DISCLAIMER

This PDF is an exact copy of the Annual Report and Accounts of London Stock Exchange plc as provided to shareholders. The audit report is set out on page 45.

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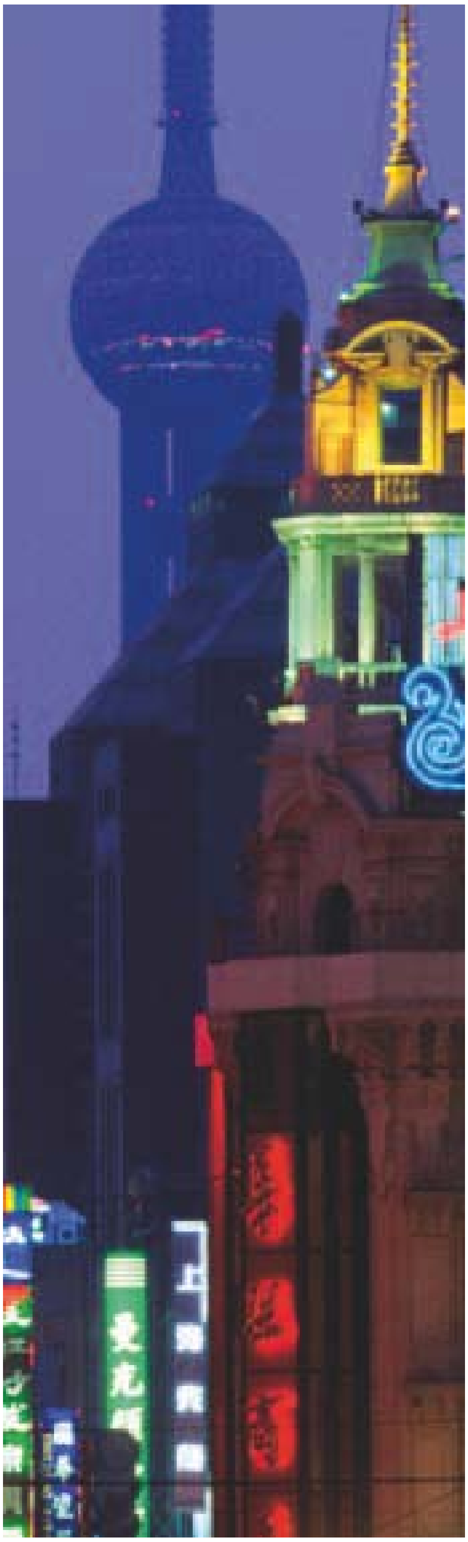
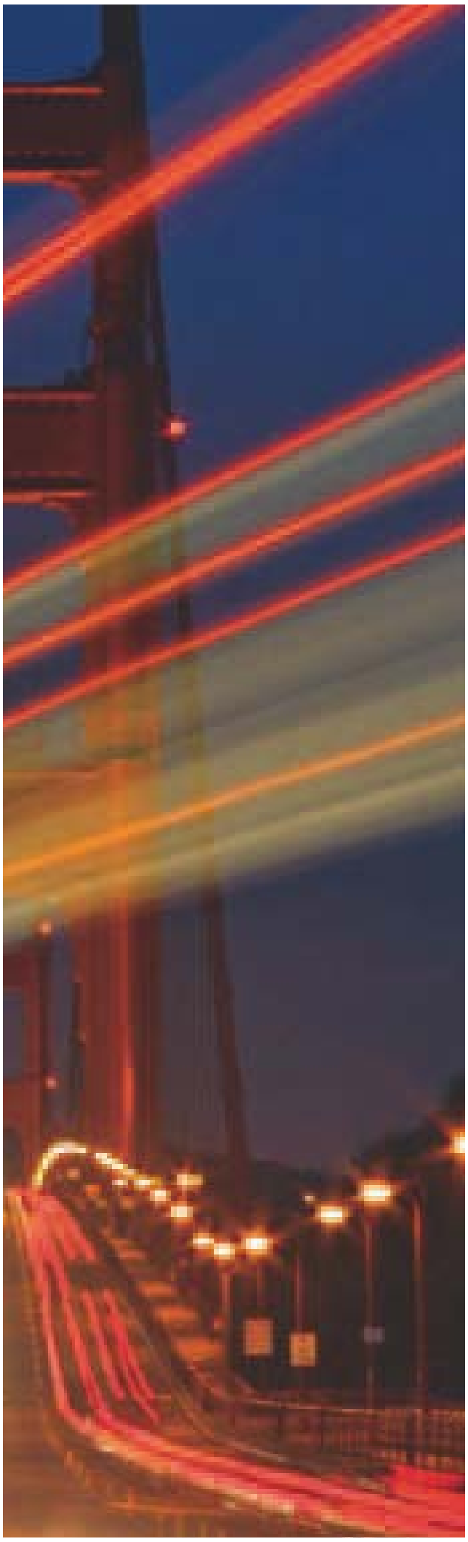
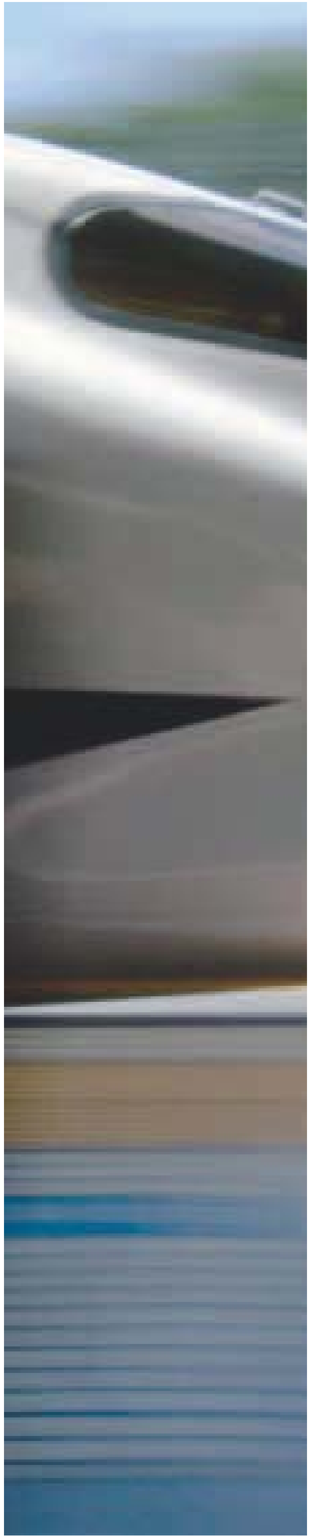
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE WORLD'S CAPITAL MARKET

London
STOCK EXCHANGE







CONTENTS

THIS YEAR THE LONDON STOCK EXCHANGE BECAME THE WORLD'S PRIMARY CENTRE FOR EQUITY CAPITAL, RAISING £29 BILLION THROUGH IPOS ALONE, AND FOR LIQUIDITY GROWTH AS VOLUMES ON SETS GREW BY 58 PER CENT, FASTER THAN ORDER BOOK TRADING ON ANY OTHER MAJOR LISTED CASH EQUITY OR FINANCIAL DERIVATIVES EXCHANGE IN THE WORLD.

HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

- PRIMARY MARKET ACTIVITY WAS VERY STRONG, WITH 503 NEW ISSUES AND TOTAL MONEY RAISED BY NEW AND FURTHER ISSUES UP 57 PER CENT TO £53.7 BILLION

- THE NUMBER OF INTERNATIONAL COMPANIES JOINING THE MAIN MARKET ALMOST DOUBLED, AND IN TOTAL 139 INTERNATIONAL COMPANIES FROM 25 COUNTRIES JOINED THE EXCHANGE'S MARKETS

- TRADING VOLUMES ON SETS ACHIEVED NEW RECORDS, WITH A 58 PER CENT INCREASE TO AN AVERAGE 353,000 BARGAINS PER DAY, INCLUDING A DOUBLING OF SETSMM BARGAINS TO 80,000 AVERAGE DAILY BARGAINS

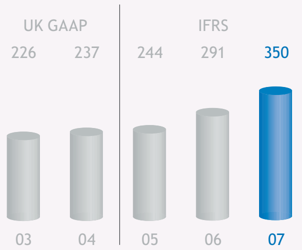
- TOTAL NUMBER OF TERMINALS TAKING THE EXCHANGE'S REAL-TIME PRICE DATA REACHED A NEW RECORD AT 116,000

- SUBSTANTIAL PROGRESS WAS MADE FOR THE LAUNCH OF TRADELECT, THE NEW PLATFORM FOR THE EXCHANGE'S ORDER BOOK TRADING

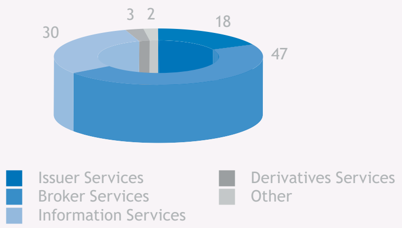
FINANCIAL HIGHLIGHTS

Year ended 31 March	2007	2006	Growth
Revenue before exceptional items	£350m	£291m	20%
Operating profit before exceptional items	£186m	£120m	55%
Operating profit	£174m	£85m	104%
Profit before tax	£162m	£93m	73%
Basic earnings per share	50.5p	27.8p	82%
Adjusted basic earnings per share	56.2p	37.4p	50%

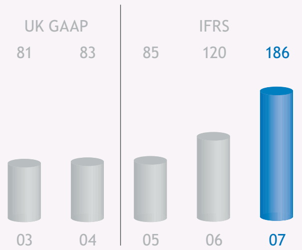
REVENUE BEFORE EXCEPTIONAL ITEMS (£M)*
YEARS ENDED 31 MARCH



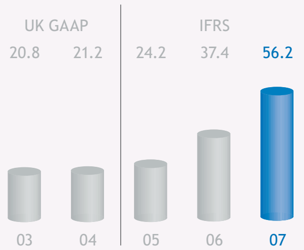
REVENUE BEFORE EXCEPTIONAL ITEMS (%)
YEAR ENDED 31 MARCH 2007



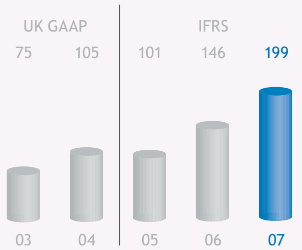
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION (£M)*
YEARS ENDED 31 MARCH



ADJUSTED BASIC EARNINGS PER SHARE (PENCE)*
YEARS ENDED 31 MARCH



CASH GENERATED FROM ONGOING OPERATING ACTIVITIES (£M)*
YEARS ENDED 31 MARCH

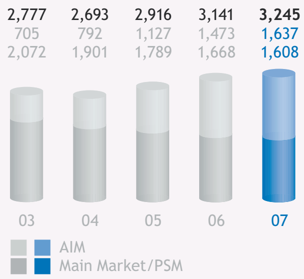


* Based on IFRS for 2005, 2006 and 2007 and UK GAAP for 2003 and 2004, consistent with basis of presentation of the Financial Record set out on page 71

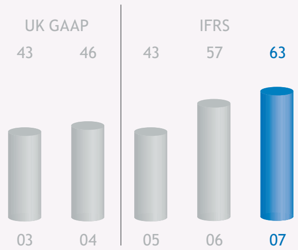
GROUP AT A GLANCE

ISSUER SERVICES

TOTAL NUMBER OF COMPANIES
AS AT 31 MARCH



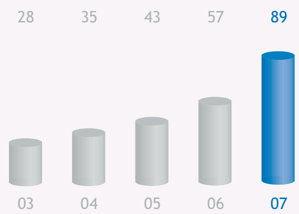
REVENUE (£M)
YEARS ENDED 31 MARCH



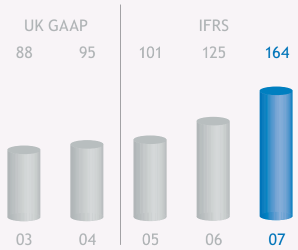
Companies across the world come to the London Stock Exchange to raise money for growth. Joining one of our primary markets – the Main Market, Professional Securities Market (PSM) or AIM – gives companies the opportunity to access one of the world's deepest and most liquid pools of low cost investment capital.

BROKER SERVICES

NUMBER OF SETS BARGAINS (M)
YEARS ENDED 31 MARCH



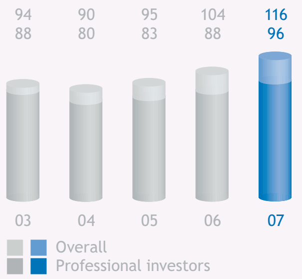
REVENUE (£M)
YEARS ENDED 31 MARCH



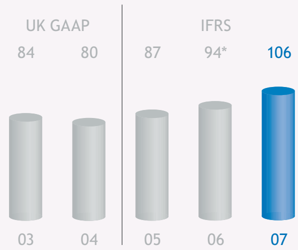
More than 350 firms worldwide trade as members of the London Stock Exchange. Our systems provide fast and efficient access to trading at very low cost, allowing investors and institutions to tap quickly into equity, bond and derivatives markets. Internationally recognised standards of regulation and a leading market model put our markets among the most attractive and liquid in the world.

INFORMATION SERVICES

INFORMATION SERVICES
TOTAL NUMBER OF TERMINALS (000)



REVENUE (£M)
YEARS ENDED 31 MARCH

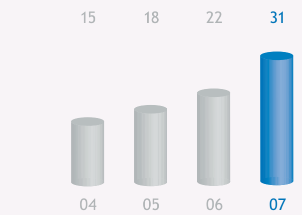


* before exceptional items

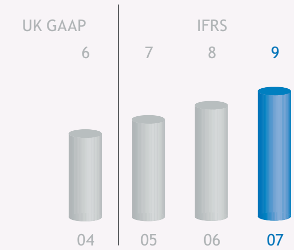
Information is the lifeblood of the stock market. Fast provision of reliable information creates the transparency and liquidity that is the hallmark of the London Stock Exchange. We supply high-quality, real-time prices and trading data, news and other information to the global financial community. We have invested in new technology to create the latest applications and deliver extremely low levels of latency on our market data.

DERIVATIVES SERVICES

TOTAL NUMBER OF CONTRACTS TRADED (M)
YEARS ENDED 31 MARCH



REVENUE (£M)
YEARS ENDED 31 MARCH



EDX London is our derivatives exchange that offers trading and clearing services in Nordic equity and fixed income futures and options and in Russian IOB equity derivatives.

CHAIRMAN'S STATEMENT

CHRIS GIBSON-SMITH

ANOTHER MOMENTOUS YEAR FOR YOUR COMPANY AS WE MOVE TO THE NEXT PHASE IN DELIVERING OUR VISION TO BECOME THE WORLD'S CAPITAL MARKET.

DELIVERING VALUE ON YOUR INVESTMENT

DIVIDEND

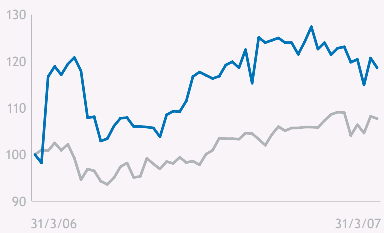
6.0 PENCE
Interim dividend per share

12.0 PENCE
Final dividend per share

CAPITAL RETURN

£512 MILLION
Return to shareholders equivalent to 200 pence per share

SHARE PRICE PERFORMANCE



London Stock Exchange Group plc
FTSE All-Share Index

Source: Bloomberg

During the year, we passed a number of significant milestones on our path to become the world's capital market. Your company is both an important agent of change in global capital markets and a beneficiary of the new opportunities that change brings. As international issuers look for new sources of capital, particularly those from emerging market economies whose rapid expansion is outpacing the supply of locally available funds, London offers a solution that is tailored to their needs. Our choice of primary markets, the Main Market, Professional Securities Market and AIM, has proved highly attractive to UK and overseas issuers alike. In our dialogue with policy makers and regulators, we continue to make the case for a supportive regulatory and tax regime to ensure the attractiveness of our markets remains strong. This year we made good progress on stamp duty with the publication of research demonstrating the high cost it inflicts on savers, companies and the economy. The evidence points to its removal as being revenue neutral for the Treasury and its abolition is now firmly on the political agenda.

