of the Companies Act and every other statute, statutory instrument, regulation or order in force concerning companies registered under the Companies Act (including the Listing Rules), but without the need to obtain the sanction of an extraordinary resolution of the holders of the B Shares, the Company may at any time and at its sole discretion purchase B Shares: (i) in the market; (ii) by tender available alike to all holders of B Shares; or (iii) by private treaty, in each case at a price and upon such other terms and conditions as the Directors may think fit.

4.1.5. Class Rights

The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the B Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose.

A reduction by the Company of the capital paid up on the B Shares shall be in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Act and without obtaining the consent of the holders of the B Shares).

4.1.6. Form and Transferability

The B Shares are not renounceable and are freely transferable by an instrument of transfer in any usual form or in any other form which the Board of the Company may approve. Settlement of transactions in B Shares may take place within the CREST system in respect of general market transactions.

4.1.7. Business Day

In this part 4, the expression "**Business Day**" means a day upon which pounds sterling deposits may be dealt with on the London inter-bank market and commercial banks are generally open in London and "non-cumulative" in relation to the preferential dividend means that the dividend payable on each Payment Date is payable out of the profits of the Company available for distribution in respect of the accounting reference period in which the Payment Date falls (including any reserves representing profits made in previous accounting reference periods) without any right in the case of a deficiency to resort to profits made in subsequent accounting reference periods.

4.1.8. Voting rights on Ordinary Shares

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting unless all monies presently payable by him in respect of shares in the Company have been fully paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 212 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that in respect of the shares in relation to which the default occurred the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

4.1.9. Dividends and other distributions on Ordinary Shares

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, 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.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

The Board may withhold payment from a person of all or any part of any dividend or other moneys payable in respect of shares in the Company if those shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members 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 members or different classes of members.

4.1.10. Variation of rights

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

4.1.11. Lien and forfeiture

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any monies unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

4.1.12. Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not a fully paid share, 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:

(i) 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;

(ii) is in respect of one class of share only; and

(iii) is in favour of not more than four persons.

The Board may refuse to register a transfer of shares in the Company by a person if those shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, unless: (i) the transfer is an approved transfer (as defined in the Company Articles); (ii) the member is not himself in default as regards supplying the information required and certifies that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; or (iii) the transfer of the shares is required to be registered by the Uncertificated Securities Regulations 2001.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

4.1.13. Alteration of share capital

The Company may by ordinary resolution increase, consolidate or, subject to the Companies Act, sub-divide its share capital. The Company may also by ordinary resolution cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled. Subject to the provisions of the Companies Act, the Company may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

4.1.14. Purchase of own shares

Subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

4.1.15. General meetings

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may call general meetings whenever and at such times and places as it shall determine.

4.2. Directors

4.2.1. Appointment of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and if not re-appointed at such annual general meeting shall vacate office at its conclusion.

4.2.2. Age of Directors

The provisions of the Companies Act with regard to “Age limit for Directors” shall not apply to the Company but where the Board convenes any general meeting of the Company at which (to the knowledge of the Board) a Director will be proposed for appointment or re-appointment who at the date for which the meeting is convened will have attained the age of 70 or more, the Board shall give notice of his age in years in the notice convening the meeting.

4.2.3. No share qualification

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

4.2.4. Retirement of Directors by rotation

At every annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. A retiring Director shall be eligible for re-election.

4.2.5. Remuneration of Directors

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office, but excluding the Chairman, (excluding amounts payable under any other provision of the Company Articles) shall not exceed in aggregate £750,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office and who serves on any committee of the Board, by the request of the Board goes or resides abroad for any purpose of the Company or otherwise performs services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board may determine. By ordinary resolution passed on 8 August 2007, the permitted maximum aggregate amount was increased from £750,000 to £1.5 million.

In addition to any remuneration to which the Directors are entitled under the Company Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

4.2.6. Permitted interests of Directors

Subject to the provisions of the Companies Act, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office:

(i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise interested;

(ii) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

4.2.7. Restrictions on voting

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which (together with any interest of any person connected with him) is to his knowledge material, but these prohibitions shall not apply to:

(i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

(ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, Shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 198 to 211 of the Companies Act) representing one per cent. or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(vi) a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

4.2.8. Borrowing powers

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or change its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.2.9. Indemnity of officers

Subject to the provisions of the Companies Act but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

5. Directors and others interested in the Company

5.1. Details of the Directors, Prospective Directors and Senior Managers, their functions in the Company and the London Stock Exchange, their ages and relevant management expertise and experience are set out below.

The Board of Directors

Chris Gibson-Smith (62) Chairman	Appointed to the Board in May 2003 and appointed Chairman in July 2003. Chairman of Nominations Committee and member of Remuneration Committee. Also Chairman of the British Land Company plc and Non-Executive Director of Qatar Financial Centre Authority. Previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, Group Managing Director of BP plc from 1997 to 2001 and Director of Lloyds TSB plc from 1999 to 2005. He is a Trustee of the London Business School and a past Trustee of the Institute of Public Policy Research and the arts charity, Arts and Business.
Angelo Tantazzi (68) To be appointed Deputy Chairman upon Completion	Appointed as Chairman of the Board of Borsa Italiana in July 2000 and to be appointed a director and Deputy Chairman of the Company upon Completion. Appointed as Chairman of Monte Titoli S.p.A. since November 2001 and of CC&G S.p.A. from April 2003. He is also member of the Board of Directors of Banca Popolare dell'Emilia Romagna, Coesia S.p.A. and Advanced Capital S.p.A, Chairman of Prometeia S.p.A. and Vice-Chairman of the publishing house Il Mulino. Economic advisor of the Prime Minister's Office from 1996 to 1998, member of the Commission of the Ministry for the Budget from 1993 to 1997 and Consiglio Superiore dell'Istituto Centrale di Statistica and of various government study committees.

Clara Furse (50) Chief Executive	Appointed Chief Executive in January 2001. Group Chief Executive of Credit Lyonnais Rouse from 1998 to 2000. At Phillips & Drew (now UBS) from 1983 to 1998; became a Director in 1988, Executive Director in 1992, Managing Director in 1995 and Global Head of Futures in 1996. Director of LIFFE from 1991 to 1999. Deputy Chairman from 1997 to 1999. She is a Non-Executive Director of Fortis SA/NV, Euroclear plc and LCH.Clearnet Group Limited.
Massimo Capuano (53) To be appointed Deputy Chief Executive upon Completion	Appointed to the Board of Borsa Italiana in December 1997 and as Chief Executive and General Manager from October 2006 and to be appointed a director and Deputy Chief Executive of the Company upon Completion. Appointed as Chairman of the following subsidiaries of Borsa Italiana: BIt Systems in March 2001, MBE Holding in October 2005 and Servizio Titoli in April 2007. Appointed as Vice Chairman of CC&G in May 2000 and of Monte Titoli in January 2003. Member of the Supervisory Board of MTS. Appointed as Vice Chairman of MBE Holding S.p.A. in October 2005 and Chairman of MBE Holding S.p.A. in June 2007. Appointed as Vice Chairman of Promac S.p.A. in December 2006. Chairman of the World Federation of Exchanges for 2007-2008 and member of the Board of the Federation of European Securities Exchanges (FESE) from 2004 to 2007 (and was President of the FESE between 2004 and 2006). From 1986 to 1997 as Senior Partner at McKinsey and from 1980 and 1986 as IT systems and marketing engineer at IBM. He is a Freeman of the City of London. He is also a member of the International Advisory Committee of Cairo Alessandria Stock Exchange from December 2006.
Jonathan Howell (45) Director of Finance	Director of Finance since December 1999, responsible for Finance and Business Operations. He was previously Head of Market Regulation from 1998 and Director of Regulation from March 1999. He is a Non-Executive Director of Emap plc and Non-Executive Chairman of FTSE International Ltd. He joined the London Stock Exchange in 1996 from PricewaterhouseCoopers.
Baroness (Janet) Cohen (67) Non-Executive Director	Appointed to the Board in February 2001. Member of the Audit, Nominations and Remuneration Committees. A Life Peer, Non-Executive Chairman of Inviseo Media Holdings Ltd, a Non-Executive Director of Management Consulting Group plc, Freshwater UK plc and Proudfoot Trustees Limited. Previously Chairman of BPP Holdings plc and Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993.
Sergio Ermotti (47) Non-Executive Director	Group Deputy CEO at UniCredit Group. Previously Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group from January 2006 to July 2007. Director at Merrill Lynch International from March 1997 to November 2003. Director of Virt-X Limited and of Virt-X Exchange Limited from July 2002 to April 2003.
Oscar Fanjul (58) Non-Executive Director	Appointed to the Board in February 2001. Member of the Audit, Nominations and Remuneration Committees. Vice-Chairman and Chief Executive of Omega Capital. Formerly Chairman and CEO of REPSOL-YPF and Non-Executive Director of Acerinox, Marsh & McLennan Companies, Lafarge Group, Areva (Conseil de Surveillance) and Inmobiliaria Colonial. He is also Trustee of the International Accounting Standards Committee (IASC) Foundation and the Amigos del Museo del Prado Foundation.

Paolo Scaroni (60) Non-Executive Director	CEO at Eni S.p.A.. Member of the Board of several organizations: Il Sole 24 Ore S.pA., Assicurazioni Generali S.p.A., Fondazione Teatro alla Scala, Veolia Environment SA, Member of the Supervisory Board of ABN AMRO N.V. and member of the Board of Overseers of Columbia Business School. Previously CEO of Pilkington plc (now Pilkington Group Limited) from 1996 to 2002, director at BAE Systems plc from 2000 to 2004, director at Invensys plc from 2001 to 2002, CEO of Enel S.p.A. from June 2002 to June 2005, director (2002-2005) and Chairman (2005-2006) of Alliance Unichem plc. He was also a member of the Board of other listed companies within the past five years: Marzotto S.p.A., DEA Capital S.p.A. and Valentino Fashion Group.
Andrea Munari (45) Non-Executive Director	Director of Banca Caboto and of Banca IMI. Previously a Managing Director in the fixed income division at Morgan Stanley. Director of MTS S.p.A. from 2003 to 2005 and director of TLX S.p.A. from January 2007 to September 2007.
Nigel Stapleton (60) Non-Executive Director	Appointed to the Board in February 2001. Chairman of the Audit Committee. Member of the Nominations Committee. Chairman of Postal Services Commission. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996 and Uniq plc from 2001 to 2006.
Robert Webb Q.C. (58) Non-Executive Director	Appointed to the Board in February 2001. Chairman of the Remuneration Committee, member of the Nominations Committee. General Counsel of British Airways plc since September 1998, responsible for law, government and industry affairs, safety, security, risk management and the environment. Board member of the BBC, London First, Hakluyt Ltd., Forum for Global Health Protection and Transatlantic Business Dialogue. Bencher, Inner Temple.