As the international primary market of choice, we work with business, the City of London and for the wider UK economy, as well as helping to fund growth and development around the world. Our secondary market business, the provision of trading services, is also becoming increasingly international as our network grows in scale and value, with more member firms from more countries than ever before. Many of our customers are taking advantage of the revolution in technology and connectivity that now links markets and continents in milliseconds, using the Exchange's systems to help manage their investments in multiple asset classes and across time zones.

Rapid growth of our primary and secondary markets, facilitated by new technology, is feeding through into strong revenue growth for the Exchange – up by 20 per cent over the year. Buoyant revenues, combined with a reduction in costs during the year, have enabled your company to create significant value for shareholders. We have been able to return additional capital to shareholders and to commence our share buyback programme, further enhancing the efficiency of our capital structure. Taken together with the previous returns of capital, the Exchange will have returned £974 million since 2004 – 37 per cent of current market capitalisation. As we forecast in our circular to shareholders on 18 January, our final dividend will be 12 pence per share – an overall return of 18 pence per share for the year and an increase of 50 per cent. Adjusted basic earnings per share, excluding exceptional items, rose by 50 per cent to 56.2 pence per share.

During a period of considerable challenge the management team has remained focused and delivered another outstanding set of results. Strong performance across the business justifies your Board's determination for London to play a central role in the future development of global equity markets. I believe that we should take great confidence from the outcome of the takeover approach from Nasdaq. That unwelcome diversion ended with the overwhelming majority of our shareholders endorsing the Board's view of the inadequate value of the offer and of the inherent qualities of the business, our unique franchise, and exciting prospects for growth.

The Board is determined to continue our growth strategy and is confident of our ability to deliver continued strong performance. However, we have consistently stated that a combination, on the right terms, with another exchange could be in the best interests of shareholders and customers and we continue to explore opportunities. We are forging stronger links with other major markets around the world and our agreement to explore business co-operation with the Tokyo Stock Exchange is a recent example. The Exchange's unique strategic position, combined with its outstanding performance and technology investment in the future, ensure that your company is increasingly well positioned in the rapidly evolving global exchange sector.

C. S. Gibson-Smith.

Chris Gibson-Smith
Chairman

CHRIS GIBSON-SMITH:

"THE EXCHANGE'S UNIQUE STRATEGIC POSITION, COMBINED WITH ITS OUTSTANDING PERFORMANCE AND TECHNOLOGY INVESTMENT IN THE FUTURE, ENSURE THAT YOUR COMPANY IS INCREASINGLY WELL POSITIONED IN THE RAPIDLY EVOLVING GLOBAL EXCHANGE SECTOR."

CHIEF EXECUTIVE'S REVIEW

CLARA FURSE

THE EXCHANGE HAS DELIVERED VERY STRONG PERFORMANCE, SETTING NEW RECORDS IN ALL DIVISIONS AS THE BUSINESS CAPITALISES ON THE GLOBAL MARKET TRENDS THAT ARE DRIVING GROWTH.

CLARA FURSE:

"THROUGH OUR COMMITMENT TO EXCELLENCE ACROSS THE BUSINESS AND OUR DETERMINATION TO DELIVER WHAT OUR MARKET WANTS WE WILL CONTINUE TO DEMONSTRATE THAT LONDON IS THE WORLD'S CAPITAL MARKET."

OUR PERFORMANCE CONTINUES TO SET NEW RECORDS

This year we have consolidated our position as the primary centre for capital raising by international companies while volumes on our SETS order book have grown faster than electronic trading on all other major cash equity and derivatives exchanges. Very strong performance across all our business areas has delivered an increase in operating profits excluding exceptional items of 55 per cent.

This outstanding result would not have been possible without the efforts of our talented and dedicated staff and the drive and professionalism of our members, our companies and investors.

BRINGING THE WORLD TO LONDON

The London Stock Exchange is central to the international character of the City of London and London's leading position is becoming ever more widely recognised – the 2007 Global Financial Centres Index ranks London ahead of New York and the rest of the world. New issues on the Main Market from overseas companies almost doubled during the year. Taken with the new issues on the Professional Securities Market and AIM, a total of 139 international companies from 25 countries came to London, as IPOs raised £29 billion in total. London-based investors demonstrated a healthy interest in international companies by trading their depositary receipts on our International Order Book which saw an increase of 89 per cent over the year.

We also extended the reach and scale of our data and information network. The number of terminals outside the UK taking information from the Exchange rose by more than 15 per cent to 60,000, taking the total number of terminals to 116,000 – another record.

TRANSFORMING THE TRADING LANDSCAPE

Our investment in new technology and our increasingly efficient electronic order book is driving ever greater trading volumes on SETS as we facilitate a structural shift in equity trading. High-velocity and electronically-managed trading strategies are increasingly being used by new customer groups, including hedge funds and specialist intermediaries. We are also seeing a sharp increase in derivatives-linked business as SETS is increasingly used to hedge exposure in over-the-counter equity markets. Over the year, SETS volumes averaged 353,000 daily bargains, up 58 per cent, and in March 2007 we recorded no fewer than 14 of our 20 busiest trading days ever.

The Exchange's success generates network effects to the advantage of everyone who is linked in to the London market, either through capital raising, trading, or using our information products to manage their equities businesses. As more business comes to our markets, costs fall and that in turn stimulates additional business, extending the virtuous circle.

COMPETING THROUGH TECHNOLOGY

As our customers demand higher levels of service, the Exchange is providing the advanced trading and information technology that meets their needs. As we move into the final phase of our four-year programme of investment in next-generation systems, we remain ahead of the curve. By launching TradElect, first in South Africa in April through our technology partnership with the Johannesburg Securities Exchange and then for the London market in June, we are delivering a step change in the performance, capacity, and flexibility of our trading engine at significantly lower cost. It will be exceptionally fast with end-to-end execution latency falling from 140 to around 10 milliseconds, meeting our customers' demands for immediacy and execution certainty, thereby accelerating the growth of equity trading in London.

We continue to thrive in London's open and competitive market structure - soon to be copied in other parts of Europe when the Markets in Financial Instruments Directive (MiFID) comes into force, sweeping away rules that still force share trading onto the local exchange in several EU Member States.

We believe that the quality of our technology, our market model and regulatory integrity, and our ability to deliver best execution will ensure that the Exchange continues to improve the quality of the market for our companies, our members and investors, thereby creating increasing value for shareholders.

Our record in attracting growing international companies to our market is a key element in what makes the City of London the world's leading financial centre. We are committed to playing a pivotal role in London's success, widening the choice of securities available and bringing new products and services to the market. Through our commitment to excellence across the business and our determination to deliver what our market wants we will continue to demonstrate that London is the world's capital market.

Clara Furse
Chief Executive

OUR STRATEGY

BRINGING THE WORLD TO LONDON

We have brought more international IPOs to market than all our major competitors.

TRANSFORMING THE TRADING LANDSCAPE

We have grown electronic trading volumes faster than all other major listed equity and financial derivatives exchanges in the world.

COMPETING THROUGH TECHNOLOGY

We have built the world's most advanced exchange trading infrastructure, setting new standards for speed and certainty of execution.

MARKETS AND TRENDS

THE CONTEXT IN WHICH WE OPERATE

THE LONDON STOCK EXCHANGE IS BOTH AN AGENT AND A CORE BENEFICIARY OF THE GLOBALISATION OF CAPITAL MARKETS. AS THE NATURAL CENTRE OF THE WORLD'S EQUITY FLOWS AND AT THE HEART OF EUROPE'S GLOBAL FINANCIAL SERVICES INDUSTRY, WE ARE REALISING OUR VISION TO BE THE WORLD'S CAPITAL MARKET.

The combination of the world's lowest cost of capital, efficient and transparent markets, deep investor pools and world class technology creates an increasingly virtuous circle for both our customers and shareholders, driving growth in a global economy.

LONDON IS THE CENTRE FOR GLOBAL CAPITAL

A 2006 study by Oxera, an independent research firm, demonstrated that the cost of capital at both IPO stage and beyond is lower in London than in other major European and US financial centres. In addition, London hosts the largest asset management community in the world with more than $13 trillion in assets under management, $3 trillion ahead of its nearest rival. This means that growing companies from all countries, sectors and stages of development are able to find specialist investors in London who will offer them access to cost-effective capital.

UK CORPORATE GOVERNANCE AND REGULATION IS WORLD LEADING

The UK is consistently the clear leader in global corporate governance rankings and our regulatory standards are ones to which many foreign companies aspire. Access to investors can be via the EU standards that apply to all companies across Europe or via the unique UK gold standard of a primary listing on the Main Market that enables access to a wider pool of investors.

A proven risk-based approach to regulation combined with the City's world renowned reputation for integrity and the Exchange's regulation of markets are central to our success. London's leading regulatory framework underpins the 2007 Global Financial Centres Index ranking of London as the No. 1 financial centre in the world.

GLOBALISATION

Our ability to attract ever more international securities to our markets has increased the choice of products available for traders and investors. As capital markets drive global growth, the Exchange increasingly oils the wheels. London is the venue of choice for international issuers and for cross-border capital markets business. This provides us with a customer franchise of exceptional quality. We help to facilitate and speed global economic development by providing an essential link to the equity funding that finances it. Our success can be measured by the 380 international companies that have come to our markets since 1 April 2004 and the fact that in calendar year 2006 the Exchange raised more new money on its markets than the NYSE and Nasdaq combined.

MAJOR STRUCTURAL CHANGE IN GLOBAL EQUITY MARKETS

The nature of order flow in the UK equity market is undergoing rapid change. 'Black box' and algorithmic trading enable hedge funds, intermediaries and technical traders to conduct higher frequency trading. In simple terms, much of the trading previously done by people is now done by computers which can enter many more orders much more quickly. This trend is just beginning as banks and brokers invest heavily in increasingly sophisticated trading technology. Furthermore the highest frequency traders, such as hedge funds, are growing rapidly. Growth in hedge fund assets under management in Europe is running at 53 per cent annually and equities are the asset of choice for much of this investment.

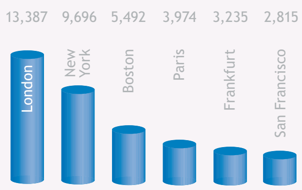
TECHNOLOGY LEADERSHIP

To enable our customers to deploy their high velocity trading strategies we have built a next-generation trading platform. It is designed to provide an exceptionally fast, high capacity platform for our electronic order book and is helping to accelerate the development of equities trading in London. The final piece of the jigsaw, the new trade execution engine, is due for completion in June 2007 and will improve the speed of execution by a factor of 30 while instantly increasing capacity fourfold.

A CULTURE OF COMPETITION

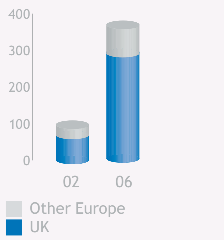
We operate in a pro-competitive framework where intermediaries have always executed a major portion of their UK business away from SETS. SETS is succeeding in this environment because it has delivered declining transaction costs, product and technology innovation as well as 100 per cent availability over the last seven years. The advent of MiFID, the EU directive that opens up European securities markets to competition, validates our open market model. This will mean radical change for some EU countries but for the Exchange it is very much business as usual.

ASSETS UNDER MANAGEMENT BY CITY ($BN)



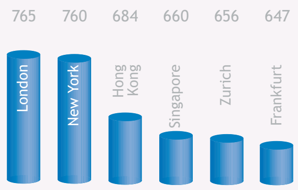
Source: Bigdough

THE SIZE OF THE EUROPEAN HEDGE FUNDS MARKET ($BN)



Source: EuroHedge, IFSL estimates

THE 2007 GLOBAL FINANCIAL CENTRES INDEX (RATING)



MAJOR GLOBAL TRENDS ARE DRIVING OUR GROWTH

> GLOBALISATION
International capital flows have quadrupled since 2003

> VELOCITY GROWTH
UK velocity is steadily catching up on Europe and the US

> REGULATORY REFORM
Key markets in Europe and Asia are opening up

> ASSET MANAGEMENT
The structural shift to absolute return strategies increases demand for efficient trading mechanisms and platforms

> TRADING PRACTICES
Direct market access and algorithmic trading drive liquidity, efficiency and volume growth

> TECHNOLOGY REVOLUTION
A step change in capacity, speed and cost is accelerating volume growth

BUSINESS REVIEW
BRINGING THE WORLD TO LONDON

WE ARE REALISING OUR VISION TO BECOME THE WORLD'S CAPITAL MARKET. THIS YEAR WE HAVE BROUGHT MORE INTERNATIONAL IPOS TO MARKET THAN ALL OUR MAJOR COMPETITORS, TRADED STOCKS FROM MORE COUNTRIES THAN EVER BEFORE AND EXPANDED OUR INFORMATION SERVICES OVERSEAS THROUGH NEW INTERNATIONAL TERMINALS.

RECORD CAPITAL RAISED

A record amount of money was raised on the London Stock Exchange in FY 2007. IPO money raised exceeded the amounts raised on any other equities exchange. Companies from every corner of the globe are drawn to London by:

- The Exchange's leading global brand, underpinned by the UK's world renowned and respected regulation and our choice of markets which enables companies to pick a route to investment capital that is right for them.
- The depth and liquidity of our secondary markets, supported by one of the most advanced trading technologies of any major equities exchange.
- The lowest cost of capital – a study published in 2006 showed that the cost of capital at both IPO stage and beyond is lower in London than in any other major European or US financial centre.

503 NEW COMPANIES, 108 ON THE MAIN MARKET AND PSM, 395 ON AIM

£29.2 BILLION CAPITAL RAISED THROUGH IPOS, UP 44 PER CENT

95 INTERNATIONAL IPOS, MORE THAN ALL OUR MAJOR COMPETITORS

The Main Market continues to lead the way:

- The world's most attractive blue-chip market for international IPOs.
- Unrivalled investor base with over $13 trillion assets under management in London.
- 108 new companies, including PSM, raised £20.8 billion in FY 2007.

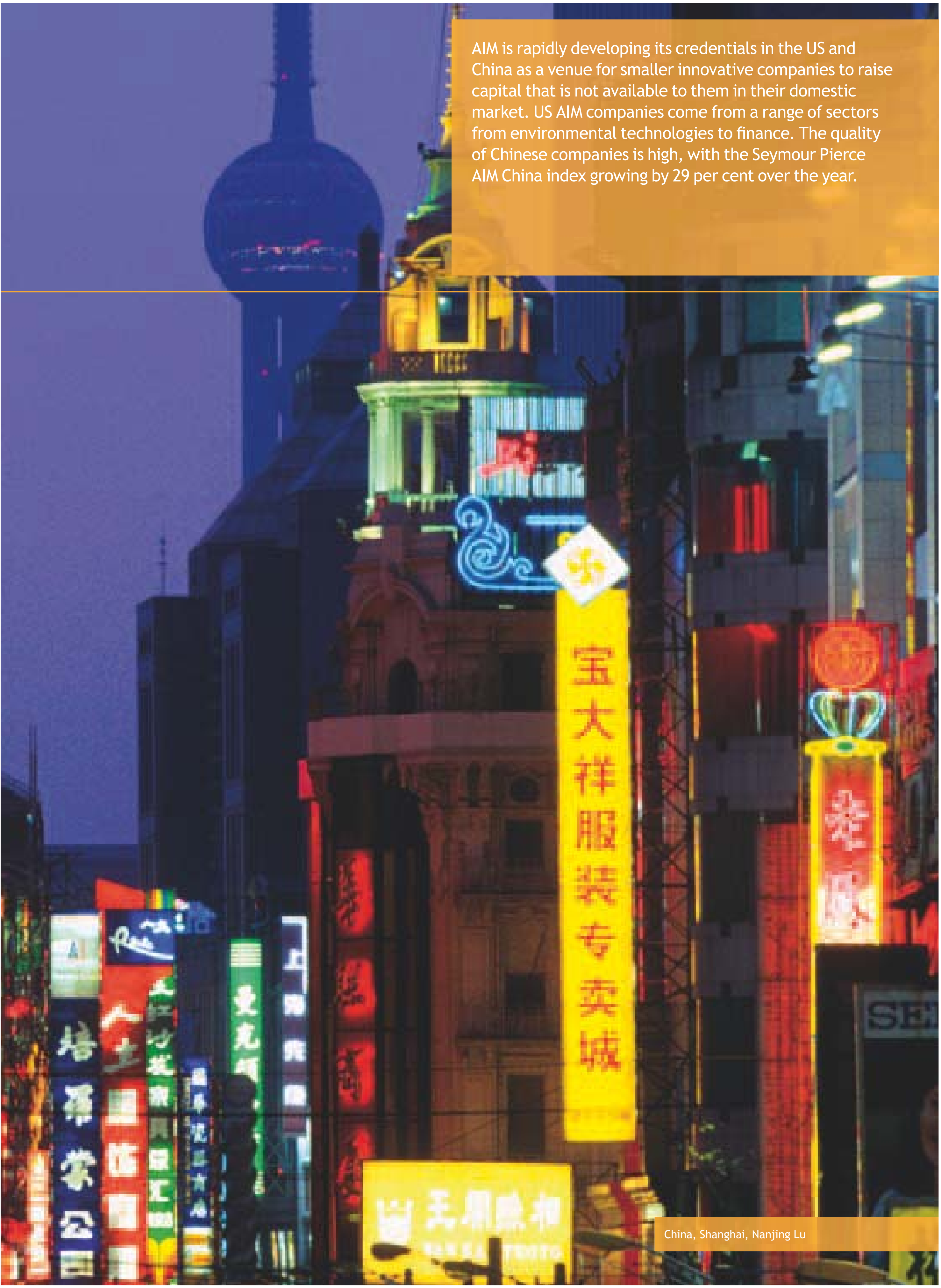
AIM is becoming a brand in its own right:

- The world's most successful venue for smaller growth companies.
- Investor appetite for AIM companies continues to grow with institutional investors owning 57 per cent.
- 395 new companies raised £9.0 billion in FY 2007.

We continue to build our markets to make them more attractive for issuers and investors. New products have been added to the Main Market and a comprehensive review of AIM's regulatory regime has been completed to ensure that its rapid international expansion can continue in the context of a strong but flexible regulatory environment.

DID YOU KNOW?
647 INTERNATIONAL COMPANIES FROM 68 COUNTRIES ARE ON OUR MARKETS

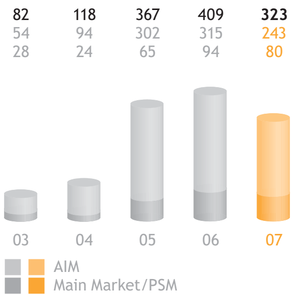
AIM is rapidly developing its credentials in the US and China as a venue for smaller innovative companies to raise capital that is not available to them in their domestic market. US AIM companies come from a range of sectors from environmental technologies to finance. The quality of Chinese companies is high, with the Seymour Pierce AIM China index growing by 29 per cent over the year.



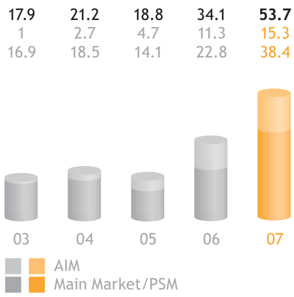
China, Shanghai, Nanjing Lu

BUSINESS REVIEW
BRINGING THE WORLD TO LONDON

IPOS (NUMBER OF COMPANIES)



TOTAL MONEY RAISED (£BN)



DID YOU KNOW?
67 US COMPANIES ARE NOW LISTED ON AIM

WORLD'S CAPITAL MARKET

Our reach extends from the UK to developing and established markets throughout the world. It was an excellent year for Main Market new listings from the UK, Russia, Kazakhstan and South Korea as well as the Middle East and Latin America. AIM did particularly well in China, the US and Europe.

Highlights

In the UK the significant new listings included Standard Life raising £2.2 billion and Debenhams returning to the market after three years to raise £950 million. Overall 364 UK companies came to the Main Market and AIM, raising £16.8 billion during the year.

Rosneft was the largest Russian company to list in FY 2007, raising a record £3.6 billion in July. Russian companies coming to the market are from an increasingly diversified range of sectors, including companies such as Sitronics, one of the largest hi-tech companies in CIS and Eastern Europe, TMK Steel and Sistema-Hals, one of Russia's largest property developers.

Kazakhstan is a new and increasingly important market for the Exchange. The quality of companies joining this year was particularly impressive, representing the leading economic sectors in Kazakhstan, such as property (Chagala), gas (Kazmanaigas) and banking (Halyk Bank).

South Korean electronics giant Samsung joined our markets in December 2006. MCB Bank became the first Pakistani company to list in London and Hochschild Mining became the first Latin American company to IPO in London. We believe that Latin America will become increasingly important as our recognition and attractiveness in this region grows.

In February we issued a new rule book for AIM nominated advisers codifying the roles and responsibilities of Nomads. Based on existing market best practice, it supplements the existing rules for companies. The new rule book is an incremental step to build on the quality and integrity of the market.

Napo Pharmaceuticals became the first US incorporated company to IPO on the Main Market. In addition, 23 US companies came to AIM taking the total number to 67. AIM has also had considerable success in China, attracting 25 companies in FY 2007 taking the total to 46.

AIM's push into Europe, launched in October 2005, is progressing very positively with 49 companies joining since launch, taking the number of non-UK European companies on AIM to 110. AIM's nearest European competitor has just 4 non-domestic companies.

Strategic alliance

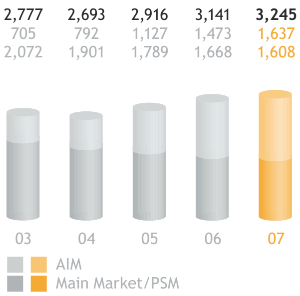
In February we signed a Letter of Intent with the Tokyo Stock Exchange with the aim of jointly enhancing our international presence and bringing benefits for our investors, issuers and member firms. We are looking at collaboration in growth markets, jointly traded products and member firms' access.

A major attraction of the Main Market to international companies is the liquidity of our International Order Book (IOB) which offers companies a uniquely effective secondary market for their depositary receipts. In October FTSE introduced a Russia IOB index to track the performance of the ten largest Russian companies traded on the IOB.

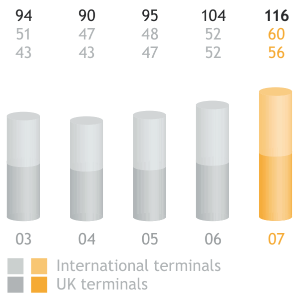
Signing the Letter of Intent with Taizo Nishimuro, President & CEO of the Tokyo Stock Exchange, February 2007

2007 Annual Russian Capital Markets Conference, Moscow

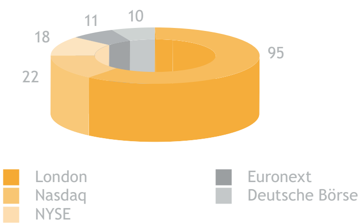
TOTAL NUMBER OF COMPANIES



TOTAL NUMBER OF TERMINALS (000)



NUMBER OF INTERNATIONAL IPOS



GLOBAL INFORMATION SERVICES

International terminal growth

The total number of terminals taking real-time London Stock Exchange data rose by 12,000 to 116,000 at year end, a rise of 12 per cent on the previous year. Of the new terminals, 8,000 were international, driven by a rise in the professional customer base, much of it in North America. The richness and scale of the information gathered from trading over 3,000 stocks from around the world explains why our terminal numbers continue to grow in an expanding global market for data and value added information services.

12,000 NEW TERMINALS, UP 12 PER CENT

8,000 NEW INTERNATIONAL TERMINALS

Other global products and services

SEDOL, our database of global securities identifiers, continues to expand, growing the number of securities covered by 50 per cent over the year. Covering fixed income, derivatives and global equities, SEDOL is a multi-asset class service with 40 per cent of licence users based outside the UK.

Through our communications network Extranex, data travels from London to New York in only 30 milliseconds. This premium quality product provides a level of service to overseas customers that is comparable with the service levels enjoyed by those based in London and drives order flow as well as terminal sales.

Active in more than 48 countries worldwide, FTSE, the Exchange's joint venture with the FT, is the globally recognised provider of indices for the UK market and overseas. In addition to its world renowned product – the FTSE 100 index of the biggest UK registered companies – FTSE now calculates over 100,000 indices covering all major asset classes. These products help investors to make better informed decisions and to benchmark performance. We work alongside FTSE to develop new products that will support our own trading and information services.

Proquote, the Exchange's integrated trading and market data system, has added over 1,000 new international terminals representing 125 corporate clients following the launch of Proquote International last year.

RNS, the Exchange's company news service, had its highest volumes ever in FY 2007 with announcements up 18 per cent driven partly by the growing number of international companies using its services.

DID YOU KNOW?

60,000 TERMINALS OUTSIDE THE UK TAKE OUR REAL-TIME DATA

BUSINESS REVIEW
TRANSFORMING THE TRADING LANDSCAPE

SETS TRADING GROWTH HAS BEEN PHENOMENAL. THIS YEAR OUR ELECTRONIC TRADING VOLUMES HAVE GROWN MORE QUICKLY THAN THOSE ON ALL OTHER MAJOR LISTED EQUITY AND FINANCIAL DERIVATIVES EXCHANGES IN THE WORLD, BEATING ALL TRADING RECORDS ON OUR INTERNATIONAL ORDER BOOK AND PRODUCING RECORD VOLUMES IN OUR DEVELOPING DERIVATIVES BUSINESS.

RECORD ORDER BOOK VOLUMES

FY 2007 saw records tumble in our core trading business on SETS, the electronic order book. The key factors driving this growth are:

- Our customers leveraging technology to deliver scale efficiencies across the equities trading chain.
- A permanent shift in the nature of order flow as new, higher velocity electronic trading strategies are increasingly deployed by hedge funds, intermediaries and specialist technical trading firms.
- Our investment in a fast, efficient and scalable trading platform to support and accelerate the growth of our customers' business.

FY 2007 AVERAGE DAILY SETS BARGAINS: 353,000, UP 58 PER CENT

TOTAL SETS BARGAINS IN FY 2007: 89.0 MILLION, UP 57 PER CENT

Trading grew during every month of FY 2007 over the same month in the previous financial year, with the average daily bargains up by an average of 58 per cent.

In the final quarter the average growth in daily trading was 62 per cent:

- The highest number of SETS trades on a single day was 732,000 on 28 February.
- 17 of the 20 busiest days ever were in the final quarter of the year.
- Order book volumes easily beat the targets we set a year ago, up 38 per cent on the forecast of February 2006.

TOTAL VALUE TRADED ON SETS IN FY 2007: £1.6 TRILLION, UP 37 PER CENT

AVERAGE MONTHLY GROWTH OF SETSMM BARGAINS: 122 PER CENT

TOTAL VALUE OF SETSMM BARGAINS IN FY 2007: £151.2 BILLION, UP 86 PER CENT

DID YOU KNOW?

£3.4 TRILLION WORTH OF UK SHARES WERE TRADED ON OUR MARKETS THIS YEAR

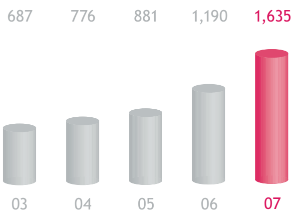
Our ability to attract ever more international securities to London is driving increased trading activity. We add diverse international products for traders and investors which justifies their investment in cutting edge technology to access our markets efficiently. Clients of all types, but especially global firms, can now access London in a way they could not before. Aggregators, brokers and hedge funds are bringing in business from around the world to trade here. They are building fast, efficient systems in order to trade efficiently into London from almost anywhere in the world.

USA, California, San Francisco, Golden Gate Bridge

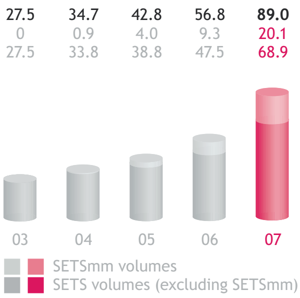
BUSINESS REVIEW
TRANSFORMING THE TRADING LANDSCAPE

Market opening for launch of UK-REITs, January 2007

SETS VALUE TRADED (£BN)



SETS VOLUMES (BARGAINS, MILLIONS)



INNOVATION IN NEW PRODUCTS, SERVICES AND PRICING

Exchange Traded Funds received a significant boost

In the 2006 pre-budget report the Government announced that non-resident ETFs would no longer be subject to stamp duty. We had lobbied policy makers for years to remove this anomaly, a clear competitive disadvantage to our market. By creating a level playing field with other European exchanges we have seen a step change in ETF issuance and trading.

NUMBER OF ETFS TRADED ON THE EXCHANGE IN FY 2007: 73, UP 44 PER CENT

VALUE TRADED IN ETFS ON THE EXCHANGE IN FY 2007: £21.7 BILLION, UP 90 PER CENT

First Exchange to launch Exchange Traded Commodities

ETCs are open-ended securities that offer investors simple and secure access to a broad range of commodities. We are the world's first exchange to offer ETCs to investors, lowering many of the barriers that prevented investment in this major asset class.

At launch, 32 ETCs were issued including individual commodity trackers and securities tracking a range of commodities indices covering the energy, metals and agriculture markets.

New era of Real Estate Investment Trusts

The conversion of nine UK property companies to REITs in January 2007 marked the beginning of a new era for the property industry and for investors. The Exchange worked closely with the UK property industry and Government to ensure the right framework was established for UK-REITs. The result will be cheaper capital-raising for companies and more opportunities for investors.

Pricing strategy

Our pricing strategy is designed to stimulate further growth in equities trading both on-book and off-book. This year we announced:

- Further significant price reductions for off-book business.
- A deepening of our volume discount scheme for SETS business for the 2007/8 financial year.

Competitive pricing will continue to drive trading on our markets, attracting liquidity to a greater range of companies and investment opportunities and enhancing the efficiency of the market for all participants.

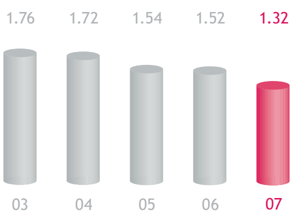
Boosting liquidity and delivering a truly global marketplace for smaller cap companies is a key objective for the Exchange. SETSmm is our unique hybrid midcap stock trading order book. Since its launch in 2003, SETSmm has contributed to a 267 per cent increase in the value traded of mid cap stocks and, by centralising liquidity and increasing transparency, it has reduced headline spreads by more than 80 per cent. In November we introduced a Larger Size Market Maker scheme to encourage liquidity at greater sizes and tighter spreads in both order and quote driven trading in stocks outside the FTSE 350.