Senior Managers

Martin Graham (44) Director of Market Services	Joined the London Stock Exchange as Director of Market Services in May 2003. Previously employed by West LB Panmure from 2001 to 2003 as Global Head of Equity Sales. At Dresdner Kleinwort Benson from 1990 to 2001 where he reached the position of Global Head of Equity Sales.
David Lester (41) Chief Information Officer	Joined the London Stock Exchange as Chief Information Officer in June 2001. Previously Chief Information Officer for Regus (2001) before which he worked for Primark from 1996 to 2000 including a post as Chief Information Officer for their internet start-up business. Prior to this he worked in consultancy for KPMG followed by Accenture plc.
David Pitman (46) Director of Marketing	Joined the Company in this role in July 2006. Previously worked for Close Brothers Group as Chief Executive of their Wealth Management Division and before that spent eight years with Merrill Lynch in sales, marketing and strategic planning roles.
Nic Stuchfield (47) Director of Corporate Development	Joined the London Stock Exchange in August 2003 and was appointed to his current role in 2004. His previous roles include CEO of Tradepoint (now Virt-x), COO of Barclays Global Investors and COO & CFO of BZW's global equities business.
John Wallace (34) Director of Media Relations	Joined the London Stock Exchange in October 1999, initially working in Business Development before moving to Media Relations, being appointed Director of Media Relations in June 2006.

5.2. Each of the Directors, Prospective Directors and the Senior Managers can be contacted at the Company's registered office.

6. Directors' and Senior Managers' Interests

6.1. The interests of the Directors, the Senior Managers and persons connected with them, all of which are beneficial, in the issued share capital of the Company as at 21 September 2007, the latest practicable date prior to publication of this Prospectus, are as follows:

	Number of B Shares	Number of Ordinary Shares	Per cent. Holding of Ordinary Shares
Directors			
CS Gibson-Smith	10,213	50,768	0.025
CHF Furse	355,086	385,165	0.193
JAG Howell	—	111,018	0.056
J Cohen	—	1,216	0.001
O Fanjul	—	21,901	0.011
NJ Stapleton	—	1,386	0.001
RS Webb	—	1,200	0.001
Senior Managers			
MP Graham	—	124,745	0.062
DA Lester	—	50,955	0.025
D Pitman	—	3,806	0.002
NJ Stuchfield	—	90,228	0.045
J Wallace	—	34,341	0.017

Share awards and share options granted under the current and closed share schemes for the Directors and Senior Managers are summarised in paragraphs 6.4 to 6.5.

None of the Prospective Directors have any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company or any of its subsidiaries.

6.2. Save as disclosed in paragraphs 6.1, 6.4 and 6.5, none of the Directors or Senior Managers or their immediate families, nor any person connected with any Director or Senior Manager (within the meaning of section 346 of the Companies Act) will at Admission have any interest, whether beneficial or non beneficial, in any share or loan capital of the Company or any of its subsidiaries.

6.3. As at 21 September 2007, the latest practicable date prior to publication of this Prospectus, no outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by the Company or any of its subsidiaries.

6.4. Current Share Schemes

(a) *The London Stock Exchange Long Term Incentive Plan*

The following performance share awards, the vesting of which is dependent on the achievement of performance targets, are held under the LTIP:

	Performance Shares			
	Number of shares awarded	**Price at award date (£)**	**Date of award**	**Final vesting date**
Directors				
CHF Furse	44,620	8.55	28/02/2006	28/02/2009
	32,299	10.79	25/05/2006	25/05/2009
	30,175	13.57	22/05/2007	22/05/2010
	107,094			
JAG Howell	28,772	8.55	28/02/2006	28/02/2009
	24,421	10.79	25/05/2006	25/05/2009
	20,582	13.57	22/05/2007	22/05/2010
	73,775			
Senior Managers				
MP Graham	25,906	8.55	28/02/2006	28/02/2009
	18,907	10.79	25/05/2006	25/05/2009
	16,511	13.57	22/05/2007	22/05/2010
	61,324			
DA Lester	25,497	8.55	28/02/2006	28/02/2009
	22,243	10.79	25/05/2006	25/05/2009
	16,511	13.57	22/05/2007	22/05/2010
	64,251			
D Pitman	28,120	11.40	07/07/2006	07/07/2009
	9,521	13.57	22/05/2007	22/05/2010
	37,641			
NJ Stuchfield	19,298	8.55	28/02/2006	28/02/2009
	11,029	10.79	25/05/2006	25/05/2009
	10,305	13.57	22/05/2007	22/05/2010
	40,632			
J Wallace	10,526	8.55	28/02/2006	28/02/2009
	9,083	10.79	25/05/2006	25/05/2009
	9,395	13.57	22/05/2007	22/05/2010
	29,004			

The following participants elected to invest a portion of their annual bonus in invested shares and were awarded matching shares, the vesting of which is dependent on the achievement of performance targets:

	Matching Shares			
	Number of shares awarded	Price at award date (£)	Date of award	Final vesting date
Directors				
CHF Furse	44,444	8.60	03/03/2006	03/03/2009
	35,965	11.40	26/05/2006	26/05/2009
	36,772	13.10	24/05/2007	24/05/2010
	117,181			
JAG Howell	23,170	8.64	06/03/2006	06/03/2009
	21,225	11.18	30/05/2006	30/05/2009
	44,395			
Senior Managers				
MP Graham	25,640	8.64	06/03/2006	06/03/2009
	21,053	11.40	26/05/2006	26/05/2009
	46,693			
DA Lester	25,246	8.64	06/03/2006	06/03/2009
	21,467	11.18	30/05/2006	30/05/2009
	20,121	13.10	24/05/2007	24/05/2010
	66,834			
D Pitman	12,975	13.10	24/05/2007	24/05/2010
	12,975			
NJ Stuchfield	19,109	8.64	09/03/2006	09/03/2009
	15,371	11.06	31/05/2006	31/05/2009
	34,480			
J Wallace	5,889	8.64	09/03/2006	09/03/2009
	7,204	14.15	01/06/2007	01/06/2010
	13,093			

No share awards remain unvested under the Executive Share Option Scheme.

(b) *The London Stock Exchange SAYE Option Scheme*

The following options are held under the SAYE Option Scheme:

	SAYE Option Scheme				
	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	—	—	—	—	—
JAG Howell	—	—	—	—	—
Senior Managers					
MP Graham	5,833	2.73	01/08/2003	01/09/2008	01/03/2009
DA Lester	—	—	—	—	—
D Pitman	—	—	—	—	—
NJ Stuchfield	5,580	2.93	30/07/2004	01/09/2009	01/03/2010
J Wallace	—	—	—	—	—

6.5. Share Schemes Closed to New Awards

(a) *The London Stock Exchange Executive Share Option Scheme*

	Executive Share Options				
	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	76,924	3.90	15/07/2002	15/07/2005	15/07/2012
	102,168	3.23	16/05/2003	16/05/2006	16/05/2013
	87,072	3.79	20/05/2004	20/05/2007	20/05/2014
	266,164				
JAG Howell	47,436	3.90	15/07/2002	15/07/2005	15/07/2012
	61,920	3.23	16/05/2003	16/05/2006	16/05/2013
	52,771	3.79	20/05/2004	20/05/2007	20/05/2014
	162,127				
Senior Managers					
MP Graham	178,019	3.23	16/05/2003	16/05/2006	16/05/2013
	47,494	3.79	20/05/2004	20/05/2007	20/05/2014
	225,513				
DA Lester	47,436	3.90	15/07/2002	15/07/2005	15/07/2012
	60,682	3.23	16/05/2003	16/05/2006	16/05/2013
	51,678	3.79	20/05/2004	20/05/2007	20/05/2014
	159,796				
D Pitman	—	—	—	—	—
NJ Stuchfield	158,312	3.79	20/05/2004	20/05/2007	20/05/2014
J Wallace	—	—	—	—	—

No share awards remain unvested under the Executive Share Option Scheme.

(b) *The London Stock Exchange Initial Share Plan*

	Initial Share Options				
	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	211,450	3.15	25/01/2001	25/01/2002	25/01/2011
	273,600	2.52	25/01/2001	25/01/2002	25/01/2011
	485,050				
JAG Howell	242,600	2.37	16/11/2000	16/11/2001	16/11/2010
	179,700	2.97	16/11/2000	16/11/2001	16/11/2010
	422,300				
Senior Managers					
MP Graham	—	—	—	—	—
DA Lester	—	—	—	—	—
D Pitman	—	—	—	—	—
NJ Stuchfield	—	—	—	—	—
J Wallace	—	—	—	—	—

No share awards remain unvested under the Initial Share Plan.

(c) *The London Stock Exchange Annual Share Option Plan*

The following share options are held under the Annual Share Option Plan:

	Annual Share Options				
	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	3,430	3.65	25/06/2001	25/06/2002	25/06/2011
JAG Howell	12,350	3.65	25/06/2001	25/06/2002	25/06/2011
Senior Managers					
MP Graham	—	—	—	—	—
DA Lester	87,800	3.65	25/06/2001	25/06/2002	25/06/2011
	63,410	4.56	25/06/2001	25/06/2002	25/06/2011
	151,210				
D Pitman	—	—	—	—	—
NJ Stuchfield	—	—	—	—	—
J Wallace	—	—	—	—	—

No share awards remain unvested under the Annual Share Option Plan.

7. Directors' Service Agreements and Letters of Appointment, Emoluments of Directors and Senior Managers and Other Interests

7.1. The Directors were appointed or reappointed directors of the Company on the following dates:

Directors	Position	Date of appointment or reappointment
Chris Gibson-Smith	Chairman	24 May 2006
Clara Furse	Chief Executive	4 May 2006
Jonathan Howell	Director of Finance	4 May 2006
Janet Cohen	Non-Executive Director	1 February 2007
Oscar Fanjul	Non-Executive Director	1 February 2007
Nigel Stapleton	Non-Executive Director	1 February 2007
Robert Webb QC	Non-Executive Director	1 February 2007

The Prospective Directors will be appointed to the Board with effect from Completion.