DID YOU KNOW?

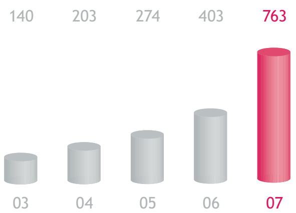
375 FIRMS TRADE ON OUR MARKETS, MORE THAN ANY EXCHANGE IN EUROPE

UKTI India Business Awards at the London Stock Exchange, June 2006

YIELD PER SETS TRADE (£)



IOB VOLUMES (BARGAINS, THOUSANDS)



GLOBAL SECURITIES

Our International Order Book (IOB) is the most successful electronic trading platform for international securities in the world:

- The IOB demonstrates that we do not just draw international companies to London, we capture liquidity from international investors located here and abroad which is channelled through our global network of member firms.
- Trading of international depositary receipts (DRs) on the IOB reached record levels this year driven by 255 companies from 40 countries who have DRs traded in London.
- Particularly well represented are companies from Russia, South Korea, Kazakhstan and India.

TOTAL VALUE OF IOB BARGAINS IN FY 2007: $124.7 BILLION, UP 107 PER CENT

GLOBAL DERIVATIVES GROWTH

Our leadership in the listing and trading of international securities and the high levels of liquidity on the IOB in shares of companies from countries such as Russia enabled us to offer new derivatives products in this space:

- Experience in derivatives markets with EDX London helped us to launch derivatives products based on the most liquid of the individual depositary receipts from Russia.
- Of EDX's existing membership, 26 have taken positions in the new Russian products and six new members have joined to gain access to this market. The Exchange's distribution network has meant that more firms, including those in Russia, can trade these products.

Our growing range of products is a demonstration of our ability to innovate and our commitment to give investors more efficient and transparent ways to create balanced investment portfolios, drawing liquidity to our markets across a range of asset classes. With ETCs providing direct access to worldwide commodities, an expanding ETFs segment giving access to global equity and bond indices, and REITs offering pure property exposure, the London Stock Exchange is increasingly becoming a diversified market both for issuers and investors.

- Following the launch of the products in December 2006, average daily volumes in Russian single stock and index derivatives more than doubled month on month to over 10,000 contracts per day in March.
- EDX's Nordic derivative offering also reached unprecedented levels of trading this year, with trading across all products showing 40 per cent year-on-year growth.

TOTAL VALUE TRADED IN RUSSIAN IOB DERIVATIVES SINCE 1 DECEMBER 2006: $2.2 BN

GLOBAL MEMBERSHIP

Our increasingly global presence is reflected in the profile of our member firms who are more numerous and diverse than ever before:

- Brokers access our markets from 42 different countries following the admission of new members this year from Estonia and Denmark via the EU passporting process.
- This year also saw the admission of our first hedge fund member, reflecting a new approach from investors who want direct access from their advanced computer systems straight to our order book.

NEW MEMBER FIRMS JOINING THIS YEAR: 37

BUSINESS REVIEW

COMPETING THROUGH TECHNOLOGY

WE HAVE BUILT THE WORLD'S MOST ADVANCED EXCHANGE TRADING INFRASTRUCTURE, WHICH IS ATTRACTING EVER GREATER LIQUIDITY TO OUR ELECTRONIC ORDER BOOK, SETTING NEW STANDARDS FOR SPEED AND CERTAINTY OF EXECUTION AND ENSURING THAT WE OFFER THE MOST EFFICIENT CENTRAL MARKETPLACE FOR TRADING EQUITIES.

EQUITY TRADING IS CHANGING RAPIDLY

In recent years we have seen the start of a permanent shift in the nature and scale of order flow as our customers are engaging in a technology race in search of ever more sophisticated ways to interact with the electronic order book:

- Higher velocity electronic trading by algorithmic, 'black box' and hedge fund traders is generating record volumes.
- Equity derivatives traders are increasingly relying on our order book as the most cost efficient venue to hedge their trades by taking positions in the underlying equity.

Many of these clients are active on a global scale and our execution venue has to compete to win their order flow and the liquidity it generates.

TECHNOLOGY STRATEGY

The new technology platform being delivered through our Technology Roadmap provides us with a significant competitive advantage. Our technology strategy has been to build an exceptionally fast trading infrastructure:

- Offering much greater capacity.
- Enabling customers to deploy new high velocity trading strategies.
- Accelerating the development of equities trading in London.

DID YOU KNOW?

WE HAVE MAINTAINED OUR 100 PER CENT AVAILABILITY RECORD FOR THE SEVENTH YEAR RUNNING

WORLD LEADING BROADCAST SPEEDS

Infolect, our information dissemination service launched in 2005, cut the speed of information broadcast to two milliseconds. We believe this is one of the fastest of any major exchange in the world. It provides customers, whose trading strategies execute in much less than the blink of an eye, with increased certainty of execution, encouraging more orders to be entered into the system.

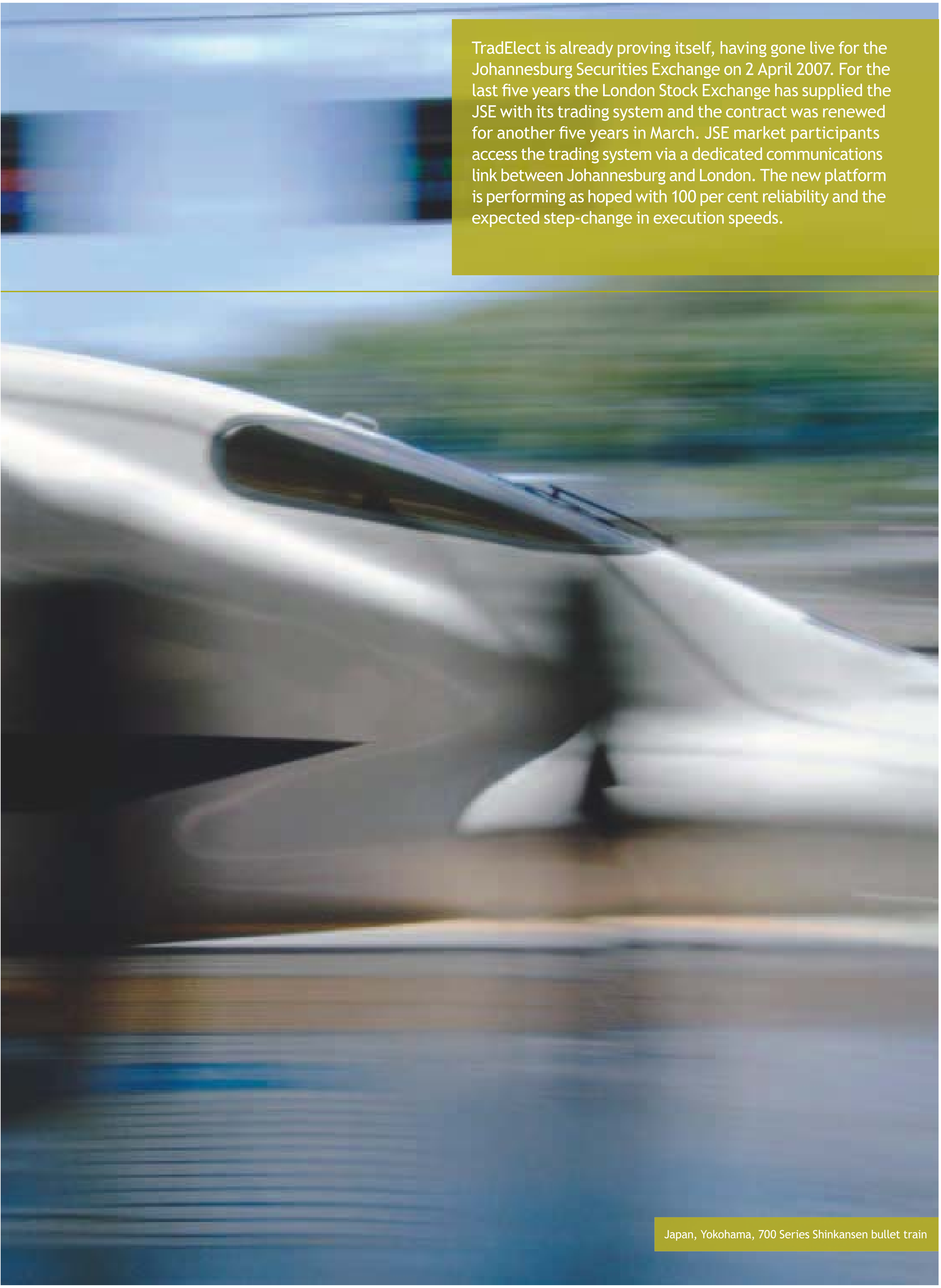
FASTEST TRADE EXECUTION

TradElect will do the same for our core trade execution engine when it goes live, bringing overall end-to-end execution latency on SETS to around 10 milliseconds. It will:

- Be exceptionally fast, providing core trade execution latency of around two milliseconds, compared to around 60 milliseconds today.
- Increase trading capacity more than fourfold initially and have the capacity to trade all European equities at the outset.
- Be highly scalable, providing the ability to double capacity again on demand at a fifth of today's cost.
- Support multiple market models: order driven, quote driven, hybrid and other complex order types.
- Be multi-asset capable, a key advantage in a rapidly evolving market environment.
- Significantly cut development and operational costs and implementation times.

TradElect is due to go live on 18 June 2007.

TradElect is already proving itself, having gone live for the Johannesburg Securities Exchange on 2 April 2007. For the last five years the London Stock Exchange has supplied the JSE with its trading system and the contract was renewed for another five years in March. JSE market participants access the trading system via a dedicated communications link between Johannesburg and London. The new platform is performing as hoped with 100 per cent reliability and the expected step-change in execution speeds.



Japan, Yokohama, 700 Series Shinkansen bullet train

FINANCIAL REVIEW

JONATHAN HOWELL

- FINANCIAL PERFORMANCE CONTINUES TO REFLECT STRONG GROWTH IN REVENUE AND EARNINGS PER SHARE
- VERY STRONG OPERATING PROFIT AND OPERATING CASH FLOW GROWTH ACHIEVED
- GOOD DIVIDEND GROWTH
- MAJOR CAPITAL RETURN TO SHAREHOLDERS FOLLOWING SCHEME OF ARRANGEMENT
- CORPORATE BOND ISSUED
- GOOD PROGRESS ON THE SHARE BUYBACK PROGRAMME

HIGHLIGHTS

REVENUE BEFORE EXCEPTIONAL ITEMS AT £349.6 MILLION (2006: £291.1 MILLION) WAS UP 20 PER CENT.

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS INCREASED 55 PER CENT TO £185.6 MILLION (2006: £120.1 MILLION).

ADJUSTED BASIC EARNINGS PER SHARE, BEFORE EXCEPTIONAL ITEMS, INCREASED 50 PER CENT TO 56.2 PENCE PER SHARE (2006: 37.4 PENCE).

OPERATING PROFIT WAS £174.2 MILLION (2006: £85.4 MILLION) AND BASIC EARNINGS PER SHARE WERE 50.5 PENCE (2006: 27.8 PENCE).

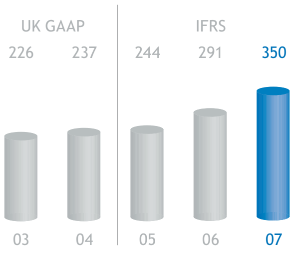
CASH GENERATED FROM ONGOING OPERATING ACTIVITIES INCREASED TO £198.6 MILLION (2006: £145.9 MILLION).

£512 MILLION WAS RETURNED TO SHAREHOLDERS UNDER THE SCHEME OF ARRANGEMENT IN MAY 2006, IN PART FINANCED BY A 2016 CORPORATE BOND ISSUE.

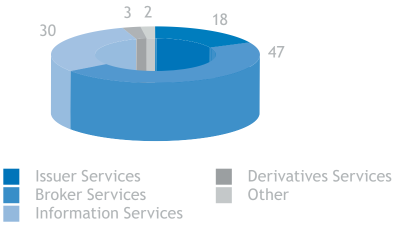
SHARE BUYBACK PROGRAMMES FOR UP TO £50 MILLION PER ANNUM ANNOUNCED IN FEBRUARY 2006 AND FOR UP TO £250 MILLION ANNOUNCED IN JANUARY 2007 HAVE PROGRESSED WELL DURING THE YEAR. BY 31 MARCH 2007, ON-MARKET PURCHASES OF 9.0 MILLION SHARES HAD BEEN COMPLETED AT AN AGGREGATE COST OF £109.9 MILLION.

TOTAL DIVIDEND PER SHARE INCREASED 50 PER CENT TO 18.0 PENCE (2006: 12.0 PENCE).

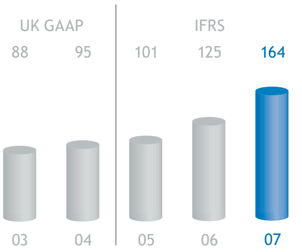
REVENUE BEFORE EXCEPTIONAL ITEMS (£M)*
YEARS ENDED 31 MARCH



REVENUE BEFORE EXCEPTIONAL ITEMS (%)
YEAR ENDED 31 MARCH 2007



BROKER SERVICES FIVE-YEAR REVENUE (£M)*
YEARS ENDED 31 MARCH



* Based on IFRS for 2005, 2006 and 2007 and UK GAAP for 2003 and 2004, consistent with basis of presentation of the Financial Record set out on page 71

REVENUE

Issuer Services

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 Exchange's primary markets was enhanced further with 35 international listings on the Main Market (2006: 18), making a total of 139 international companies joining our markets (2006: 154), including PSM and AIM. As at 31 March 2007, the total number of companies on our 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

Broker Services' revenue increased 31 per cent to £163.8 million (2006: £125.5 million), reflecting a very substantial uplift of performance for SETS, our electronic order book. 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, the Exchange's hybrid trading platform, 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 International Order Book (IOB), the international profile of the Exchange's secondary market saw very strong growth.

Information Services

Information Services delivered strong growth in revenue before exceptional items of 13 per cent to £105.9 million (2006: £94.1 million). Total terminals delivering real-time market data increased 12 per cent to 116,000 (2006: 104,000), including 96,000 terminals attributable to professional users (2006: 88,000). Proquote, the Exchange's provider of financial market software and data increased the number of screens at year end by 23 per cent to 3,700 (2006: 3,000). SEDOL, the securities numbering service, saw good growth with the number of securities covered increasing to more than 1.8 million (2006: 1.2 million).

Derivatives Services

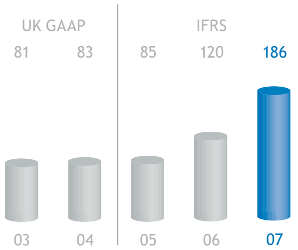
Derivatives Services' revenue increased 21 per cent to £9.3 million (2006: £7.7 million). EDX London, our 76 per cent owned equity derivatives business, moved into profit for the year with strong growth in activity, trading a total of 31.4 million contracts (2006: 22.2 million), representing an average of 124,000 per day (2006: 86,000), up 44 per cent. EDX also successfully introduced Russian derivative products in December 2006.