The Company became the holding company of London Stock Exchange on 15 May 2006 pursuant to a scheme of arrangement under section 425 of the Companies Act and pursuant to the letters of appointment, the dates of appointment for purposes of retirement by rotation and period of appointment were agreed to continue as had been in place for appointment as directors of the London Stock Exchange. Those Directors who were appointed as directors of the London Stock Exchange, are treated as appointed as Directors of the Company, on the following dates:

Directors	Position	Date
Chris Gibson-Smith	Chairman	1 May 2003
Clara Furse	Chief Executive	24 January 2001
Jonathan Howell	Director of Finance	25 March 1999
Janet Cohen	Non-Executive Director	1 February 2001
Oscar Fanjul	Non-Executive Director	1 February 2001
Nigel Stapleton	Non-Executive Director	1 February 2001
Robert Webb QC	Non-Executive Director	1 February 2001

7.2. Clara Furse and Jonathan Howell each have a service agreement with the London Stock Exchange. The terms are set out below:

(a) Clara Furse entered into a service agreement with the London Stock Exchange on 24 January 2001 to act as Chief Executive. The service agreement may be terminated by Mrs Furse or the London Stock Exchange on not less than 12 months' notice. In addition, on a change of control of the Company, Mrs Furse has the right to terminate her contract on 30 days' notice provided such notice is given within 30 days of the change of control. In the event of her (i) resignation following a change of control; (ii) an unlawful termination of her employment by the London Stock Exchange; or (iii) the London Stock Exchange terminating her employment in the event that she is unable to perform her duties due to illness or injury for a period of 6 months in any 12 month period and she is not eligible to receive a permanent health insurance benefit, Mrs Furse is entitled to a severance payment equal to one year's salary, benefits in kind and the amount of the last bonus awarded in the 12 month period prior to termination;

(b) Jonathan Howell entered into a service agreement with the London Stock Exchange dated 25 January 2000. His service agreement may be terminated by Mr Howell or the London Stock Exchange on not less than 12 months' written notice by the London Stock Exchange or Mr Howell. Mr Howell's service agreement does not provide for any severance payments. There are no provisions for pay in lieu of notice or liquidated damages (beyond this 12 month contractual notice period);

(c) Clara Furse and Jonathan Howell each receive benefits in kind, principally private health care and life assurance arrangements. In addition, Clara Furse and Jonathan Howell are entitled to:

    (i) participate in the London Stock Exchange plc Annual Bonus Plan. Cash bonus awards are approved by the Company's remuneration committee and are based on annual financial targets and individual performance;

    (ii) participate in the LTIP which comprises a conditional award of performance shares and an award of matching shares linked to investment by the participant in Ordinary Shares; and

    (iii) receive awards of Ordinary Shares under the 2007 Share Bonus Plan subject to the satisfaction of the performance targets.

(d) In 2007, the London Stock Exchange made contributions to the senior executive defined contribution pension plan for Clara Furse of nil (2006: £95,000) and for Jonathan Howell of £44,000 (2006: £35,000).

(e) London Stock Exchange staff participate in a flexible benefit plan whereby they receive an allowance from which they can purchase additional benefits or receive all or a proportion as a cash supplement. This allowance is not used to calculate bonus payments or pension contributions. Clara Furse receives a flexible benefit allowance of £20,000 per annum. Jonathan Howell's flexible benefit allowance is £19,520 per annum.

7.3 Massimo Capuano entered into a service agreement with Borsa Italiana on 12 October 2006. Under this agreement he is appointed as Chief Executive (*Direttore Generale*) of Borsa Italiana. He is also Managing Director (*Amministratore Delegato*) of Borsa Italiana. The terms of Mr Capuano's current service agreement are summarised below:

(a) Massimo Capuano's salary is €750,000. In addition he receives an annual payment of €100,000 in director's fees. Massimo Capuano's service agreement is for an indefinite period and may be terminated by Borsa Italiana on not less than six months' notice, increasing to a maximum of 12 months after 12 years' service and by Mr Capuano on not less than two months' notice, increasing to a maximum of four months after five years' service. In the event of: (i) the termination without just cause of his contract by Borsa Italiana, Mr Capuano is entitled to a payment equal to 30 months' salary (salary for these purposes being an amount equal to €850,000) plus any payment to which he may be entitled on such termination under the applicable collective labour agreement (being not less than six months' earnings up to a maximum of 24 months' earnings depending on his length of service and age) and to the continuation of certain benefits in kind for a period of three years (including life insurance, permanent invalidity insurance and private medical expenses insurance) following termination of employment; or (ii) his resignation following a significant reduction in his powers or duties, Mr Capuano is entitled to a payment equal to 30 months' salary. On a change of control of Borsa Italiana, Mr Capuano is entitled to a payment equal to 36 months' salary. In both cases salary for these purposes is taken to be €850,000.

(b) Mr Capuano also receives benefits in kind, principally permanent invalidity insurance, life insurance, private medical expenses insurance and the use of a company car, together with certain supplementary insurance and pension-related arrangements as provided for under the relevant collective labour agreement.

(c) It is intended that Massimo Capuano will continue to be engaged as Chief Executive and Managing Director of Borsa Italiana. He will also be appointed Deputy Chief Executive of the Company. It is also intended that the terms of his service agreement will be revised and, on finalisation, the key changes that are currently anticipated are as follows:

(i) his service agreement will be amended so that it may be terminated by the Company on 12 months' notice and by Mr Capuano on 6 months' notice. It is anticipated that there will be a provision for Borsa Italiana to terminate his employment by payment in lieu of notice equal to 12 months' salary and an amount equal to the last bonus awarded in the 12 month period prior to termination. In the event of his resignation following a significant reduction in his powers or duties, Mr Capuano will be entitled to a payment equal to 15 months' salary together with an amount equal to fifteen twelfths of the last bonus awarded in the 12 month period prior to termination. In accordance with the terms of the collective labour agreement, Mr Capuano will also be entitled to resign following a change of control of Borsa Italiana and receive a payment in lieu of notice of 12 months' salary. He will be entitled to the continuation of certain benefits in kind (including life insurance, permanent invalidity insurance and private medical expenses insurance) for a period of three years following termination of employment;

(ii) Massimo Capuano will also receive benefits in kind as under his current contract, plus an additional annual pension allowance equal to 25 per cent. of his combined salary and director's fees. He will also participate in annual bonus arrangements based on annual financial targets and individual performance;

(iii) Massimo Capuano will participate in Borsa Italiana's LTIP until 31 December 2007. The rules of the LTIP allow early vesting of Mr Capuano's awards. It is intended to permit such early vesting on the condition that he agrees to invest the net proceeds in Ordinary Shares;

(iv) Massimo Capuano will be granted a conditional award of performance shares under the Company's LTIP equal to 100 per cent. of salary and, provided Mr Capuano acquires Ordinary Shares with a value of up to 50 per cent of salary, an award of matching shares on a two for one basis. He will also receive awards of Ordinary Shares under an initial share bonus plan with a value equal to 100 per cent. of his full-year equivalent annual bonus for the year ending 31 March 2008 (subject to a maximum award of 150 per cent. of salary). If Mr Capuano's employment is terminated by the Company without cause prior to 31 March 2008, he will be entitled to receive a pro-rated award under the initial share bonus plan for actual service. Mr Capuano will also receive a further award of Ordinary Shares with a value of €1.4 million, which will vest on grant. Mr Capuano will be required to retain these Ordinary Shares for a period of 12 months from the vesting date.

7.4. On 4 May 2006, each of Clara Furse and Jonathan Howell entered into a letter of appointment with the Company under which each was appointed to the Board of Directors of the Company and owes duties to the Company.

7.5. Each of the Non-Executive Directors except the Chairman, has a letter of appointment with the Company, with no notice period, which sets out their responsibilities and commitments. Each of the appointments is for an initial period of three years expiring on the dates noted below unless the Non-Executive Director is not re-elected by Shareholders at the next AGM at which he or she is required to stand for re-election. The Non-Executive Directors are not entitled to any compensation on termination or non-renewal of their appointment. Angelo Tantazzi, Sergio Ermotti, Andrea Munari and Paolo Scaroni will each enter into a letter of appointment with the Company on the terms described in this paragraph 7.5 to be effective from their appointment as directors of the Company on the Effective Date and to expire on the third anniversary of the Effective Date.

Director	**Expiry of Appointment Letter**
Janet Cohen	31 January 2010
Oscar Fanjul	31 January 2010
Nigel Stapleton	31 January 2010
Robert Webb QC	31 January 2010

7.6. The Chairman has a letter of appointment dated 24 May 2006. His appointment is for a period of three years until the AGM in 2009, is terminable on six months notice and is renewable for a further period of three years.

7.7. The Non-Executive Directors and the Chairman are not eligible, and following their appointment, Angelo Tantazzi, Sergio Ermotti, Andrea Munari and Paolo Scaroni will not be eligible to, participate in any incentive or pension arrangements of the Company.

7.8. Save as specified in paragraphs 7.2 to 7.6 there are no existing or proposed service agreements between any of the Directors and the Company, the London Stock Exchange or any of its subsidiaries.

7.9. There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year ended 31 March 2007.

7.10. The amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors of the Company other than the Prospective Directors in the financial year ended 31 March 2007 is shown in the Remuneration Report on pages 35 to 41 of the Annual Report 2007 and incorporated by reference herein.

7.11. Angelo Tantazzi receives the following fees in relation to his directorships of Borsa Italiana and Monte Titoli:

Position	Annual fee
Chairman, Borsa Italiana S.p.A.	€533,000
Chairman, Monte Titoli S.p.A.	€173,000

The terms of his appointment to these roles is set out in paragraph 5.8 of Part 7 of the Circular incorporated by reference in this Prospectus.

Sergio Ermotti, Andrea Munari and Paolo Scaroni will be paid an annual fee of £45,000 each.

7.12. The aggregate remuneration of the Senior Managers of the Company in the year ended 31 March 2007 was as follows:

Basic salary	£ 901,317
Benefits	£ 57,185
Performance related bonuses	£1,739,000
Pensions / Retirement benefits	£ 146,320
Total	£2,843,822

7.13. There are no amounts set aside or accrued by the London Stock Exchange, the Company or its subsidiaries to provide pension, retirement or similar benefits to Directors or Senior Managers.

7.14. Other than current or former directorships of the Company, during the five years immediately prior to the date of this Prospectus, the Directors and the Senior Managers have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships (excluding subsidiaries of any company of which they are also a member of the administrative, management or supervisory bodies) specified below:

Directors

Chris Gibson-Smith – current directorships are as follows: The British Land Company plc and Qatar Financial Centre Authority. He is a Trustee of the London Business School. In addition, Chris Gibson-Smith was previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, Director of Lloyds TSB plc from 1999 to 2005, Group Managing Director of BP plc from 1997 to 2001, and a past Trustee of the Institute of Public Policy Research and the arts charity Arts & Business.

Angelo Tantazzi – current directorships are as follows: Banca Popolare dell'Emilia Romagna. Angelo Tantazzi is Chairman of Borsa Italiana S.p.A. (since July 2000), Monte Titoli S.p.A. (since November 2001), CC&G (since April 2003) and Prometeia S.p.A.. He is also Vice-Chairman of the publishing house "Il Mulino" and a director in Coesia S.p.A. and Advanced Capital S.p.A..

Clara Furse – current directorships are as follows: Fortis SA/NV, Euroclear plc and LCH.Clearnet Group Limited. In addition, Clara Furse has had the following former directorships: Credit Lyonnais Rouse from 1998 to 2000, Phillips & Drew (now UBS) from 1983 to 1998 (became a Director in 1988, Managing Director in 1995 and Global Head of Futures in 1996) and LIFFE from 1991 to 1999.

Massimo Capuano – current directorships are as follows: Chairman of BIt Systems and a member of the Supervisory Board of MTS. He is Vice-Chairman of CC&G and Monte Titoli. Director of Borsa Italiana S.p.A. (CEO), Servizio Titoli (Chairman), MBE Holding (Chairman) and Promac S.p.A. (Vice-Chairman). In addition, Massimo Capuano currently holds the position of Chairman at the World Federation of Exchanges for the year 2007-2008 and is a Member of the Board of the Federation of European Securities Exchanges (for the year 2007-2008) and was President of this organisation for the years 2004-2006. He is also a member of the International Advisory Committee of Cairo Alessandria Stock Exchange from September 2006.

Jonathan Howell – current directorships are as follows: Emap plc and FTSE International Ltd. In addition, Jonathan Howell has had the following former directorships: CRESTCo (resigned 2001).

Janet Cohen – current directorships are as follows: Inviseo Media Holdings Ltd, Management Consulting Group plc, Freshwater UK plc and Proudfoot Trustees Limited. In addition, Janet Cohen has had the following former directorships: BPP Holdings plc, HSBC Investment Bank, Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993 and TRL Electronics plc from 2005 to 2006.

Oscar Fanjul – current directorships are as follows: Omega Capital, S.L., Acerinox, Marsh & McLennan Companies, Lafarge Group, Areva (Conseil de Surveillance) and Inmobiliaria Colonial. He is also Trustee of the International Accounting Standards Committee (IASC) Foundation. In addition, Oscar Fanjul has had the following former directorships: REPSOL-YPF (resigned 1996), Ericsson S.A. (resigned 2001), Hidroelectrica del Cantabrico (resigned 2001), Banco Bilbao Vizcaya Argentaria (resigned 2002), and Técnicas Reunidas (resigned 2005).

Nigel Stapleton – current directorships are as follows: Postal Services Commission. In addition, Nigel Stapleton has had the following former directorships: Reed International plc from 1997 to 1999, Reed Elsevier plc from 1996 to 1998 and Uniq plc from 2001 to 2006.

Robert Webb – current directorships are as follows: BBC, London First, Hakluyt Ltd and Forum for Global Health Protection. In addition, Robert Webb has had the following former directorships: British Airways Pension Trustees Limited (resigned 2002) and Air Mauritius (resigned 2005).

Andrea Munari – current directorships are as follows: CEO Banca Caboto, Director Banca IMI. In addition, Andrea Munari has had the following former directorships: MTS S.p.A. (from 2003 to 2005) and director of TLX S.p.A. from January 2007 to September 2007 (resigned September 2007).

Sergio Ermotti – current directorships are as follows: Group Deputy CEO at UniCredit Group. From January 2006 to July 2007 Sergio Ermotti was Deputy General Manager and Head of Markets and Investment Banking at UniCredit Group. In addition, from March 1997 to November 2003 Sergio Ermotti was a director at Merrill Lynch International and from July 2002 to April 2003 he was a director of Virt-X Limited and of Virt-X Exchange Limited.

Paolo Scaroni – current directorships are as follows: CEO at Eni S.p.A., Director of Il Sole 24 Ore S.p.A., Assicurazioni Generali S.p.A., Fondazione Teatro alla Scala and Veolia Environnement SA. He is also Member of the Supervisory Board of ABN AMRO N.V. and member of the Board of Overseers of Columbia Business School. In the past, Paolo Scaroni had the following directorships: from 1997 to 2002 he was CEO of Pilkington plc (now Pilkington Group Limited), he was a director at BAE Systems plc from 2000 to 2004 and at Invensys plc from 2001 to 2002. From June 2002 to June 2005 Paolo Scaroni was CEO of Enel S.p.A. and he was a Director (2002-2005) and Chairman (2005-2006) of Alliance Unichem plc. He was also a member of the Board of other listed companies within the past five years: Marzotto S.p.A., DEA Capital S.p.A., Valentino Fashion Group.

Senior Managers

Martin Graham – current directorships are as follows: EDX London Limited and UK-India Business Council. In addition, Martin Graham has held the following former directorship: FTSE International Limited (resigned 2007).

David Pitman – no current directorships. David Pitman previously held the following directorships: Joseph Nelson Limited, Nelson Investment Planning Limited, Close Wealth Management Limited, Close Wealth Holdings Limited, C.W.M Trustees Limited, Wealth Management Limited, C.W.M Taxation Limited, CBGC (Nominees) Limited, Close WM Limited and Nelson Money Managers plc. David Pitman resigned from each of these directorships in 2005.

David Lester – current directorships are as follows: Proquote Limited and FTSE International Limited.

Nic Stuchfield – no current directorships. Nic Stuchfield previously held the following directorships: EDX London Limited (resigned 2006), The Stuchfield Consultancy Limited (resigned 2005), and Markit Valuations Limited (resigned 2004).

John Wallace – no current or previous directorships.

7.15. Save as set out at paragraph 7.17 below, none of the Directors or the Senior Managers has any business interests nor performs any activities outside the Company which are significant with respect to the Company.

7.16. At the date of this Prospectus, none of the Directors, the Prospective Directors and the Senior Managers have during the last five years:

(i) been convicted in relation to a fraudulent offence;

(ii) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(iii) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or

(iv) been disqualified by court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

7.17. By virtue of her position as Chief Executive of the London Stock Exchange, Clara Furse was invited to be a director of LCH.Clearnet Group Limited and Euroclear, both of which provide services to the London Stock Exchange.

7.18. No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by the London Stock Exchange, the Company or any of its subsidiaries.

7.19. None of the Directors or Senior Managers has or has had any interest, whether direct or indirect in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which taken as a whole was effected by the Company in the current or two immediately preceding financial years of the Company or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

7.20. No Director or Senior Manager has any conflict of interest between his duties to the Company and any private interests or other duties.

7.21. There are no family relationships between any of the Directors.

8. Summary of the London Stock Exchange Employee Share Schemes

8.1. The London Stock Exchange currently operates the SAYE Option Scheme and the LTIP. In addition, the Board has adopted the London Stock Exchange Group 2007 Share Bonus Plan, details of which are set out in paragraph 8.4 below, and has granted the 2007 Restricted Share Awards, details of which are set out in paragraph 8.5 below. London Stock Exchange has not yet operated the SIP. All plans established prior to 2004, with the exception of the SAYE Option Scheme, have now been closed in respect of new awards.

8.2. Details of the London Stock Exchange Employee Share Schemes, other than the 2007 Share Bonus Plan and the 2007 Restricted Share Awards, are incorporated by reference herein and set out in:

(i) for the LTIP and the SIP, the notice of annual general meeting dated 7 June 2004, pages 12 to 16;

(ii) for the ESOS, the notice of annual general meeting dated 13 June 2002, pages 4 and 5;

(iii) for the Initial and Annual Share Plans, and the SAYE Option Scheme, the Listing Particulars of the London Stock Exchange dated 18 June 2001; and

(iv) pages 36 and 37 of the Annual Report 2007.

8.3. The terms of the LTIP, the SAYE Option Scheme and the SIP were amended on 19 April 2006 so that appropriate references to ordinary shares in the share capital of the London Stock Exchange (and other relevant references) were changed to ordinary shares in the share capital of the Company and appropriate references to the London Stock Exchange were changed to the Company. This enables the LTIP, the SAYE Option Scheme and the SIP to operate in relation to shares in the share capital of the Company following the corporate reorganisation to give effect to the return of capital approved by shareholders in April 2006 for the remainder of each scheme's life.

8.4. *London Stock Exchange Group plc 2007 Share Bonus Plan*

General

The Board adopted the 2007 Share Bonus Plan which it will operate only during the financial year ending 31 March 2008. The 2007 Share Bonus Plan is designed to recognise that due to the prolonged "prohibited periods" to which the Company has been subject, no awards were granted under the LTIP between July 2004 and February 2006. The 2007 Share Bonus Plan was adopted to provide appropriate share based incentive and retention arrangements during the 20 month period from July 2007 to February 2009 when no LTIP awards would therefore vest. Awards under the 2007 Share Bonus Plan will enable participants to acquire Ordinary Shares, the value of which will be linked to the achievement of revenue targets over the financial year ending 31 March 2008.

Eligibility

The Executive Directors and nine senior executives are eligible to participate in the 2007 Share Bonus Plan.

Grant of awards

The Remuneration Committee may grant any eligible participant two awards under the 2007 Share Bonus Plan, each over a number of Ordinary Shares which will be fixed according to the extent to which specified revenue targets (underpinned by a cost:revenue ratio condition) have been met over two six month performance periods (1 April 2007 to 30 September 2007 and 1 October 2007 to 31 March 2008).

Individual limits

The number of Ordinary Shares comprised in an award for each six month period may not exceed such number as has a market value equal to 150 per cent. of a participant's basic salary as at 1 April 2007 in the case of Executive Directors and 100 per cent. of salary as at 1 April 2007 in the case of any other participant. The market value of an Ordinary Share will be the average of the middle-market quotations of an Ordinary Share (as derived from the London Stock Exchange Daily Official List) during the period of 30 days preceding the end of the relevant performance period.

Vesting and Release of awards

Any share awards granted in relation to the first performance period will normally vest and the underlying Ordinary Shares will be released on 1 December 2007 and any share awards granted in relation to the second performance period will normally vest and the underlying Ordinary Shares will be released on 1 June 2008, in each case subject to a participant remaining in employment up to the relevant vesting date.

Vesting of awards granted under the 2007 Share Bonus Plan will depend on the achievement of revenue targets as set out below, underpinned by a cost:revenue ratio condition:

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

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

Between these steps pro-rated vesting will apply.

The Company intends to satisfy awards using existing shares purchased in the market but the Remuneration Committee has power to substitute a cash payment if the Company, for legal or regulatory reasons, is not able to transfer Ordinary Shares. For these purposes, the cash equivalent of an Ordinary Share will be the middle-market quotation of an Ordinary Share, as derived from the London Stock Exchange Daily Official List on the vesting date.

Cessation of employment

If a participant ceases to be a director or employee of the Company or any subsidiary for any reason prior to the commencement of a performance period he or she is not entitled to be considered for the grant of an award in relation to that performance period.

If a participant ceases to be a director or an employee of the Company or any subsidiary during a performance period by reason of death, disability, redundancy, or the sale of the Company or business in which he or she is employed or for any other reason at the discretion of the Board, he or she will remain entitled to be considered for the grant of an award in relation to that performance period. The Remuneration Committee may decide to reduce the number of Ordinary Shares over which the award would ordinarily be granted on a time pro-rated basis to reflect the proportion of the relevant performance period in which the participant has been in employment.

If a participant ceases to be a director or an employee of the Company or any subsidiary after he or she has been granted an award and before the relevant vesting date, he or she will remain entitled to the release of the underlying Ordinary Shares unless he or she resigns or is dismissed summarily.

Change of control

If there is a change of control of the Company during a performance period, the Remuneration Committee may grant awards over such number of Ordinary Shares as it determines to the extent that the performance conditions have been satisfied up to the time of the change of control and such awards will be treated as immediately vested. If a change of control occurs after an award has been granted and before the vesting date, the award will vest in full on the date of the change of control.

Variation of share capital

In the event of any variation of the share capital of the Company, or a demerger, special dividend or other similar event which affects the market price of Ordinary Shares to a material extent, the Company may make such adjustments as it considers appropriate to the number of Ordinary Shares subject to an award.

Amendments

The Committee may amend the terms of the 2007 Share Bonus Plan or any award granted under it at any time, provided that the amendment is not to the material disadvantage of participants unless all participants have been given the opportunity to indicate whether or not they approve of the amendment and a majority of those who have given an indication has approved the amendment.