Other income

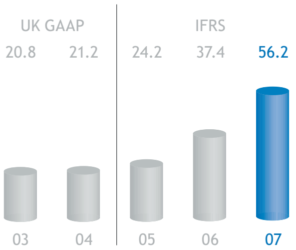
Other income, primarily from property subletting, increased from £6.9 million to £7.4 million.

FINANCIAL REVIEW
JONATHAN HOWELL

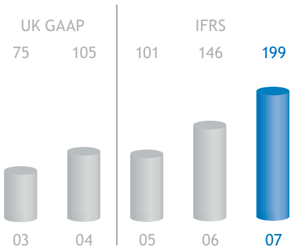
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION (£M)*
YEARS ENDED 31 MARCH



ADJUSTED BASIC EARNINGS PER SHARE (PENCE)*
YEARS ENDED 31 MARCH



CASH GENERATED FROM ONGOING OPERATING ACTIVITIES (£M)*
YEARS ENDED 31 MARCH



EXPENDITURE

Administrative 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 provision in respect of EDX London (£3.1 million).

PROFIT FOR THE YEAR

Operating profit before exceptional items increased 55 per cent to £185.6 million (2006: £120.1 million). Operating profit including exceptional revenues and costs increased 104 per cent to £174.2 million (2006: £85.4 million). Profit before taxation of £161.5 million was 73 per cent above last year (2006: £93.5 million). The taxation charge of £50.9 million is above the standard tax rate due mainly to expenses being treated as non-deductible. After tax and minority interests, profit attributable to equity holders for the year was £109.6 million (2006: £70.7 million).

Basic earnings per share increased 82 per cent to 50.5p per share (2006: 27.8p) and adjusted basic earnings per share (excluding exceptional items) increased 50 per cent to 56.2p per share (2006: 37.4p), principally reflecting growth across all core business areas and continued strong cost control.

CASH FLOW AND BALANCE SHEET

Cash flow from operations

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

Capital restructuring and share buyback

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 Group to an additional share buyback programme of up to £250 million.

The Company has entered into an irrevocable commitment with its brokers to purchase own shares which in part covers the close period from 1 April 2007 up to the release of our preliminary announcement. This has resulted in a £60 million liability being recognised at 31 March 2007 in respect of shares purchased in the close period.

* Based on IFRS for 2005, 2006 and 2007 and UK GAAP for 2003 and 2004, consistent with basis of presentation of the Financial Record set out on page 71

DELIVERED TO SHAREHOLDERS

£512 MILLION
capital return

£35.8 MILLION
dividend declared

50 PER CENT
adjusted earnings per share growth

Debt facilities and bond issue
In July 2006 the Group received £249.2 million proceeds from the issue of a 2016 corporate bond to part finance the £512 million capital return. In addition, net proceeds of £155.4 million were received principally from a £200 million revolving credit facility, which in part have financed the capital return and share buyback programme. We have a further undrawn £250 million bridge facility available to fund the remainder of the share buyback programme.

After taking into account all cash flows, including returns to shareholders, share buybacks and financing activities, net overall cash outflows during the year were £153.9 million compared to a net cash inflow of £102.4 million in 2006.

Balance sheet and financial position
The Group 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 buyback 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.

At 31 March 2007 cash resources were £72.9 million (2006: £226.8 million). The level of cash resources is mainly driven by regulatory requirements and the majority of the funds are invested in fixed term deposits with banks.

Borrowings of £420.1 million at 31 March 2007 (2006: £1.1 million) mainly consist of the £250 million 2016 corporate bond and £156.0 million drawn down under the Group's £200 million revolving credit facility.

The Company's credit rating from Moody's is currently Baa2 (stable), down from Baa1 reflecting the January 2007 share buyback announcement of up to £250 million. The main operating subsidiary and Recognised Investment Exchange, the London Stock Exchange plc, is rated A3 (stable).

The Board keeps the financial structure of the Group under close review and believes the efficient financial structure and strong operating cash flows provide appropriate flexibility to pursue opportunities for further growth.

DIVIDEND
The Board declared a final dividend for the year of 12.0 pence per share to be paid on 13 August 2007 (2006: 8.0 pence second interim dividend in lieu of a final dividend), giving a total dividend of 18.0 pence (2006: 12.0 pence) per share in respect of the financial year, and an estimated total distribution of £35.8 million (2006: £30.7 million).

Jonathan Howell
Director of Finance

CORPORATE RESPONSIBILITY

AS A HIGH-PROFILE PUBLICLY-LISTED COMPANY AT THE HEART OF GLOBAL FINANCIAL MARKETS, ABSOLUTE INTEGRITY IS CRUCIAL TO OUR SUCCESS. WE ARE AS PROUD OF THE WAY WE DO BUSINESS AS WE ARE OF THE LEVELS OF PERFORMANCE THAT THIS HAS GENERATED.

Our approach gives priority to those activities that are of real relevance to our stakeholders and where we consider we can have most impact. These priorities are:

COMMUNITY

Our Community Programme is designed to support charity and other good causes and to motivate our people to raise money and work together. Through our matching scheme we double charitable donations by our staff. The main focus of our charitable activity during the year has been our partnership with Brainwave, a charity dedicated to providing therapy for children with developmental delay whether caused by a brain injury like cerebral palsy or a genetic disorder (www.brainwave.org.uk).

The partnership has now ended after three highly successful years during which the Exchange generated over £400,000 in new funds for Brainwave. Corporate donations made by the Exchange were more than doubled by the fundraising efforts of our staff. The partnership benefited from the creative talent of our people as teams drawn from different departments competed to see who could raise the most money. Described by Brainwave Chief Executive David Davies as "transformational", the partnership enabled Brainwave to scale up its activities and to open a new therapy centre in Witham, Essex.

In addition to fundraising, the Exchange also assisted Brainwave in other ways, for example making our Media and Business Complex available to record a promotional DVD by Brainwave's President, HRH The Countess of Wessex, and providing marketing expertise and advice.

The Exchange has begun the search for a new charity partner to succeed Brainwave and will announce the outcome shortly.

GOVERNANCE

The Exchange is committed to delivering the highest standards in boardroom practice and financial transparency through:

- Clear and open communication with investors;
- Maintaining accurate financial records which transparently and honestly reflect the financial position of our business; and
- Endeavouring to maximise shareholder returns.

A full programme of investor relations activity ensures appropriate contact with institutional and private shareholders, with regular meetings, presentations and disclosure of important information. Great care is taken to provide suitably detailed information on the Exchange's activities and results to enable various stakeholders to understand the performance and prospects of the Company.

During the past year, directors and management of the Exchange have conducted over 250 calls and meetings with major UK and international shareholders and financial analysts. Presentations of results are accessible by webcasts through the Company's website, which also provides press releases, financial reports, trading data and other information released by the Exchange.

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

EMPLOYEES

The Exchange's excellent performance would not be possible without employees of the highest calibre with the motivation to perform to their full potential. We aim to create the right conditions for people to do their best work by:

- Creating an environment which enables all employees to develop their skills and knowledge. All employees have the opportunity to formally discuss their development with their manager at least once a year which includes both internal development programmes and external training courses;

Hannah, aged 10 months, who has Cerebral Palsy, receiving sensory stimulation at Brainwave's National Centre

- Encouraging open and honest assessment of employee performance and behaviour through regular performance feedback and annual appraisal which for more senior executives includes 360° feedback from colleagues and their teams; and
- Providing all staff with the opportunity to build an equity interest in the Exchange through all-employee share plans.

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

- Encouraging a working environment in which employees feel comfortable about highlighting wrongdoing and providing them with a formal procedure in which to do so;
- Promoting an environment of equality of opportunity which is intolerant of discrimination, harassment or victimisation;
- Providing regular business briefings where staff are updated on business performance and new developments and have the opportunity to ask questions of the senior management team; and
- Maintaining healthy and safe working conditions.

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

ENVIRONMENT

We recognise that our activities have an impact on the environment and we continue to take steps to manage this in a responsible and appropriate manner.

During the year, we completed a full review of our environmental impact across our three principal sites in partnership with the Carbon Trust. A number of efficiencies in energy utilisation were identified and implemented and further steps taken to increase our use of recycling facilities. We continue to purchase only green energy and have maintained the significant reduction in CO_2 emissions achieved on our relocation to Paternoster Square.

During the year, we received the "Gold Award" under the Clean City Awards Scheme, which recognises good practice to reduce consumption and reuse and recycle where practicable. Our environmental strategy and performance also contributed to our continued inclusion in the FTSE4Good index.

During the coming year, we will maintain our ongoing programme of environmental management and continue to work with the Carbon Trust to identify additional ways to reduce our CO_2 emissions.

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

PRINCIPAL RISKS AND UNCERTAINTIES

THE LONDON STOCK EXCHANGE HAS IN PLACE A BUSINESS-WIDE RISK MANAGEMENT PROCESS TO PROVIDE ASSURANCE THAT RISKS TO WHICH IT IS EXPOSED ARE APPROPRIATELY CONTROLLED AND/OR MITIGATED, THEREBY ENSURING THAT CORPORATE OBJECTIVES ARE MET.

A number of potential risks and uncertainties exist which could have a material impact on the Exchange's long-term performance, not all of which are wholly within our control. Some of the issues influencing our performance are macro-economic and may affect the performance of businesses generally, but others are specific to our business.

The following section addresses the principal risks and uncertainties to which the Exchange is currently exposed. In addition, the main risks arising from the Exchange's use of financial instruments are discussed in note 27 to the financial statements below.

RISKS RELATING TO THE INDUSTRY

Economic environment

Conditions in the savings market can affect investment in securities. These conditions are influenced by a variety of factors, and the Exchange is not in a position to control these factors directly, nor is it possible to predict or foresee their occurrence or the scale of their impact on the business. However, the Exchange continuously monitors trends and developments and engages in dialogue with regulatory and governmental authorities at both national and EU level.

Structure of the industry

In response to the gradual liberalisation of world financial markets, participants in the securities market continue to undergo 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 Exchange's revenue may therefore become concentrated in a smaller number of customers. The Exchange constantly monitors this trend and evaluates its strategy in light of it.

RISKS RELATING TO THE BUSINESS

Market activity

Exchange revenues and profitability are dependent upon the levels of activity on its markets. A slowdown in trading activity could lead to a drop in trading volumes and fewer initial public offerings as well as to a drop in the number of information terminals receiving the Exchange's data. Such a slowdown might adversely affect Exchange revenues. Based on current trends in market activity on its markets, the Exchange has no reason to believe such a slowdown is likely to occur in the near future.

Recognised Investment Exchange (RIE) recognition

The Exchange is an authorised RIE. In order to obtain RIE status, the Exchange had to satisfy the Recognition Requirements and these apply to all markets operated by the Exchange. If it fails to continue to meet the Recognition Requirements, or to comply with any obligation to which it is subject under the Financial Services and Markets Act, then the FSA ultimately has the power to revoke its RIE status. The Exchange has comprehensive procedures in place to ensure continued compliance with all Recognition Requirements and the Directors are not aware of any circumstances which would result in the FSA revoking the Exchange's RIE status.

Competitive pressure
The terms under which business is conducted in the UK have been further liberalised by recent EU directives (e.g. MiFID), presenting the opportunity to conduct and publish trades in different ways and on alternative venues. The Exchange 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 Exchange 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 provide advanced trading and information technology to meet customers' needs. In particular, our new trading platform TradElect scheduled for implementation for the London market in June 2007 will deliver a step change in performance, capacity and flexibility.

IT infrastructure
Key services depend on technology which is secure, stable and performs to high levels of availability and throughput. The failure of these systems could adversely impact revenue and customer goodwill. The group maintains alternative computer facilities to reduce the risk of system disruptions. There have been no trading outages in the last seven years.

The Exchange is currently renewing its IT infrastructure to create a more modern, scalable and agile platform which can be operated at lower cost (the Technology Roadmap). Major IT replacements of this kind have high levels of risk attached to them. Failure to deliver the expected benefits could hamper the Exchange's strategic flexibility and reduce its ability to respond to customer needs for services or keener pricing. The Exchange, in conjunction with Accenture, the Exchange's primary IT service provider, is employing rigorous software design methodologies, logistics planning and assembly and testing regimes to minimise the risk.

Financing
In order to develop its business, the Board expects that the Exchange's capital requirements will be met from existing cash resources, internally generated funds and access to lending facilities. However, capital requirements may vary from those currently planned. There can be no guarantee that capital will be available on a timely basis or on favourable terms or at all.

Employees
The support of its employees and, in particular, the Executive Directors and senior managers within business divisions, is crucial to the continued success of the Exchange. The loss of key members of the Exchange's staff could have a material adverse effect on its performance. To prevent this, succession plans are in place and reward and incentive systems are regularly reviewed.

BOARD OF DIRECTORS

CHRIS GIBSON-SMITH (61) [3]
Chairman

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

CLARA FURSE (49)
Chief Executive

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







JONATHAN HOWELL (44)
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 Exchange in 1996 from PricewaterhouseCoopers.

GARY ALLEN CBE DL (62) [1]
Non-Executive Director

Chairman IMI plc from May 2001 until December 2004, Chief Executive from 1986 to January 2001. Board director of IMI plc from 1978 until 2005, having joined the company in 1965. Chairman of the National Exhibition Centre until December 2006. He is a Non-Executive Director of NV Bekaert SA, Belgium and Temple Bar Investment Trust plc.

ROBERT WEBB QC (58) [2,3]
Non-Executive Director

General Counsel of British Airways plc since September 1998, responsible for law, government and industry affairs, safety, security, risk management, communications and the environment. Board member of the BBC, London First, and Hakluyt Ltd. Bencher, Inner Temple.

NIGEL STAPLETON (60) [1,2,3]
Non-Executive Director

Chairman Postal Services Commission. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996 and Chairman of Uniq plc from 2001 to 2006.

BARONESS (JANET) COHEN (66) [1,2,3]
Non-Executive Director

A Life Peer, Non-Executive Chairman of Inviseo Media Holdings Ltd, and Non-Executive Director of Management Consulting Group 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.

PETER MEINERTZHAGEN (61) [2]
Non-Executive Director

From 1999 until retiring in 2007, Chairman of Hoare Govett Ltd, Hoare Govett Corporate Finance Ltd and Hoare Govett Small Companies Index Trust plc. He joined Hoare Govett in 1965.

OSCAR FANJUL (58) [1,3]
Non-Executive Director

Vice-Chairman and Chief Executive of Omega Capital. Honorary Chairman of REPSOL-YPF. 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.

[1] MEMBER OF THE AUDIT COMMITTEE
[2] MEMBER OF THE REMUNERATION COMMITTEE
[3] MEMBER OF THE NOMINATION COMMITTEE

CORPORATE GOVERNANCE

LONDON STOCK EXCHANGE GROUP PLC IS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE, AND BUSINESS INTEGRITY IN ALL ITS ACTIVITIES. THE COMPANY HAS COMPLIED WITH ALL PROVISIONS OF THE COMBINED CODE THROUGHOUT THE YEAR ENDED 31 MARCH 2007 EXCEPT AS EXPLAINED IN THE REPORT BELOW.

Following the Scheme of Arrangement in May 2006, London Stock Exchange Group plc adopted the same corporate governance practices and Board Committees as London Stock Exchange plc.

APPOINTMENTS TO THE BOARD

The Board had previously commenced a process to recruit additional non-executive directors which ceased when the Company entered an Offer Period in December 2004. In order to refresh the Board and its Committees, the Board is now seeking to recruit additional directors. This process is being led by the Nomination Committee working alongside recruitment consultants.

BOARD OF DIRECTORS

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

- The Exchange'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 Exchange's brand and reputation as a Recognised Investment Exchange as important assets of the Company and protection of brand and reputation are key parts of the Board's role.

As the Company was in an Offer Period during the year, there were a large number of Board and Committee meetings often convened on short notice. Non-attendance at meetings was due to prior business or personal commitments and illness. On the occasions when a director has been unable to attend a Board or Committee meeting, any comments which he or she has arising out of the papers have been relayed in advance to the relevant chairman.

BOARD AND COMMITTEE MEETINGS 2007

	Board	Audit	Remuneration	Nomination	Board Committee[1]
Total number of Meetings in the year ended 31 March 2007	18	4	5	1	10
Dr Chris Gibson-Smith	18		1	1	10
Mrs Clara Furse	16				9
Mr Jonathan Howell	18				10
Mr Gary Allen	14	4			9
Baroness Janet Cohen	16	3	4	0	
Mr Oscar Fanjul	16	4		1	
Mr Peter Meinertzhagen	15		4		9
Mr Nigel Stapleton	14	2	5	1	8
Mr Robert Webb	14		4	1	

[1] Established when the Company entered an Offer Period

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

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Chairman's other current significant commitments are set out in his biography on page 30. During the year the only change has been his appointment as Chairman of The British Land Company plc. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Company's business. The Board has six scheduled meetings in addition to two offsite strategy sessions. In the year ended 31 March 2007 the Board held 18 meetings. The Chairman meets non-executive directors without the presence of executive directors on a number of occasions throughout the year.

Directors have the benefit of indemnity arrangements from the Company in respect of liabilities incurred as a result of their office and execution of their powers, duties and responsibilities. In respect of those liabilities for which directors may not be indemnified, the Company purchased and obtained a directors' and officers' liability insurance policy throughout 2006. This insurance cover was renewed at the beginning of 2007. Neither the Company's indemnity nor insurance provides cover in the event that the director is proved to have acted fraudulently or dishonestly.

BOARD BALANCE AND INDEPENDENCE

The Board comprises nine directors, the Chairman (who was independent on appointment), two executive directors and six non-executive directors. Directors serving on the Board's committees together with biographical details are identified on the Board of Directors pages 30 and 31 which demonstrate a range of business experience that provide the right mix of skills and experience given the size of the Company. The Board considers all non-executive directors to be independent in character, that there are no relationships or circumstances which are likely to affect their independent judgement and no undue reliance is placed on any individual.

The senior director, Gary Allen, and Peter Meinertzhagen, who sit on the Audit and Remuneration Committees respectively, are not independent according to the length of service criterion of the Combined Code but are considered by the Board to be independent in character and in particular both continue to challenge rigorously the executive directors, the Board, and the Committees on which they sit.

Gary Allen was appointed Senior Director in 2004 and is also Chairman of the Audit

Committee. The Board considers that it is appropriate for Gary Allen to continue to act as Senior Director and to chair the Audit Committee. In particular Gary has wide domestic and international business experience and additionally a long-term perspective on the Exchange's business. Gary brings this experience to bear in his role as Senior Director and Chairman of the Audit Committee.

The Board considers that it continues to be appropriate for Peter Meinertzhagen to sit on the Remuneration Committee given his knowledge and experience of the specialist nature of the market in which the Company operates. This is considered to be helpful to the Committee in developing its remuneration strategy for the London Stock Exchange and to the Board as a whole.

Given their length of service, Peter Meinertzhagen and Gary Allen will stand for re-election on an annual basis as required by the Combined Code.

PERFORMANCE EVALUATION

The annual performance evaluation of the Board and its Committees was undertaken in the year ended 31 March 2007 and was conducted by the Company Secretary using a detailed questionnaire. The results of the review are used to highlight areas of strength and weakness and assist in consideration of the future development of the Board and its Committees and in further improving their performance. The assessment included the composition of the Board and appropriateness of Board agendas. The results were then discussed by the Board and actions agreed where appropriate. The evaluation concluded that the Board and its Committees had performed well during the year and are effective in meeting their objectives and fufilling their obligations. Issues identified included the need to appoint additional directors to the Board and the wish to see more members of the executive team present at Board meetings. The Senior Director sought the views of executive directors and has met separately with non-executive directors without the Chairman present to discuss the Chairman's performance.

BOARD COMMITTEES

Offer Period – Board Committee

During the year the Company had a Board Committee to consider all matters relating to potential offers for the Company on behalf of the Board. The Committee was appointed in December 2004. The Committee comprised Chris Gibson-Smith, Clara Furse, Jonathan Howell, Gary Allen, Nigel Stapleton and Peter Meinertzhagen. It met 10 times between 1 April 2006 and 31 March 2007.

Remuneration Committee

The Committee members as at 31 March 2007 were: Nigel Stapleton (Chairman), Janet Cohen, Peter Meinertzhagen and Robert Webb. During Peter Meinertzhagen's absence through illness, the Chairman, Chris Gibson-Smith, (who was independent on appointment), was appointed to the Committee on a temporary basis (except in relation to decisions relating to his own fee). The Committee normally invites the Chief Executive, Director of Finance and Head of Human Resources to attend part of the meeting and the Chairman to attend throughout. The Committee has written terms of reference and meets at least twice a year to review and present recommendations to the Board regarding remuneration and conditions of service of the Chairman, Chief Executive and executive directors, including the grant of entitlements under the Company's share schemes. A separate Remuneration Report is set out on pages 35 to 41.

Audit Committee

The Committee members as at 31 March 2007 were: Gary Allen (Chairman), Janet Cohen, Oscar Fanjul and Nigel Stapleton. There have been no changes in the membership of the Committee during the financial year. As explained above, with the exception of Gary Allen, all members of the Committee are considered to be independent non-executive directors as defined by the Combined Code. The Board is satisfied that various members of the Committee have recent and relevant financial experience.

Role of the Audit Committee

The Committee has written terms of reference, which are available from the Company Secretary or on the corporate website at www.londonstockexchange.com

Meetings

The Committee meets at least three times a year and has an agenda linked to events in the Company's financial calendar. The Committee normally invites the Chairman, Director of Finance, Head of Finance, Head of Internal Audit and senior representatives from the external auditors to attend its meetings. Other senior managers are invited to present such reports as are required by the Committee. The Committee meets privately with the 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.

During the year, the Committee reviewed the following:

- Annual report and interim results;
- Reports from the Company's internal audit department on the effectiveness of the Company's risk management procedures, details of key audit findings and actions taken by management;
- Effectiveness of the Company's system of internal control;
- Internal audit plan;
- Reports from external auditors on their audit, proposed audit scope, fees and auditor independence;
- Performance of the Company's internal audit department;
- The Company's financing strategy and proposed debt financing arrangements;
- Financial disclosures included within the Company's defence documents;
- The Company's insurance programme; and
- The Company's 'whistleblowing' procedures.

The Committee has adopted a policy on non-audit services which ensures that the provision of such services by the external auditor does not impair the auditor's objectivity and independence. The policy, which is compliant with APB Ethical Standard 5, "Non-Audit Services Provided to Audit Clients" and ICAEW Guidance for Audit Committees, defines both the type and value of services that require prior authorisation of the Committee and the services that the external auditor is prohibited from providing. The Committee annually reviews all non-audit services provided by the external auditor to ensure compliance with the policy. The Committee remains satisfied

CORPORATE GOVERNANCE

with the objectivity and independence of the Company's external auditors.

Nomination Committee
The Nomination Committee members as at 31 March 2007 were: Chris Gibson-Smith (Chairman), Janet Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb. The Committee normally invites the Chief Executive to attend. The Committee meets as necessary to make recommendations to the Board on all new Board appointments and to review executive and Board succession planning. Since the Company exited the Offer Period on 11 February, the Committee has met to consider the appointment of additional non-executive directors to the Board. The Committee has worked alongside external recruitment consultants to evaluate and meet prospective candidates. If appropriate, candidates will be recommended to the whole Board for approval. The Committee has written terms of reference which are available from the Company Secretary or on the corporate website at www.londonstockexchange.com.

INTERNAL CONTROL

The Board confirms that procedures have been in place throughout the year and up to the date of this report which comply fully with the guidance 'Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)' (published by the Financial Reporting Council (FRC)).

The Company's systems of internal control over business, operational, financial and compliance risks are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material mis-statement or loss. The Board has ultimate responsibility for the systems of internal control and, through the Audit Committee, has reviewed the effectiveness of the systems. The Board is committed to their continual enhancement. The Board confirms that the actions it considers necessary have been or are being taken to rectify such failings and weaknesses which it considers to be significant from its review of the system of internal control. The Board also confirms that it has not been advised of material weaknesses in that part of the internal control system that relates to financial reporting.

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

- Delegation of authority – matters reserved for Board approval only are clearly defined. Executive directors have general responsibility for making and implementing operational decisions and for overseeing the Company's business. All directors have access to the advice and services of the Company Secretary. In addition all directors are able, if necessary, to obtain independent professional advice at the Company's expense.
- Planning and reporting – the Board approves strategic decisions and the budget for the forthcoming year and receives a report on key business matters from the Chief Executive at each meeting. Monthly reports to management contain key performance indicators and compare actual financial performance with the annual budget or forecast. Management action is taken where variances arise and revised forecasts are prepared on a regular basis.
- Audit Committee – the Company's internal audit department reports to the Audit Committee on the effectiveness of key risk management and internal control procedures and appropriate action is taken where necessary. The Audit Committee also receives reports from the Company's external auditors.
- Risk Management – effective risk management is the responsibility of all line managers and each business area updates and evaluates its documented key risks and controls as necessary. Periodic reports confirming the effectiveness of all significant control policies and procedures are produced by management and reviewed by the most senior executive in each business area. The Company's internal audit department reviews these reports and independently summarises for the Audit Committee any significant matters arising.
- Detailed procedures – procedures and controls for key business areas (including the Company's finance function) are set out in detailed departmental manuals. These are reviewed and kept up-to-date to meet changing business needs.

RELATIONS WITH SHAREHOLDERS

The Board's primary contact with investors is via the Chief Executive Officer and Director of Finance. The Chairman and Senior Non-Executive Director and Executive Management are also available to meet major investors from time to time.

Communication with investors and analysts is maintained through a programme of meetings, conference calls, presentations and news releases. Senior management, supported by the Investor Relations team, held over 250 meetings and calls with its principal investors and financial analysts in the UK, Europe, the US and other regions during the financial year.

The Investor Relations section of our website at www.londonstockexchange-ir.com/ is a primary source of information on the Company. Annual and interim reports, quarterly trading updates, news releases and other key documents are archived on the website. The presentations of preliminary and interim results are accessible by webcasts. Users are able to register to an alerting facility to receive notification of updates and new releases. A shareholder helpline is provided throughout the year.

During the year the Board received a report from the Executive at each of its scheduled meetings, including an analysis of share price movements, market expectations of financial performance, share register composition and feedback from major investors. Feedback from investors was also regularly reported to the Board Committee established to consider all matters relating to potential offers for the Company on behalf of the Board.

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

HEALTH, SAFETY AND ENVIRONMENT

The Company's approach to health, safety and the environment is set out in our Corporate Responsibility statement on pages 26 and 27.

REMUNERATION REPORT

SCOPE OF THE REPORT

The Remuneration Report summarises the Company's remuneration policy and particularly its application with respect to the directors. The report also describes how the Company applies the principles of good corporate governance in relation to directors' remuneration in accordance with the Combined Code and the Directors Remuneration Report Regulations 2002.

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

Details of directors' remuneration and benefits are set out in the tables within this report. The tables on pages 39 to 41 have been subject to audit.

REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board and comprises only non-executive directors. The Committee meets regularly to determine, on behalf of the Board, the framework of executive remuneration. During the year ended 31 March 2007, the Committee met on five separate occasions. Its remit includes the remuneration of the Chairman, executive directors and further critical roles including the awards made under the performance related incentive schemes. The five members of the Committee are:

Nigel Stapleton (Chairman)
Baroness Janet Cohen
Christopher Gibson-Smith*
Peter Meinertzhagen
Robert Webb QC

* As explained on page 33, Dr Gibson-Smith was appointed as a temporary member of the Remuneration Committee. Prior to his appointment as a member of the Committee, Dr Gibson-Smith attended meetings at the invitation of the Committee. On his appointment as Chairman of the Exchange he was considered to be independent.

The Committee's terms of reference, which are reviewed regularly and approved by the Board, are available on the Company's website and are summarised in the Corporate Governance Report (pages 32 to 34).

The members of this Committee do not have any personal financial interests or any conflicts from cross-directorships that relate to the business of the Committee. The members do not have any day to day involvement in the running of the Company. For the purposes of the Combined Code, Peter Meinertzhagen is the sole member not regarded as being independent for the reasons explained on pages 32 to 33.

The Committee continued to utilise the services of New Bridge Street Consultants LLP. They have been appointed by the Committee to provide professional advice on all matters relating to remuneration and have not supplied other services to the Company.

To assist the Committee the results of market surveys are also made available and, where appropriate, the Committee also invites the views of the Chief Executive, Chairman (prior to his appointment as a temporary member of the Committee), Director of Finance and Head of Human Resources. These individuals did not participate in any decision relating to their own remuneration.

REMUNERATION POLICY

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

The Exchange must attract and retain a high calibre senior management team and ensure it is in a position to deliver its business plans and maximise returns for shareholders. The Exchange is committed to paying for performance, rewarding the senior management team only when those goals are achieved. In the year ending 31 March 2007 performance was truly exceptional and in the three year period to 31 March 2007, total shareholder return against the FTSE 51 – 200 was ranked second of the companies that make up this group.

When establishing its remuneration policy, the Remuneration Committee takes into account the following:

- The Exchange has a higher profile than many other quoted companies with a similar market capitalisation.
- It has historically recruited its senior management from the City and therefore has to have a remuneration structure that is attractive to these individuals.
- Its role in the financial community means that the Remuneration Committee looks to comply with best practice as expressed by institutional shareholders and their representative bodies.

These factors when taken together have moulded the Exchange's remuneration policy. For the year ended 31 March 2007, the desired remuneration mix of base salary: benefits:bonus:equity incentives at on-target performance was 33:5:39:23 for the Chief Executive and 35:5:35:25 for the Director of Finance. The Committee recognises that this is a more geared remuneration structure than a typical FTSE company, in that it provides for a higher annual bonus potential, although this is significantly less than a City financial institution and has to be balanced against a comparatively lower base salary.

During the year the Committee reviewed the appropriate comparator group against which remuneration is benchmarked. Due to the significant increase in the market capitalisation of the Exchange since the current remuneration policy was first introduced in 2004, it was considered appropriate to amend the benchmarking group from companies ranked FTSE 51 – 200 (the comparator group chosen in 2004) to companies ranked FTSE 31 – 150. Overall the Committee wishes to position total target remuneration at or around the median of the FTSE 31 – 150. As at 31 March 2007 the Exchange's market capitalisation was ranked 85th of the 120 companies that make up this group.

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

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

REMUNERATION REPORT

Base salary
Reflecting the Committee's desire to place greater emphasis on variable pay than in most other FTSE 31 – 150 companies, base salaries are set at or around 80 per cent of the median of the pay comparator group. Salaries are reviewed with effect from 1 April each year. Adjustments may be made to reflect changes in responsibilities and to ensure that total remuneration levels are consistent with the Exchange's policy. With effect from 1 April 2007, Clara Furse's base salary was increased to £481,750 per annum and Jonathan Howell's to £328,600 per annum.

Flexible benefits
All of the Exchange's staff participate in a flexible benefit plan under which they receive an allowance which they can use to purchase additional benefits or receive as a cash supplement. This allowance is not used to calculate bonus payments or pension contributions.