8.5. London Stock Exchange 2007 Restricted Share Awards

General

The Board will grant conditional awards of Ordinary Shares to certain executives as soon as practicable following the announcement of preliminary results for the financial year ending 31 March 2008 to the extent two financial targets are met. No awards will be granted unless both of these conditions are satisfied. Awards will not be granted to employees who hold awards under the LTIP.

Vesting of awards

Vesting of awards will depend on the achievement of two financial conditions. The first condition is that the Company must achieve budgeted Adjusted Operating Profit for the financial year ending 31 March 2008. The second condition is that the Remuneration Committee must be satisfied that other financial performance measures have been satisfied to an extent which merits the grant of an award. No awards will be granted if one or both of these conditions is not satisfied.

Awards will vest and be released in May 2009 provided the participant remains in employment up to the relevant vesting date. The Company intends to satisfy awards using existing Ordinary Shares purchased in the market.

Cessation of employment

If a participant ceases to be an employee of the Company or any subsidiary for any reason prior to the vesting of their award he or she will lose the award.

8.6. The following paragraphs summarise how the London Stock Exchange Employee Share Schemes, other than those described in paragraphs 8.4 and 8.5 above, are currently operated.

8.7. Current share schemes

(a) *The London Stock Exchange Long Term Incentive Plan 2004*

The LTIP has two elements, a conditional award of performance shares and an award of matching shares linked to investment by the executive of annual bonus (or such other income the Remuneration Committee considers appropriate) in the Company's Ordinary Shares. The matching shares element of the LTIP only applies to the Executive Directors and selected other executives. A wider group of executives, as well as the Executive Directors and selected executives, are also eligible for the performance shares element of the LTIP.

The proportion of performance and matching shares comprised in an award which vest will be determined by the Company's Total Shareholder Return ("**TSR**") performance over a single three year period beginning on the first day of the financial year in which the award is made or, if the Remuneration Committee so decides, beginning on the date the award is granted. For awards made before 2007, 30 per cent. of an award vests for median TSR performance as compared to the TSR performance of companies constituting the FTSE 51 to 200 (excluding investment trusts). For upper quartile performance against this group, 100 per cent. of the award will vest. For performance below median, none of the award will vest.

For awards made in 2007, the comparator group is those companies ranked FTSE 31-150 (excluding investment trusts). The TSR condition for 100 per cent. vesting has been increased to upper quintile performance against this group. At median performance 30 per cent. of the award vests. None of an award vests for performance below median.

(b) *The London Stock Exchange SAYE Option Scheme*

All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved SAYE Option Scheme. Under the rules of the SAYE Option Scheme, participants can save up to £250 each month for a period of three or five years. Savings plus interest may be used to acquire Ordinary Shares by exercising the related option. The options may be granted at an exercise price which represents a 20 per cent. discount to market value at the start of the savings period. No performance conditions are attached to SAYE options.

(c) *The London Stock Exchange Share Incentive Plan*

The London Stock Exchange has obtained Shareholder approval for the SIP but no awards have been made under the SIP.

8.8. Share schemes closed for new awards

(a) *London Stock Exchange Executive Share Option Scheme*

The ESOS was approved by Shareholders in July 2002 and is now closed to further grants. Options granted under the ESOS will not normally become exercisable unless the growth in the London Stock Exchange's earnings per share (adjusted for certain items including exceptional items and the amortisation of goodwill) exceeds the Retail Price Index ("**RPI**") over the initial three year period after the date of grant by an average of at least four per cent. per annum.

If the criteria have not been met when the options are due to vest then the options will lapse and there will be no opportunity for re-testing. In addition, all options expire after 10 years.

(b) *The London Stock Exchange Annual and Initial Share Plans*

The London Stock Exchange Initial Share Plan was introduced in November 2000 following the London Stock Exchange's conversion to a public limited company. Share awards and a grant of options were made to senior executives and other employees. The share awards had a vesting period of three years and share options vested at 20 per cent. per annum over five years.

Under the London Stock Exchange Annual Share Plan, awards of shares and grants of options were first made in November 2000. Further awards and grants were made in subsequent years. Share awards have a vesting period of three years and share options vest at 20 per cent. per annum over five years.

No performance conditions are attached to the vesting of shares and options under the Annual and Initial Plans, although some options under the Plans were granted at a premium to the market price at grant.

9. Significant shareholders

9.1. As at 21 September 2007 (the latest practicable date prior to the publication of this Prospectus), the Company had been notified of the following holdings of interests in the capital of the Company or voting rights (as defined in the Disclosure and Transparency Rules of the FSA) directly or indirectly in respect of three per cent. or more of the Company's issued share capital.

Name	Per cent. of the Company's issued ordinary share capital
Borse Dubai Limited	28.00
Qatar Investment Authority	20.86
Kinetics Asset Management Inc. / Horizon Asset Management Inc.	14.16
Credit Suisse Securities (Europe) Limited	6.66
ABN AMRO Bank NV London Branch	6.09

9.2. The Company's significant Shareholders have identical voting rights to all other Shareholders.

9.3. The Company is not aware of any person who can currently or who will, directly or indirectly, jointly or severally, own or exercise or could exercise control over the Company.

10. Subsidiaries and associated undertakings

The Company is the holding company of the London Stock Exchange and, following Completion, will be the holding company of Borsa Italiana and its subsidiaries, as described in Part 4 of this Prospectus. The current significant subsidiaries and other undertakings of the Company are set out in the table below. Unless expressly stated below, each of these companies is directly or indirectly wholly-owned by the Company, the issued share capital is fully paid, each is incorporated in England and Wales and the registered office of each of the companies is at 10 Paternoster Square, London EC4M 7LS. There is no difference between the proportion of ownership interest and the proportion of voting power held.

Name	Principal Activity	Proportion of ownership/voting rights (if any)
London Stock Exchange plc	Administration of financial markets	100%
EDX London Limited	Administration of financial markets	76%
Proquote Limited Tabley Court Moss Lane Over Tabley Knutsford Cheshire WA16 OPL	Other computer-related activities	100%
FTSE International Limited 12th Floor 10 Upper Bank Street Canary Wharf London E14 5NP	Data processing, database activities, administration of financial markets and library and archives activities	50%
The Stock Exchange (Properties) Limited	Property company	100%

11. Principal establishments

Leasehold properties

Property	Demise: London Stock Exchange	Sq. ft	Rent: paid by London Stock Exchange	Rent Commencement Date
10 Paternoster Square	Whole Building	224,090[(1)]	£12,454,630	2 September 2004

(1) Approximately 77,000 sq. ft are sublet by the London Stock Exchange to various tenants.

The London Stock Exchange also has two freehold properties in London EC2, with an aggregate area of approximately 168,000 sq. ft..

12. Investments

Details of the main investments held by the Company in other undertakings in the three prior financial years and in the current financial year are set out below:

(a) The Company holds 0.6 per cent. interest in the ordinary share capital of Euroclear plc at a cost of £0.4 million; and

(b) The Company has not made any firm material commitments concerning principal investments in progress or any future investments by the Company in the current financial year.

13. Capitalisation and indebtedness

The following table sets out the unaudited capitalisation and indebtedness as at 31 July 2007, prepared under IFRS, of LSE Group on a consolidated basis:

	Notes	£m
Total current debt		
- Unguaranteed/Unsecured	1	51.7
Total non-current debt (excluding current portion of long-term debt)		
- Unguaranteed/Unsecured	2	412.0
Shareholders' equity		
Share capital	3	13.8

Notes:

1. Current debt of £38.0 million relates to the multicurrency revolving loan facility of £200 million available up to February 2011.

   Current debt of £13.7 million relates to B Shares redeemable on 1 June and 1 December each year by election of Shareholders or in full by 1 June 2009.

2. Non-current debt of £250 million relates to the bond which was issued in July 2006 and due for repayment in 2016. The issue price of the bond was £99.679 per £100 nominal.

   Non-current debt of £162.0 million relates to the bridge facility of £250 million which is available for drawdown up to 31 December 2007 and repayable by July 2009.

3. Between 31 July 2007 and 21 September 2007, being the latest practicable date prior to publication of this Prospectus, there has been no change in the capitalisation of LSE Group.

This statement of capitalisation and net indebtedness has been prepared under IFRS.

The following table sets out the unaudited net funding of the LSE Group as at 31 July 2007:

	£m
Cash and cash equivalents (including restricted cash)	76.3
Liquidity	**76.3**
Other current financial debt	(51.7)
Current financial debt	**(51.7)**
Net current financial liquidity	**24.6**
Other non-current loans	(412.0)
Non current financial indebtedness	**(412.0)**
Unaudited net financial funding under IFRS	**(387.4)**

Note: LSE Group had no indirect or contingent or other indebtedness as at 31 July 2007.

14. Significant changes

There has been no significant change in the financial or trading position of LSE Group since 31 March 2007, the end of the last financial period for which audited financial information has been published, other than the facility agreement for a bridge facility amounting to £460 million with RBS and Barclays, entered into on 22 June 2007 which is described in paragraph 15 of this Part 10 and the utilisation of which is conditional on Completion.

There has been no significant change in the financial or trading position of Borsa Italiana Group since 31 December 2006, the date to which the special purpose historical financial information incorporated by reference into Part 8 of this Prospectus has been prepared, other than:

(a) the acquisition on 14 September 2007 of the remaining 51 per cent. stake of the issued equity share capital of MBE Holding S.p.A. by Borsa Italiana S.p.A. and the remaining 33 per cent. stake of the issued equity share capital of MTSNext by MTS S.p.A., together for €100 million, pursuant to the exercise of the MBE Option which is described in Note 12 in Part 4B of the Circular; and

(b) the acquisition on 4 April 2007 of Servizio Titoli which is described in Note 30 in Part 4B of the Circular.

15. Material contracts of the Company

In addition to the summary of the Combination Agreement set out in Part 6 of the Circular which is incorporated by reference in this Prospectus, set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) entered into by any member of LSE Group (a) within the two years immediately preceding the date of this Prospectus and which are or may be material to LSE Group; or (b) which contain any provision under which any member of LSE Group has any obligation or entitlement which is material to LSE Group as at the date of this Prospectus.

(a) The Service Management Agreement between the London Stock Exchange and Accenture dated 11 October 1996 as amended and extended by letters dated 28 February 2001, 2 July 2001, 31 July 2001 and 1 April 2003, whereby Accenture is the main facilities manager for the London Stock Exchange's trading and information systems (the "**Services**"). Key elements of the London Stock Exchange's TRM project for the implementation and maintenance of its new trading and information system are covered by this agreement. The net annual payment to Accenture under this agreement during the financial year ended 31 March 2007 was £17 million. The term of this agreement has been extended until 31 March 2008. On 30 March 2007, London Stock Exchange served notice of termination upon Accenture, with such notice to expire no later than 1 January 2008. Responsibility for the Services until such expiry will stay with Accenture; thereafter the Services will be undertaken 'in-house' by the London Stock Exchange.