Clara Furse receives a flexible benefit allowance of £20,000 per annum and Jonathan Howell receives a flexible benefit allowance of £19,520 per annum. These values have not been increased since last year.

Pensions
The Company's final salary pension scheme was closed to new entrants in 1999. Neither of the current executive directors participates in this final salary pension scheme. Pension arrangements are intended to be competitive with arrangements in the benchmark companies operating defined contribution pension schemes for main board directors.

Pension provision takes the form of a non-consolidated salary supplement, which is invested in the defined contribution pension scheme up to HM Revenue & Customs limits. In the year ending 31 March 2007, Clara Furse received a pension supplement of 25 per cent of base salary and Jonathan Howell received a pension supplement of 22.5 per cent of base salary. Only base salary is used to calculate pension entitlement and no other pension supplements apply. No changes to the policy were necessary to address changes to pensions legislation and taxation which became effective on 6 April 2006.

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

The Remuneration Committee continues to believe that it is appropriate to use a balance between annual financial targets (that have a combined weighting of 75 per cent of total bonus opportunity) and individual performance objectives (which have a 25 per cent weighting). The annual financial targets are adjusted earnings per share and adjusted operating profit, both of which have an equal weighting.

For the year ended 31 March 2007 the maximum bonus potential was 200 per cent of salary for each director. Before confirming bonus awards the Remuneration Committee reviews the quality of earnings achieved in order to be satisfied that the bonus relating to financial objectives has been achieved through appropriate actions of the executive management.

The Exchange has delivered excellent performance against adjusted earnings per share and adjusted operating profit performance measures (an increase of 50 per cent for adjusted earnings per share and 55 per cent for adjusted operating profit). The Remuneration Committee concluded that, for the Chief Executive, this level of performance, in particular delivered against the backdrop of another busy year of corporate activity, constituted the truly exceptional cirumstances where it would be appropriate to award a bonus above the 200 per cent maximum provided by the calibration. The Chief Executive received a bonus of 220 per cent of salary and the Finance Director and other critical roles were awarded a bonus of 200 per cent of salary.

For the year ending 31 March 2008, after considering market practice in the FTSE 31 – 150 benchmark group and the strong bonus culture in City financial institutions, the Remuneration Committee has increased the Chief Executive's maximum bonus payable for outstanding performance to 225 per cent of salary. For the Finance Director the maximum bonus payable remains 200 per cent of salary.

Share Bonus Plan
As a result of the various offers made for the Exchange the Company was in a prohibited period for an unusually long period which precluded the grant of equity incentives. Consequently, LTIP awards were granted in July 2004 and then not again until February 2006. These awards vest in July 2007 and February 2009 respectively resulting in a 20 month period during which no equity awards will vest. The Exchange's desired policy is for awards to vest on an annual basis. Accordingly it was recognised by the Remuneration Committee that the Exchange did not have sufficient incentive and retention arrangements in place over this period. In addition, since the share price grew substantially over the 20 month period, executives were deprived of some of the benefit they could have made on their awards.

Therefore in 2007/08 the Exchange will operate a one-off Share Bonus Plan. Participation in the Share Bonus Plan will be restricted to the executive directors and a small number of other senior executives. The Share Bonus Plan addresses the issues referred to above whilst also incentivising participants to deliver strong profitable revenue growth.

Participants will be eligible to receive awards of shares subject to the satisfaction of challenging revenue targets over two six month performance periods (1 April 2007 to 30 September 2007 and 1 October 2007 to 31 March 2008). The maximum payment under the Plan for each six month period is 150 per cent of salary as at 1 April 2007 for executive directors and 100 per cent of salary as at 1 April 2007 for other participants. Vesting of awards will depend on achievement of revenue targets as set out below, underpinned by a cost:revenue ratio condition:

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

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

Between these steps pro-rated vesting will apply.

The release date for the share awards will be 1 December 2007 for the first performance period and 1 June 2008 for the second performance period, subject to continued employment. The awards will be satisfied using shares purchased in the market. If on the grant date it is not permissible for awards over shares to be granted, then the Remuneration Committee has the power to grant cash awards instead.

Long Term Incentive Plan
The Long-Term Incentive Plan ("LTIP") was approved by shareholders in July 2004. The LTIP has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of all or some of their annual bonus in the Company's shares. The Matching Shares element of the LTIP only applies to the executive directors and selected other senior management. This senior management group is also eligible for the Performance Shares element of the LTIP along with a wider group of executives. The Remuneration Committee has reviewed the operation of the LTIP and has concluded that it remains appropriate for the Exchange in 2007/08.

Performance Shares
Each year, an individual is eligible to receive an award of Performance Shares worth up to 100 per cent of their annual base salary. Within this limit, actual award levels will be determined by the Committee having regard to the policy decision of providing long term equity incentives that enable total target remuneration to be positioned at around median compared to the benchmark companies. The present policy is that grants to executive directors and other senior executives will normally be made in the week following the announcement of final results. For 2007/08 Performance Share awards to executive directors will represent 85 per cent of salary.

Matching Shares
Each year, executives may invest all or part of their bonus up to a maximum amount equal to 50 per cent of salary (or such lower amount as set by the Committee) to purchase shares in the Company ("investment shares"). The purchase of investment shares will be matched by the grant of a performance-related Matching Share award, with a maximum match of 2:1 on the pre-tax bonus used to buy the investment shares.

Vesting of Performance Shares and Matching Shares
The proportion of Performance and Matching Shares which vest will be determined by the Company's TSR performance over a single three year period beginning on the first day of the financial year in which the award is made. TSR is the chosen performance measure as the Committee considers that it provides a clear link to the creation of shareholder value.

For awards made before 2007, 30 per cent of the award vests at median performance in comparison to companies constituting the FTSE 51 - 200 (excluding investment trusts). For upper quartile performance, 100 per cent of the award will vest, with straight line vesting between median and upper quartile. No awards will vest for below median performance. For Performance and Matching Shares granted in 2004, TSR performance in the performance period to 31 March 2007 was ranked second against the FTSE 51 – 200 comparator group and accordingly will now vest in full.

Consistent with the change to the pay comparator, the comparator group for awards made in 2007 will be those companies ranked FTSE 31 - 150 (excluding investment trusts). The TSR condition for 100 per cent vesting will be increased to upper quintile performance against this group. At median performance 30 per cent of the award will vest with no awards vesting for below median performance.

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

TSR performance is independently verified on behalf of the Committee by New Bridge Street Consultants LLP.

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

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

Full details of the interest in shares of the executive directors are shown on page 41.

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

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

In addition, at the 2004 AGM shareholders gave approval to an HM Revenue & Customs approved all employee Share Incentive Plan to run alongside the SAYE Scheme. No awards have been made under this plan.

To promote retention and share ownership, a performance-related Restricted Share Plan will be introduced in 2007/08. Under this plan if the Exchange meets or exceeds its stretching financial targets for 2007/08, deferred shares will be awarded to a limited number of employees who have contributed to this success. These shares will then be released to individuals 12 months after grant contingent on continued employment. Any recipient of a Long Term Incentive Plan award in 2007, including executive directors and other senior executives, will not participate in the Restricted Share Plan.

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

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

REMUNERATION REPORT

Clara Furse entered into a service agreement on 24 January 2001. Jonathan Howell entered into his service agreement on 25 January 2000. Both service agreements may be terminated giving not less than 12 months' notice.

Termination arrangements

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

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

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

Jonathan Howell's service agreement contains no provisions for pay in lieu of notice or liquidated damages (beyond his 12 month contractual notice period).

Outside appointments

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

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

Non-Executive directors' remuneration

Non-executive directors' remuneration is determined by the Board and is neither performance related nor pensionable. Non-executive directors are not required to invest a proportion of their fees in purchasing shares. The fees for non-executive directors are set at a level to recognise the significant responsibilities of directors and to attract individuals with the necessary experience and ability to make an important contribution to the Company's affairs. Comparisons are made with fees paid at other FTSE 31 – 150 companies (previously FTSE 51 – 200 companies). The profile of the Exchange and the greater than normal commitment required of the non-executive directors is recognised by setting fees at the upper quartile of this benchmark.

During the year the independent remuneration consultants have reviewed the Chairman's and non-executive directors' fees in accordance with this policy. With effect from 1 April 2007 the Chairman's fee was increased to £370,000 per annum and the non-executive director base fee was increased to £54,000 per annum, with additional fees payable to the Chairman of the Audit Committee increased to £17,500; Chairman of the Remuneration Committee increased to £12,500 per annum; and to the senior director increased to £10,000 per annum.

The total fees paid to non-executive directors is significantly less than the £750,000 limit provided for in the Exchange's articles of association.

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

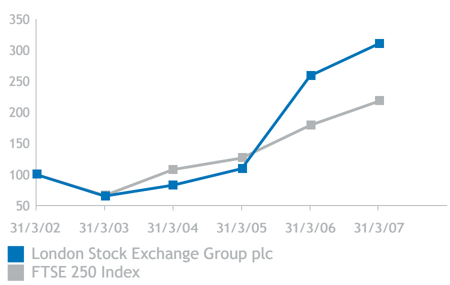
Chris Gibson-Smith	01/05/2003
Gary Allen	14/07/1994
Baroness Janet Cohen	01/02/2001
Oscar Fanjul	01/02/2001
Peter Meinertzhagen	22/05/1997
Nigel Stapleton	01/02/2001
Robert Webb	01/02/2001

All of the non-executive directors except the Chairman have letters of appointment with no notice period reflecting their responsibilities and commitments dated 1 February 2007. Each of their appointments continues until 31 January 2010, provided each non-executive director is re-elected. The Chairman has a letter of appointment dated 24 May 2006. His appointment is for three years until the end of the AGM in 2009 and can be terminated on six months notice. Non-executive directors receive no benefits or entitlements other than fees, do not participate in any of the Company's incentive schemes and are not entitled to any termination payments. The Board as a whole determines the fees of the non-executive directors. The Company does not make any contribution to the pension arrangements of non-executive directors.

Total Shareholder Return ("TSR") Performance

The following line graph shows, for the financial year ended 31 March 2007 and for each of the previous four financial years, the total shareholder return on a holding of the Company's ordinary shares of the same kind and number as those by reference to which the FTSE 250 is calculated.

TOTAL SHAREHOLDER RETURN



Source: Datastream

The Total Shareholder Return graph looks at the value, at 31 March 2007, of £100 invested in London Stock Exchange plc on 31 March 2002 compared to the value of £100 invested in the FTSE 250 index over the same period. The other points plotted are the values at the intermediate financial year ends.

The FTSE 250 index has been chosen as the appropriate benchmark because the Company has been a constituent of the FTSE 250 throughout this period.

Details of the directors' emoluments are provided in the following tables.

TABLE A – DIRECTORS' REMUNERATION – AUDITABLE

	2007				2006				2007	2006
	Salary (Note i) £000	**Performance Bonus £000**	**Benefits (Note ii) £000**	**Total £000**	Salary (Note i) £000	Performance Bonus £000	Benefits (Note ii) £000	Total £000	**Pensions (Note iii) £000**	Pensions (Note iii) £000
Chairman										
C Gibson-Smith	**319**	**-**	**-**	**319**	250	-	-	250	**-**	-
Chief Executive										
C H F Furse	**529**	**900**	**1**	**1,430**	402	763	1	1,166	**-**	95
Executive director										
J A G Howell	**351**	**620**	**1**	**972**	285	492	1	778	**44**	35
	1,199	**1,520**	**2**	**2,721**	937	1,255	2	2,194	**44**	130
Non-executive directors' fees										
Directors in office throughout both years										
G J Allen				**65**				43		
Baroness Cohen				**45**				33		
O Fanjul				**45**				33		
P R Meinertzhagen				**45**				33		
N J Stapleton				**55**				38		
R S Webb QC				**45**				33		
Total non-executive directors' fees (note iv)				**300**				213		
Total directors' emoluments				**3,021**				2,407	44	130

Notes

i) Salary

Salary includes base salary, on which bonus and benefits allowance are based, and benefit allowances paid in cash. Base salary for C H F Furse was £410,000 (2006: £381,500) and for J A G Howell was £310,000 (2006: £246,000).

ii) Benefits

Benefits represent the cash value of health and life insurance cover.

iii) Pensions

The Company contributed to the senior executive defined contribution pension plan for C H F Furse of nil (2006: £95,000) and for J A G Howell of £44,000 (2006: £35,000) as shown in the table above.

iv) Non-executive directors' fees

Fees paid directly to the employer company of one (2006: one) non-executive director was £45,000 (2006: £32,500).

v) Waiver of emoluments

None of the directors waived emoluments during 2006 and 2007.

REMUNERATION REPORT

TABLE B – DIRECTORS' SHARE INTERESTS – AUDITABLE

Current Share Schemes

Long-Term Incentive Plan

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

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Final Vesting Date
C H F Furse	27,687	–	–	27,687	3.63			15/07/04	15/07/07
	44,620	–	–	44,620	8.55			28/02/06	28/02/09
	44,444	–	–	44,444	8.60			03/03/06	03/03/09
	–	32,299	–	32,299	10.79			25/05/06	25/05/09
	–	35,965	–	35,965	11.40			26/05/06	26/05/09
	116,751	68,264	–	185,015					
J A G Howell	18,194	–	–	18,194	3.63			15/07/04	15/07/07
	28,772	–	–	28,772	8.55			28/02/06	28/02/09
	27,480	–	–	23,170[1]	8.64			06/03/06	06/03/09
	–	24,421	–	24,421	10.79			25/05/06	25/05/09
	–	21,225	–	21,225	11.18			30/05/06	30/05/09
	74,446	45,646	–	115,782					

[1] The Matching Share award granted to J A G Howell on 6 March 2006 was reduced to reflect a reduction in his associated holding of invested shares as a result of the capital reorganisation implemented in May 2006.

Executive directors are entitled to participate in the all employee SAYE Scheme. Options granted under this scheme are:

	Number of Options							
Share option grants	At start of year	Granted during year	Exercised during year	Market price of shares on date of exercise (£)	At end of year	Option price (£)	Date of grant	Expiry date
C H F Furse	6,048	–	6,048	12.29	–	2.79	16/08/01	01/04/07

Previous share schemes – all now closed and no awards granted after August 2004

Executive Share Option Plan

The following grants were made under the long-term incentive scheme approved by shareholders in July 2002.

The performance condition attaching to options requires average earnings per share growth to meet or exceed RPI plus four per cent per annum over the period of three years from the first day of the financial year in which options were granted.

	Number of Options						
Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Option price (£)	Date of grant	Expiry date
C H F Furse	76,924	–	–	76,924	3.90	15/07/02	15/07/12
	102,168	–	–	102,168	3.23	16/05/03	16/05/13
	87,072	–	–	87,072	3.79	20/05/04	20/05/14
	266,164	–	–	266,164			
J A G Howell	47,436	–	–	47,436	3.90	15/07/02	15/07/12
	61,920	–	–	61,920	3.23	16/05/03	16/05/13
	52,771	–	–	52,771	3.79	20/05/04	20/05/14
	162,127	–	–	162,127			

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

Share option grants and share awards in 2001 and prior

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

	Number of Options							
Share option grants	At start of year	Granted during year	Exercised during year	Market price of shares on date of exercise (£)	At end of year	Option price (£)	Date of grant	Expiry date
C H F Furse	285,450	-	11,850	10.79	273,600	2.52	25/01/01	25/01/11
	211,450	-	-	-	211,450	3.15	25/01/01	25/01/11
	3,430	-	-	-	3,430	3.65	25/06/01	25/06/11
	500,330	-	11,850	10.79	488,480			
J A G Howell	242,600	-	-	-	242,600	2.37	16/11/00	16/11/10
	179,700	-	-	-	179,700	2.97	16/11/00	16/11/10
	12,350	-	-	-	12,350	3.65	25/06/01	25/06/11
	434,650	-	-	-	434,650			

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

The market price of the shares on 31 March 2007 was £12.52 and the range during the year was £10.00 to £13.50.