(b) A single Master Development Agreement between the London Stock Exchange and Accenture, was established on 23 February 2007 (thereby superseding the Master Software Development Agreement (dated 18 September 1997), the Exchange Solutions Centre Agreement dated 28 March 2002, and the Consultancy Services Agreement (dated 29 December 1995), each as subsequently amended), under which Accenture is the main development resource provider for the London Stock Exchange's trading and information systems. Key elements of the London Stock Exchange's TRM project for the development of its new trading and information system are covered by these agreements. The net annual payment to Accenture under this set of agreements during the financial year ended 31 March 2007 was £11.7 million. The term of the Master Development Agreement has been extended until 31 March 2010.

(c) The agreement between MCI Worldcom (now Verizon Business) and the London Stock Exchange for the implementation and management of the London Stock Exchange's primary internet protocol network (IP Network) dated 22 June 2001 (as subsequently amended). The term of this agreement runs on automatic 12 month periods from 21 June 2007 (unless either party gives the requisite three months' notice to terminate). The London Stock Exchange may terminate at any time subject to payment of cancellation charges. The net annual payment to Verizon Business under the agreement during the financial year ended 31 March 2007 was £5.1 million.

(d) The agreement between the London Stock Exchange and the London Clearing House Limited (now known as LCH.Clearnet) dated 24 November 2003. Under the agreement, the London Stock Exchange has appointed LCH.Clearnet to act as the central counterparty for the clearing of securities on the London Stock Exchange's SETS trading platform. There are no financial flows between the parties relating to this activity. The agreement remains in force until validly terminated by either party on not less than 12 months' prior written notice.

(e) The Company also has the following facility agreements:

(i) on 9 February 2006, the Company signed a facility agreement with Barclays Capital, the investment banking division of Barclays and RBS, for a revolving facility amounting to £200 million, which was amended and restated on 1 March 2007 and was further amended on 18 July 2007 (the "**Revolving Facility**"). The Revolving Facility is available for general corporate purposes. The borrowings under the Revolving Facility are unsecured. The Revolving Facility matures on 9 February 2011;

(ii) on 1 March 2007, the Company signed a facility agreement with Barclays and RBS for a term loan facility amounting to £250 million, which was amended and restated on 22 June 2007 and was further amended on 18 July 2007 (the "**Term Facility**"). The Term Facility is available to fund returns of capital to Shareholders. The borrowings under the Term Facility are unsecured. The Term Facility may be drawndown by up to eight drawings, at any time prior to, or on, 31 December 2007. The Term Facility matures on 17 July 2009; and

(iii) on 22 June 2007, the Company signed a facility agreement with Barclays and RBS, for a bridge facility amounting to £460 million which was amended on 18 July 2007 (the "**Bridge Facility**"). Utilisation of the Bridge Facility is conditional on Completion and amounts under the Bridge Facility can be principally used for either (a) the purposes of acquiring shares in Borsa Italiana, if required, or to the extent this is not required, for any return of capital to the Company's shareholders or (b) for refinancing borrowings of Borsa Italiana. The borrowings under the Bridge Facility are unsecured. The Bridge Facility matures after 364 days from the date of signing the Bridge Facility. The Company has an option to extend the final maturity date of the Bridge Facility by a further 12 months upon the payment of an extension fee.

The facility agreements (the "**Facility Agreements**") which document the Revolving Facility, the Term Facility and the Bridge Facility have the following terms:

(i) the borrowings under the Facility Agreements each bear interest at a floating rate plus a margin and mandatory costs (if any). Repayment of each of the Facility Agreements is by way of a single lump sum repayment on the final maturity date;

(ii) a commitment fee is payable on undrawn commitments under the Revolving Facility and the Bridge Facility. A commitment fee is also payable on undrawn commitments under the Term Facility until the final drawdown upon which any undrawn commitment will be mandatorily cancelled;

(iii) the Company must, if required by a two-thirds majority of lenders, prepay all indebtedness under each of the Facility Agreements following the occurrence of a change of control of the Company. The Term Facility and the Bridge Facility must be repaid in full from the proceeds of any refinancing through the issue of publicly traded debt in the debt capital markets;

(iv) the Facility Agreements also contains certain customary covenants which restrict the Company and in certain cases its subsidiaries from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (i) creating security; (ii) disposing of assets; (iii) proposed mergers; (iv) substantially changing the general nature of the business of LSE Group; and (v) incurring subsidiary borrowings. Each Facility Agreement also requires the Company to maintain certain specified financial covenants; and

(v) each Facility Agreement contains customary representations and warranties and events of default.

(f) On 4 July 2006 the Company issued £250 million in aggregate principal amount of 5.875 per cent. notes (the "**Notes**") due in 2016. The Notes are constituted by a trust deed dated 7 July 2006 made between the Company and HSBC Trustee (C.I.) Limited and the couponholders. The Notes were issued on the following terms:

(i) interest on the Notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July of each year, at the rate of 5.875 per cent. of the principal amount. Under the terms of the Notes, the interest payable on the Notes will be increased or decreased in the event of a change in the credit rating assigned to the Notes;

(ii) the Notes may be redeemed at the option of the Company in whole but not in part at any time at a price which is the higher of the principal amount of the Notes and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015;

(iii) if a change of control in the Company or the London Stock Exchange occurs and, within 120 days thereafter, the credit rating of the Notes is downgraded from an investment grade credit rating to a non investment grade credit rating or withdrawn, each Note may be redeemed at the option of each noteholder at a price which is the higher of the principal amount of the Note and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015, plus 1.18 per cent.;

(iv) the Notes are unsecured and unsubordinated obligations of the Company and rank equally in right of payment with the Company existing and future unsecured and unsubordinated obligations;

(v) the net proceeds from the issue are to be used by the Company in order to refinance its indebtedness and for the Group's general corporate purposes; and

(vi) the terms and conditions applicable to the Notes also contain, inter alia, a negative pledge, redemption and purchase provisions and events of default. The Notes are governed by English law.

16. Material contracts of Borsa Italiana

In addition to the summary of the Combination Agreement set out in Part 6 of the Circular which is incorporated by reference in this Prospectus, set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) as having been entered into by any member of Borsa Italiana Group: (a) within the two years immediately preceding the date of the Prospectus and which are or may be material to Borsa Italiana Group; or (b) which contain any provision under which any member of Borsa Italiana Group has any obligation or entitlement which is material to Borsa Italiana Group as at the date of this Prospectus.

(a) The MTS acquisition and related agreements:

On 18 November 2005, Borsa Italiana and Euronext acquired 51 per cent. of MTS through MBE. Euronext and Borsa Italiana's respective cash contributions amounted to €69 million and €56 million to capitalise MBE, which in turn subscribed for newly issued MTS shares. The subscription price paid by MBE was subsequently distributed as share premium reserve to compensate MTS's original shareholders. After such acquisition by MBE, MBE purchased, by virtue of a pre-emptive right, subscription and sale mechanism, an additional 9.37 per cent. of MTS shares, bringing its current shareholding to a 60.37 per cent. stake. Various international banks and financial institutions own the remaining 39.63 per cent. of the share capital of MTS. Under the acquisition agreement, Euronext and Borsa Italiana, jointly and severally, undertook, for a period of 10 years:

(i) to maintain and develop the role of MTS as a European hub for all sovereign and governmental bonds and develop the role of MTS as a European hub for fixed-income products;

(ii) to maintain the headquarters of MTS in Italy and to keep MTS subject to Italian corporate and regulatory laws and regulations;

(iii) to preserve the MTS market as a regulated investment exchange with the highest standards of transparency; and

(iv) not to amend certain provisions of the By-Laws of MTS without the consent of the Italian Ministry for the Economy and Finance.

Further, the By-Laws of MTS prohibit Borsa Italiana from undertaking, directly or indirectly, including through any company within the group of such controlling entity, any new activity in the European Union that competes with any screen-based wholesale bond markets which MTS operates, except for the wholesale market of derivative financial instruments.

(b) MTS and MBE governance arrangements:

On 21 October 2005, Euronext and Borsa Italiana entered into a shareholders' agreement with a five year term relating to MTS and MBE. The most important ownership arrangements contained in the shareholders' agreement and the related By-Laws of MTS and By-Laws of MBE include:

(i) each of Euronext and Borsa Italiana agrees to hold MTS shares only through MBE and to automatically terminate the shareholders' agreement in the event that either party ceases to hold its initial holding in MBE;

(ii) until 18 November 2010, Borsa Italiana has the right, at its sole discretion, to sell to Euronext (which will be obliged to purchase) all, but not less than all, of the shares then owned by Borsa Italiana in MBE at a price reflecting agreed pricing terms mainly related to MTS's performance;

(iii) in the event of a change of control of either Euronext or Borsa Italiana, the other party will have the right to exercise a call option on all of the other party's shares in MBE at fair market value within 90 days thereof; and

(iv) under the MBE and MTS By-Laws, in the event that either party intends to transfer MBE shares or MTS shares to a third party (other than an affiliate), the other party has a right to purchase the underlying shares on a preferential basis. As to MBE shares, in the event that the non-transferring party decides not to exercise such right and the transfer results in a change of control in MBE, the non-transferring party has the right to sell to the acquiring third party all or part (but not less than 15 per cent. of the share capital of MBE) of its MBE shares. As to MTS shares, a transferring shareholder must obtain prior approval from the Italian Ministry for the Economy and Finance before executing a transfer of MTS shares that would result in a change of control of MTS.

Following the acquisition of Euronext by the New York Stock Exchange, Borsa Italiana exercised its option to purchase Euronext's shareholding in MBE on 20 June 2007 and signed an agreement to purchase Euronext's shareholding in MBE on 3 August 2007. Under the terms of the acquisition agreement, Euronext's 51 per cent. stake in MBE, and 33 per cent. stake in MTSNext are valued at €100 million. Euronext's 51 per cent. stake in MBE was transferred to Borsa Italiana on 14 September 2007. Therefore, MBE is now a wholly owned subsidiary of Borsa Italiana and the MBE Shareholders Agreement was terminated as of the same date.

(c) The acquisition of Servizio Titoli and related agreements:

On 3 April 2007, Borsa Italiana signed a sale and purchase agreement for the acquisition of 90 per cent. of the share capital of Servizio Titoli for a final aggregate consideration of approximately €29,335,000. The sale and purchase agreement provides, inter alia, for customary representations and warranties by the sellers and indemnification undertakings by the sellers with a cap at €2,500,000. As part of the sale and purchase, Borsa Italiana signed an option agreement with Business Solutions, a company belonging to the Fiat Group, which was a selling shareholder of Servizio Titoli in the sale and purchase agreement above. According to the option agreement, Business Solutions has a put option to sell to Borsa Italiana its entire 10 per cent. shareholding in Servizio Titoli for a strike price amounting to €3,250,000, or 10 per cent. of the enterprise value of Servizio Titoli as determined in such sale and purchase agreement, subject to further adjustment in accordance with the provisions of the option agreement. The put option by Business Solutions must be exercised no earlier than 1 February 2010 and no later than 3 February 2011.

(d) The Facility Management Service Agreement between Borsa Italiana and SIA (now SIA-SSB S.p.A.) dated 31 December 2003 as subsequently amended and extended (the "**FMS Agreement**"), whereby SIA is the sole technology services provider of Borsa Italiana's Services. The net annual payment to SIA under this agreement for the financial year ended on 31 December 2006 is €16,616,700. On 26 July 2007 Borsa Italiana and SIA-SSB S.p.A. signed an addendum to the FMS Agreement pursuant to which, with effect from 15 August 2007, the application management of the cash trading platform (for the MTA, MOT and SEDEX markets) is conducted by Borsa Italiana, in particular Borsa Italiana is responsible for maintenance and development of the software application of the trading platform. The facility management service remains under the responsibility of SIA. Pursuant to the FMS Agreement, the information systems services (data dissemination) will be provided by SIA until September 30, 2007, in accordance with the relevant withdrawal notice served by Borsa Italiana. With effect from 1 October 2007, the support and maintenance of the application management and the facility management service of the information systems services will be provided directly by Borsa Italiana. Borsa Italiana served a notice of termination of the entire FMS Agreement to SIA which will become effective as of 1 January 2008. Responsibilities for the Borsa Italiana Services until expiry will stay with SIA.

(e) The Facility Management Service Agreement between Borsa Italiana and OMX dated 31 July 2006, whereby OMX provides facility management services related to the IDEM market to Borsa Italiana. This agreement replaces, as from 2 April 2007, the Support and Maintenance Agreement entered into between Borsa Italiana and OMX on 30 April 2001. The term of the Facility Management Service Agreement is five years save for the right to withdraw by Borsa Italiana after three years, with 12 months prior written notice and subject to payment of cancellation charges. The total annual fee for the five year term for the Facility Management Service Agreement and for the delivery agreement between Borsa Italiana and OMX dated 31 July 2006 (regarding, inter alia, the acquisition and the installation and configuration of the necessary infrastructures and the performance of related activities) is equal to €2,950,000, inclusive of delivery fees, to be paid in 22 equal instalments.

(f) The Index Operation and Licence Agreement between Borsa Italiana and S&P dated 5 February 2002, whereby S&P calculates, operates, develops and maintains the S&P MIB Index. S&P has the sole and exclusive worldwide right to distribute, promote, sell, advertise and licence the S&P MIB Index and the other Borsa Italiana indices. This agreement shall be in force for a period of eight years starting from the effective date (2 June 2003). This agreement contains a change of control clause whereby each party may withdraw from this agreement with 30 days prior written notice. The fees comprise royalties with a minimum annual guaranteed amount equal to €250,000.

(g) On 4 December 2002, Borsa Italiana signed a loan agreement with Sanpaolo IMI S.p.A. amounting to €110 million. The borrowing is unsecured. The loan agreement matures in five years from the signing date. Borsa Italiana has an option to extend the maturity date by a further five years.

(h) On 29 September 2005, Borsa Italiana signed a facility agreement with Mediobanca S.p.A., Banca Intesa S.p.A. and Sanpaolo IMI S.p.A., amounting to €100 million. The loan was negotiated in order to fund the acquisition of MTS through the vehicle MBE owned jointly with Euronext. Under the loan €46 million has been drawn down and based on the terms of the loan agreement no further funds can now be drawn down. The borrowing is unsecured. The loan matures in 10 years from the signing date. The loan agreement provides that in the event that Borsa Italiana is not at least 51 per cent. owned by banks and/or insurance companies, Mediobanca S.p.A. can require the outstanding balance to be repaid in full.

(i) On 12 September 2007, Borsa Italiana signed a loan agreement with Banca IMI amounting to €100 million. The loan was negotiated in order to fund the acquisition of Euronext's 51 per cent. stake in MBE. The borrowing is unsecured. The loan agreement matures on 31 January 2008 with the option to repay all or part of the loan starting 108 days after signing.

17. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the 12 month period prior to the publication of this Prospectus may have, or have had in the recent past, significant effects on either the Company's or LSE Group's financial position or profitability.

Save as described in the following paragraph, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which during the 12 month period prior to the publication of this Prospectus may have, or have had in the recent past, significant effects on either Borsa Italiana's or Borsa Italiana Group's financial position or profitability.

CC&G is a defendant in a law suit filed in October 2001 by a client of BIM against BIM for damages of not less than Italian Liras 12 billion (equal to approximately €6.2 million) and against CC&G for joint liability with BIM in an amount to be determined. The claim against CC&G was based on extra-contractual liability (ex article 2043 of the Italian Civil Code) for an alleged mistake by CC&G in calculating the margins on the closing of the trading day of 12 September 2001. The alleged mistake would have had an impact on the portfolio of the plaintiff. CC&G has defended the action and has sought damages against the plaintiff for vexatious litigation. The proceedings entered into evidentiary hearings in March 2004 and have continued since that date. On 10 March 2007, the proceedings were joined with a parallel proceeding originated in 2001 and re-filed in 2005 between the same parties on related matters and the date for the next hearing was set. The next hearing for the closing arguments by the parties is scheduled for 23 November 2007.

18. Related party transactions

Save as previously disclosed in paragraph 16 of Part 13 of the prospectus relating to the Company published on 5 May 2006, and note 30 to the financial statements of the Company for the year ended 31 March 2007, which are hereby incorporated by reference into this Prospectus, there are no related party transactions between the Company and members of LSE Group that were entered into during the financial years ended 31 March 2007, 2006 and 2005 and during the period 1 April 2007 to 21 September 2007 (the latest practicable date prior to the publication of this Prospectus).

19. Working capital statement

The Company is of the opinion that, taking into account the Company's cash resources and available bank and other facilities, the LSE Group has sufficient working capital for its present requirements that is, for at least 12 months following the date of publication of this Prospectus.

20. Consents

Merrill Lynch International has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion of the reference to its name in the form and context in which it appears. Lehman Brothers Europe Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of the reference to its name in the form and context in which it appears.

21. London Stock Exchange's regulatory status

The London Stock Exchange is a RIE under FSMA 2000 and is supervised by the FSA. RIE status means that the London Stock Exchange is exempt from the general prohibition as regards any regulated activity which is carried on as part of the London Stock Exchange's business as an investment exchange.

In order to obtain RIE status a body must satisfy the recognition requirements set out in FSMA 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which relates to, inter alia, sufficiency of financial resources, safeguards for investors, monitoring and enforcement and investigation of complaints. If a RIE fails to continue to meet such recognition criteria, or if the RIE fails to comply with any obligation to which it is subject under FSMA 2000, then the FSA has the power to revoke the RIE's recognition.

22. Third Party approaches

In November 2006, Nightingale Acquisition Limited (a wholly owned subsidiary of The Nasdaq Stock Market, Inc.) made a cash offer of 1243 pence for each Ordinary Share in the Company in issue at that time. This offer was not recommended by the Board to its Shareholders and was not accepted by the Company's Shareholders. The offer lapsed on 10 February 2007.

23. Nature of financial information

The financial information in this Prospectus relating to the Company prepared under IFRS covering the financial year ended 31 March 2005 which has been incorporated into this document by reference to pages 40 to 67 of the prospectus issued by the Company on 5 May 2006, does not comprise statutory accounts within the meaning of section 240(5) of the Companies Act. Statutory accounts for the London Stock Exchange for the period from incorporation to the year ended 31 March 2005 have been delivered to the Registrar of Companies in England and Wales. The statutory accounts for the year ended 31 March 2005 were audited by PricewaterhouseCoopers LLP and their report on those accounts were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

24. Documents on display

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 65 Fleet Street, London EC4Y 1HS during usual business hours on any Business Day for a period of 14 days from the date of this Prospectus:

(i) the Memorandum and Articles of Association of the Company referred to in paragraph 4 of Part 10;

(ii) the letters of consent referred to in paragraph 20 of Part 10;

(iii) the audited consolidated accounts of the Company for the financial period ended 31 March 2007, and the audited consolidated accounts of the London Stock Exchange for the financial periods ended 31 March 2006 and 31 March 2005;

(iv) this Prospectus;

(v) the Circular;

(vi) the Combination Agreement.

25. Checklist of documents incorporated by reference

Information incorporated by reference	Document reference	Page number in prospectus
Review of Corporate Governance 2007	Annual Report 2007 (pages 32 to 34)	22
Audited special purpose restated audited consolidated financial information of the London Stock Exchange prepared under IFRS covering the financial year ended 31 March 2005 and the accountants' report thereon	Prospectus issued by the Company on 5 May 2006 (pages 40 to 67)	43
Audited consolidated financial information of the London Stock Exchange for the financial year ended 31 March 2006 and the auditors' report report thereon	Annual Report 2006 (pages 39 to 65)	43
The audited consolidated financial information of the Company for the year ended 31 March 2007 and the auditors' report thereon	Annual Report 2007 (pages 45 to 70)	43
Unaudited consolidated financial information of the Company for the three months ended 30 June 2006 and 2007	Interim Management Statement for the three months ended 30 June 2007	43
Historical financial information of Borsa Italiana Group covering the three financial years ended 31 March 2004, 2005 and 2006 and accountants report thereon	Circular (pages 23 to 49)	43
Pro forma statement of net assets of the Enlarged Group and accountants' report	Circular (pages 50 to 53)	43
Remuneration paid and benefits in kind granted to each of the Directors of the Company in the financial year ended 31 March 2007	Remuneration Report on pages 35 to 41 of the Annual Report 2007	65
Details of the London Stock Exchange Employee Share Schemes, other than the 2007 Share Bonus Plan and the 2007 Restricted Share Awards	i) for the LTIP and the SIP, the notice of annual general meeting dated 7 June 2004 (pages 12 to 16);	67
	ii) for the ESOS, the notice of the annual general meeting dated 13 June 2002 (pages 4 and 5);	
	iii) for the Initial and Annual Share Plans, and the SAYE Option Scheme, the Listing Particulars of the London Stock Exchange dated 18 June 2001; and	
	iv) pages 36 and 37 of the Annual Report 2007	
Summary of Combination Agreement	Part 6 of the Circular	73, 75
Related Party Transactions	Paragraph 16 of Part 13 of the prospectus relating to the Company published on 5 May 2006, and note 30 to the financial statements of the Company for the year ended 31 March 2007	77

PART 11 DEFINITIONS

In this Prospectus, the following expressions have the following meanings, unless the context requires otherwise:

Accenture	Accenture plc
Admission	admission of the New Ordinary Shares to the Official List of the UKLA and to trading on the Main Market of the London Stock Exchange
Admission and Disclosure Standards	the requirements contained in the publication "Admission and Disclosure Standards" dated July 2005 and issued by the London Stock Exchange (as amended from time to time) containing, inter alia, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
AGM	annual general meeting
AIM	the London Stock Exchange's market for smaller and growing companies
Annual and Initial Share Plans	the London Stock Exchange Annual and Initial Share Plans
Articles of Association or Articles	the articles of association of the Company
ASP services	Application Services Provider intended for brokers, software vendors and service providers, offering solutions to gain access to national and international markets
Barclays	Barclays Capital, the investment banking division of Barclays Bank plc
BIM	Banca Intermobiliare di Investimenti e Gestioni S.p.A.
BIt Systems	BIt Systems S.p.A.
Blue Chip	the market segment of MTA dedicated to companies with a solid economic/financial structure and a capitalisation of over €1 billion
Board	the existing board of Directors of the Company, whose names are set out in Part 3 of this Prospectus and, after the Proposed Merger, the new board of Directors of the Company
Borsa Italiana	Borsa Italiana S.p.A.
Borsa Italiana Board	the board of directors of Borsa Italiana
Borsa Italiana Group	Borsa Italiana, the subsidiary companies of Borsa Italiana and where relevant, MBE, MTS and MTS Group
Borsa Italiana Shareholders	the holders of the Borsa Italiana Shares as at the date of the Offer
Borsa Italiana Shares	the ordinary shares in the capital of Borsa Italiana
Borsa Italiana's Services	Borsa Italiana's cash trading system (MTA, SEDEX, MOT, TAH, ETF Plus, Expandi, MTAX etc) and information systems
BrokerTec	the electronic interdealer broker platform owned by ICAP plc

Business Day	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London or Milan for the transaction of normal banking business
Business Solutions	Business Solutions S.p.A.
By-Laws of MBE	the by-laws of MBE
By-Laws of MTS	the by-laws of MTS
CCP	Central Counterparty
CC&G	Cassa di Compensazione e Garanzia S.p.A.
Circular	the document dated 23 July 2007 posted to the Company's Shareholders in relation to the Proposed Merger
Code of Conduct	the European Code of Conduct for Clearing and Settlement, signed by trading and post-trading infrastructures on 7 November 2006
Combination Agreement	the agreement entered into on 23 June 2007 by the Company and Borsa Italiana pursuant to which the parties agreed the terms of the Proposed Merger
Combined Code	the Combined Code on Corporate Governance published by the UK Financial Reporting Council
Companies Act	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force
Company	London Stock Exchange Group plc, a public limited company incorporated in England and Wales with registered number 5369106
Completion	completion of the Proposed Merger pursuant to the Offer
Consob	Commissione Nazionale per le Società e la Borsa, Italy's official body for regulating and supervising companies and stock exchanges
CPA	communications about participants in general meetings related to the communications of the names of the shareholders who will attend a general meeting, so replacing paper-based notification
CREST	the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by Euroclear UK & Ireland Limited in accordance with the Regulations
Directors	the directors of the Company whose names are set out in of Part 3 of this Prospectus and "Director" shall mean any one of them
Disclosure and Transparency Rules	the Disclosure Rules and Transparency Rules and regulations made by the FSA under Part VI of FSMA 2000 as amended from time to time
EDX	EDX London Limited

Effective Date	the date on which the Proposed Merger becomes effective and, accordingly, the date of Admission
Enlarged Group	the Company and its subsidiaries following Completion (including the Borsa Italiana Group)
ESOP	Employee Share Option Plan
ESOS	London Stock Exchange Executive Share Option Scheme
ETC	Exchange Traded Commodity
ETF	Exchange Traded Fund
ETF Plus	Borsa Italiana's funds market ETF Plus
EU	European Union
Euro or €	the official currency of the Eurozone
Euronext	Euronext N.V.
Eurozone	the subset of European countries who have adopted the Euro
Executive Directors	the executive directors of the Company whose names are set out on page 9 of this Prospectus and "Executive Director" shall mean any one of them
Expandi	Borsa Italiana's market for successful small and mid size companies operating in traditional sectors, who can demonstrate a consolidated economical-financial track record
Express	the delivery versus payment real-time gross settlement service
Express II	the net settlement service provided by Monte Titoli
Fiat Group	Fiat S.p.A. and its subsidiary companies
FIS	Management of Standardised Information Flows, related to the communication of the shareholders' names from intermediaries to issuers, once corporate actions are processed
FSA	Financial Services Authority
FSMA 2000	Financial Services and Markets Act 2000
FTSE	FTSE International Limited
FTSEurofirst 100	the index of leading European quoted companies
holder	a registered holder, and includes any person(s) entitled by transmission
HMRC	Her Majesty's Revenue and Customs
IASC	International Accounting Standards Committee
ICAP	ICAP plc
IDEM	Italian Derivatives Market
IFRS	International Financial Reporting Standards
IOB	an electronic order book service for international securities
IPO	initial public offering

ISA .... Individual Savings Account

LCH.Clearnet .... LCH.Clearnet Limited

Lehman Brothers .... Lehman Brothers Europe Limited

Listing Rules .... the Listing Rules and regulations of the FSA made under Part VI of FSMA 2000 as amended from time to time

London Stock Exchange .... London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 2075721, and wholly owned subsidiary of the Company

London Stock Exchange Employee Share Schemes .... the London Stock Exchange Executive Share Option Scheme, the London Stock Exchange Initial Share Plan, the London Stock Exchange Annual Share Plan, the London Stock Exchange Long Term Incentive Plan 2004, the London Stock Exchange SAYE Option Scheme, the London Stock Exchange Group 2007 Share Bonus Plan, the 2007 Restricted Share Awards and the London Stock Exchange Share Incentive Plan

LSE Group .... the Company and the current subsidiaries of the Company

LTIP .... London Stock Exchange Long Term Incentive Plan 2004

Main Market .... the market for companies who have been admitted to the Official List and admitted to trading on the London Stock Exchange's principal market

MBE .... MBE Holding S.p.A.

MBE Option .... the call option in favour of Borsa Italiana in respect of the shares in the capital of MBE held by Euronext under the MBE Shareholders' Agreement

MBE Shareholders' Agreement ..... the shareholders' agreement between Borsa Italiana and Euronext, dated 21 October 2005, as described in paragraph 16 of Part 10 of this Prospectus

Memorandum of Association ...... memorandum of association of the Company

Merrill Lynch .... Merrill Lynch International

MiFID or Markets in Financial Instruments Directive .... Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

Monte Titoli .... Monte Titoli S.p.A., the Italian Central Securities Depository and Settlement Company

Monte Titoli Internet Communication System or MT-X .... the web-based platform of knowledge and document management through which it is possible to transmit and receive a full range of custody messages

MOT .... Mercato Obbligazionario Telematico

MTA International	the market segment of MTA dedicated to the trading of shares in non-Italian issues already issued in other EU regulated markets
MTA/MTAX	Borsa Italiana's electronic markets on which shares, convertible bonds, warrants and option rights are traded
MTF	the segment of Borsa Italiana's market for closed-end funds and investment companies
MTS	Società per il Mercato dei Titoli di Stato S.p.A., the owner and operator of an electronic trading platform for European fixed income securities
MTSNext	MTSNext Limited
MTS Group	the group of companies held by MTS
Multilateral Trading Facilities	electronic communications networks, and alternative trading systems as categorised under MiFID
New Ordinary Shares	means the new Ordinary Shares to be issued pursuant to the Offer
Non-Executive Directors	the non-executive directors of the Company whose names are set out under the heading 'Directors' on page 16 of this Prospectus and "Non-Executive Director" shall mean any one of them
Offer	the offer by the Company to Borsa Italiana Shareholders to issue 4.90 Ordinary Shares in consideration for the transfer to it of each Borsa Italiana Share pursuant to the Proposed Merger
Official List	the list maintained by the UKLA pursuant to Part VI of FSMA 2000
OMX	OMX Technology AB
Ordinary Shares	the ordinary shares of $6\frac{79}{86}$ pence each the capital of the Company
PAGS	Piazza Affari Gestione & Servizi S.p.A.
pence, p, £ or sterling	the lawful currency of the United Kingdom
PEP	Personal Equity Plan
Proposals	the Offer, Proposed Merger and Admission
Proposed Merger	the proposed merger between the Company and Borsa Italiana to be achieved by the issue of New Ordinary Shares in consideration for the transfer to the Company of Borsa Italiana Shares
Proquote	the London Stock Exchange's wholly owned Subsidiary, which provides financial market software and data services
Prospective Directors	those named as prospective directors of the Company to be appointed with effect from Completion named on page 16 of this Prospectus
Prospectus	this document dated 25 September 2007
Prospectus Rules	the Prospectus Rules and regulations made by the FSA pursuant to Part VI of the FSMA 2000 as amended from time to time

Recognition Requirements .... Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, incorporated in the FSA's sourcebook for Recognised Investment Exchanges

Redeemable Preference Share ..... the share created and allotted as paid up in full in order to enable the Company to obtain a certificate to commence business

Regulations .... Uncertificated Securities Regulations 2001 (SI 2001/3755)

2007 Restricted Share Awards ..... the conditional award of shares awarded pursuant to letters granting 2007 Restricted Share Awards

RBS .... The Royal Bank of Scotland plc

RIE .... Recognised Investment Exchange

RNI .... the Italian domestic interbank network

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

RPI .... the retail prices index

SAYE Option Scheme .... London Stock Exchange SAYE Option Scheme

SEAQ .... a screen based service displaying competing offer prices

SEDEX .... the Securitised Derivatives Exchange, Borsa Italiana's electronic regulated market where, through authorised intermediaries, it is possible to trade securitised derivatives, i.e. so-called derivatives with leverage effect (covered warrants and leverage certificates) and derivatives without leverage effect which fit medium-long term investment logics (investment certificates).

SEDOL Masterfile .... the London Stock Exchange's Expanding Securities identification services

Senior Managers .... the Senior Managers of the Company assisting the Executive Directors in the management of LSE Group's business named on page 57 of this Prospectus

Servizio Titoli .... Servizio Titoli S.p.A.

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

SETSmm .... the hybrid electronic order book operated by the London Stock Exchange on which trades all FTSE250 securities not traded on SETS, all FTSE Small Cap Index companies, ETFs and Exchange Traded Commodities are effected

SETqx .... a hybrid system for less liquid securities, combining continuous price formation from market makers with periodic auctions

Share Bonus Plan .... a one-off plan open to Executive Directors and senior executives of the Company to be implemented in the financial year 2008 to improve the Company's incentive and retention arrangements

2007 Share Bonus Plan	London Stock Exchange Group 2007 Share Bonus Plan
Shareholder	a registered holder of Ordinary Shares and, after the Proposed Merger, the New Ordinary Shares
SIA	SIA S.p.A.
SIP	the London Stock Exchange Share Incentive Plan
SIS	SIS X-Clear AG
SME	small and medium-sized enterprises
Specialist Fund Market	the London Stock Exchange's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors
Standard	the standard segment of MTA which includes companies with a capitalisation from €40 million to €1 billion and which are not listed on Star
Star	the market segment of MTA dedicated to midsize companies with a capitalisation of less than €1 billion and who voluntarily adhere to set requirements
SWIFT	the Society for Worldwide Interbank Financial Telecommunications
S&P	Standard and Poor's
S&P MIB Index	the index developed by S&P and Borsa Italiana for Italian equity markets
Trading After Hours or TAH	Borsa Italiana's Trading After Hours market
TRM	the LSE Group's Technology Road Map, being the programme to deliver new trading systems technology to LSE Group's markets
TUF	the Consolidated Law of Finance of Italy
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA or United Kingdom Listing Authority	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA 2000
uncertificated or in uncertificated form	in relation to a share or other security, a share or other security title which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
US or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
X-TRM	the daily matching service and a securities lending service which manages the matching and routing of securities transactions traded on markets to be settled through Express II or through other securities settlement systems

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