Directors' interests in shares

The directors who held office at 31 March 2007 had the following other beneficial interests in the shares of the Company:

	Ordinary shares 16 May 2007	B shares 16 May 2007	Ordinary shares 31 March 2007	B shares 31 March 2007	Ordinary shares 31 March 2006
C Gibson-Smith	50,768	10,213	50,768	10,213	60,214
C H F Furse	358,248	355,086	358,248	355,086	355,085
J A G Howell	100,299	-	100,299	-	111,483
G Allen	1,572	-	1,572	-	1,865
J Cohen	1,216	-	1,216	-	1,443
O Fanjul	21,901	-	21,901	-	25,976
N Stapleton	1,386	-	1,386	-	1,645
R Webb	1,200	-	1,200	-	1,424

Following the implementation of the capital reorganisation in May 2006 all ordinary shareholders in London Stock Exchange plc were granted 43 ordinary shares in London Stock Exchange Group plc in exchange for 51 ordinary shares in London Stock Exchange plc and one B share in London Stock Exchange Group plc for every one ordinary share in London Stock Exchange plc.

Signed by and approved on behalf of the Board

Nigel Stapleton
Chairman of the Remuneration Committee

DIRECTORS' REPORT

THE DIRECTORS OF THE LONDON STOCK EXCHANGE GROUP PLC ('THE COMPANY') ARE PLEASED TO PRESENT THEIR ANNUAL REPORT TO SHAREHOLDERS, TOGETHER WITH THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007.

PRINCIPAL ACTIVITIES AND RESULTS

The principal activities of the Company and its subsidiaries 'the Group' are the admission of securities to trading, the delivery of trading systems, the organisation and regulation of markets in securities and the provision of associated information services.

The profit of the Company before taxation for the year ended 31 March 2007 was £161.5 million (2006: £93.5 million) and profit after taxation was £110.6 million (2006: £66.8 million).

BUSINESS REVIEW

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

- 'Highlights' and 'Group at a Glance' pages 2 to 5;
- 'Markets and Trends' pages 10 and 11;
- Business and Financial Reviews pages 12 to 25;
- Corporate Responsibility pages 26 and 27; and
- Principal Risks and Uncertainties pages 28 and 29.

DIVIDEND

The directors are recommending a final dividend for the year of 12.0 pence (2006: second interim dividend of 8.0 pence in lieu of a final dividend) which is expected to be paid on 13 August 2007, to shareholders on the register on 20 July 2007. Together with the interim dividend of 6.0 pence (2006: 4.0 pence) per share paid in January 2007, this produces a total dividend of 18.0 pence (2006: 12.0 pence) per share estimated to amount to £35.8 million (2006: £30.7 million).

SHARE CAPITAL

The Company became the holding company of London Stock Exchange plc in May 2006 pursuant to a scheme of arrangement approved by the shareholders of London Stock Exchange plc at an Extraordinary General Meeting in April 2006 (the "Scheme"). Under the Scheme, the Company issued new ordinary shares and B shares to London Stock Exchange plc's existing shareholders to facilitate the capital return of £512 million. Shortly after the Scheme, the nominal value of the Company's new ordinary shares was reduced to $6\,^{79}/_{86}$ pence each and through the capitalisation and cancellation of the merger reserve sufficient distributable reserves of the Company were created to enable the return of approximately £512 million to shareholders.

Ordinary shares

As at 31 March 2007 the Company had 207.1 million ordinary shares in issue with a nominal value of $6\,^{79}/_{86}$ pence each. Details of the changes to the Company's issued ordinary share capital during the year are set out in note 23 to the financial statements on page 64.

B shares

Under the Scheme a total of 256.2 million B shares were issued to existing shareholders of London Stock Exchange plc who were then able to choose between an initial B share dividend, initial redemption or future redemption. Shareholders holding 119.4 million shares elected for an initial B share dividend, exchanging their B shares for deferred shares and £2.00 a share in cash. Shareholders holding 128.6 million B shares elected for initial redemption of their B shares for £2.00 per share in cash and a further 0.4 million B shares were redeemed on 1 December 2006 for £2.00 per share in cash, leaving a balance of 7.8 million B shares in issue as at 31 March 2007.

Shareholders may choose to redeem their B shares semi-annually on 1 June and 1 December each year until 1 June 2009, when all the remaining B shares will be redeemed by the Company. To redeem their B shares in any given year, the shareholders must give notice to the Company's registrars by 18 May for redemption on 1 June in each year and by 17 November for redemption on 1 December in each year.

Deferred shares

The 119.4 million deferred shares created on 22 May 2006 may be redeemed or cancelled by the Company in their entirety for a total consideration of one pence at any time, without prior notice, in accordance with the terms and conditions of the Scheme circular issued to shareholders in March 2006. The Company intends to redeem all the deferred shares in July 2007 after the Annual General Meeting.

AUTHORITY TO PURCHASE SHARES

The authority for the Company to purchase in the market up to 22 million of its ordinary shares, representing approximately 10 per cent of the issued ordinary share capital of the Company, granted at the Annual General Meeting of the Company held on 12 July 2006 expires at the end of the next Annual General Meeting of the Company. Shareholders will be asked to give a similar authority at the forthcoming Annual General Meeting of the Company.

SHARE BUYBACK PROGRAMME

In February 2006 the Company made a commitment to buy back £50 million of its own shares during the 2007 financial year. In January 2007 the Company committed to a further share buyback programme of up to £250 million.

In the year ended 31 March 2007 the Company made total on-market purchases of 9.0 million shares at an aggregate cost of £109.9 million.

On 13 March 2007 the Company entered into an irrevocable commitment with its corporate brokers to purchase shares in the Company on its behalf which in part covers the close period from 1 April 2007 up to the preliminary announcement of the Company's results, without which the Company was unable to purchase its own shares. This results in a financial liability under IAS 39, "Financial Instruments: Recognition and Measurement" as disclosed in note 19.

SUBSTANTIAL SHAREHOLDING

As at 16 May 2007 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 198 to 208 of the Companies Act 1985 and, since 20 January 2007, in accordance with the FSA's Disclosure and Transparency Rules:

Nightingale Acquisition Limited (a wholly-owned subsidiary of The NASDAQ StockMarket, Inc.)	30.0%
Bear Stearns International Trading Limited	12.0%
Kinetics Asset Management Inc./ Horizon Asset Management Inc.	7.1%
Credit Suisse Securities (Europe) Limited/ Credit Suisse International	3.8%

DIRECTORS

All directors, who were formerly directors of London Stock Exchange plc and whose details are set out on pages 30 and 31, were appointed as directors of London Stock Exchange Group plc on 4 May 2006. In addition the following directors (appointed prior to the Company becoming a listed holding company) also served during the year:

C A Thomas (resigned on 4 May 2006)
O Shomroni (resigned on 4 May 2006)

The directors who will, in accordance with the Company's Articles of Association, retire at the forthcoming AGM and, being eligible, offer themselves for reappointment are Janet Cohen, Jonathan Howell, Robert Webb, Gary Allen and Peter Meinertzhagen.

The unexpired term of the service contract for Jonathan Howell is 12 months. None of the other directors seeking reappointment have a service contract.

DIRECTORS' INTERESTS

Directors' interests in the shares of the Company as at 31 March 2007 according to the register maintained under the Companies Act 1985 are set out in the Directors' Remuneration Report on pages 35 to 41. No company in the Group was, during or at the end of the financial year, party to any contract of significance in which any director was materially interested.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 32 to 34.

EMPLOYEES

Information on the Company's employment policies is given on pages 26 and 27. The Company also provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support.

All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

DONATIONS

During the year the Company gave £99,000 (London Stock Exchange plc 2006: £140,000) to charitable organisations. No donations were made to political parties.

SUPPLIER PAYMENT POLICY

It is the Company's policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods have been satisfactorily supplied. As at 31 March 2007 the Company had no trade creditors (2006: nil).

FINANCIAL RISK MANAGEMENT

A statement on the financial risk management objectives, policies and other matters in relation to the use of financial instruments is set out on pages 66 and 67.

AUDIT INFORMATION

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

AUDITORS

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

By Order of the Board

Lisa Condron
Secretary
16 May 2007

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditors' report on page 45, is made with a view to distinguishing for shareholders the responsibilities of the directors from those of the auditors in relation to the financial statements.

ANNUAL REPORT AND ACCOUNTS

The directors are required by the Companies Act 1985 to prepare an Annual Report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the Group profit or loss for the financial year.

ACCOUNTING POLICIES

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

ACCOUNTING RECORDS

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

SAFEGUARDING ASSETS

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

GOING CONCERN

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

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

We have audited the group and parent company financial statements (the "financial statements") of London Stock Exchange Group plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Group Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and IFRS as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

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

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the FRC Combined Code (2003) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit and cash flows for the year then ended;

- The parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007 and of its cash flows for the year then ended;

- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and

- The information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
16 May 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

Continuing operations	Notes	2007 £m	2006 £m
Revenue			
Ongoing revenue	3	349.6	291.1
Exceptional revenue	6	-	6.4
Total		349.6	297.5
Expenses			
Operating expenses before exceptional items		(164.0)	(171.0)
Exceptional expenses	6	(11.4)	(41.1)
Total	4	(175.4)	(212.1)
Operating profit		174.2	85.4
Analysed as:			
Operating profit before exceptional items		185.6	120.1
Exceptional items	6	(11.4)	(34.7)
Operating profit		174.2	85.4
Finance income		16.6	20.2
Finance costs		(31.5)	(13.6)
Net finance (costs)/income	7	(14.9)	6.6
Share of profit after tax of joint venture		1.9	1.2
Investment income		0.3	0.3
Profit before taxation		161.5	93.5
Taxation	8	(50.9)	(26.7)
Profit for the financial year		110.6	66.8
Profit/(loss) attributable to minority interest		1.0	(3.9)
Profit attributable to equity holders		109.6	70.7
		110.6	66.8
Basic earnings per share	9	50.5p	27.8p
Diluted earnings per share	9	49.4p	27.4p
Dividend per share in respect of financial year	10		
Dividend per share paid during the year		14.0p	9.0p
Dividend per share declared for the year		18.0p	12.0p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2007

	Group	
	2007 £m	2006 £m
Profit for the financial year	110.6	66.8
Defined benefit pension scheme actuarial gain/(loss), net of tax	0.2	(2.8)
Tax allowance on share options/awards in excess of expense recognised	4.9	2.6
	5.1	(0.2)
Total recognised income and expense for the financial year	115.7	66.6
Attributable to minority interest	1.0	(3.9)
Attributable to equity holders	114.7	70.5
	115.7	66.6

The Company has no other income and expenses other than included in its income statement.

BALANCE SHEETS

31 March 2007

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Assets					
Non-current assets					
Property, plant and equipment	11	**58.8**	64.1	**-**	-
Intangible assets	12	**55.8**	51.6	**-**	-
Available for sale investments	13	**0.4**	0.4	**-**	-
Investment in joint venture	14	**1.9**	1.7	**-**	-
Investments in subsidiary undertakings	15	**-**	-	**3,229.6**	-
Deferred tax assets	16	**15.9**	19.8	**-**	-
		132.8	137.6	**3,229.6**	-
Current assets					
Trade and other receivables	17	**61.4**	49.3	**46.2**	-
Current tax		**-**	-	**8.8**	-
Cash and cash equivalents	18	**72.9**	226.8	**-**	-
		134.3	276.1	**55.0**	-
Total assets		**267.1**	413.7	**3,284.6**	-
Liabilities					
Current liabilities					
Trade and other payables	19	**129.4**	51.1	**278.2**	-
Current tax		**20.6**	11.9	**-**	-
Borrowings	20	**171.4**	0.6	**171.4**	-
Provisions	21	**8.0**	15.1	**-**	-
		329.4	78.7	**449.6**	-
Non-current liabilities					
Borrowings	20	**248.7**	0.5	**248.2**	-
Retirement benefit obligations	22	**15.0**	20.3	**-**	-
Provisions	21	**23.9**	25.4	**-**	-
		287.6	46.2	**248.2**	-
Total liabilities		**617.0**	124.9	**697.8**	-
Net (liabilities)/assets		**(349.9)**	288.8	**2,586.8**	-
Equity					
Capital and reserves attributable to the Company's equity holders					
Share capital	23, 24	**253.0**	14.9	**253.0**	-
Share premium	24	**-**	4.3	**-**	-
Retained (loss)/earnings	24	**(351.7)**	268.0	**2,075.1**	-
Other reserves	24	**(253.8)**	-	**258.7**	-
		(352.5)	287.2	**2,586.8**	-
Minority interest in equity		**2.6**	1.6	**-**	-
Total equity		**(349.9)**	288.8	**2,586.8**	-

The financial statements on pages 46 to 70 were approved by the Board on 16 May 2007 and signed on its behalf by:

Clara Furse
Chief Executive

Jonathan Howell
Director of Finance

CASH FLOW STATEMENTS

Year ended 31 March 2007

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m
Cash flow from operating activities				
Cash generated from operations	25	**180.4**	140.6	**(13.2)**
Interest received		**6.1**	7.4	**-**
Interest paid		**(14.8)**	(1.5)	**(14.5)**
Corporation tax paid		**(33.5)**	(29.0)	**-**
Net cash inflow/(outflow) from operating activities		**138.2**	117.5	**(27.7)**
Cash flow from investing activities				
Purchase of property, plant and equipment		**(6.0)**	(5.3)	**-**
Purchase of intangible assets		**(13.9)**	(20.5)	**-**
Receipts from disposal of Stock Exchange Tower		**-**	33.2	**-**
Further consideration for acquisition of subsidiary undertaking		**-**	(6.2)	**-**
Dividends received		**2.0**	2.0	**42.4**
Net cash (outflow)/inflow from investing activities		**(17.9)**	3.2	**42.4**
Cash flow from financing activities				
Dividends paid to shareholders		**(33.2)**	(22.8)	**(12.7)**
Cash impact of capital return		**(497.9)**	-	**(497.9)**
Share buyback		**(105.3)**	-	**(105.3)**
Issue of ordinary share capital		**-**	5.9	**-**
Purchase of own shares by ESOP trust		**(47.8)**	(4.7)	**-**
Loan to ESOP trust		**-**	-	**(42.8)**
Proceeds from own shares on exercise of employee share options		**5.4**	2.7	**-**
Proceeds from bond issue - July 2006		**249.2**	-	**249.2**
Net proceeds from unsecured borrowings		**155.4**	0.6	**156.0**
Loans from subsidiary company		**-**	-	**238.8**
Net cash outflow from financing activities		**(274.2)**	(18.3)	**(14.7)**
(Decrease)/increase in cash and cash equivalents		**(153.9)**	102.4	**-**
Cash and cash equivalents at beginning of year		**226.8**	124.4	**-**
Cash and cash equivalents at end of year	18	**72.9**	226.8	**-**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The financial statements are prepared under the historical cost convention and on the basis of the principal accounting policies set out below. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, all having co-terminous accounting periods, with all inter-company balances and transactions eliminated. As permitted by Section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. The Company's recognised income and expense is disclosed within note 24.

RECENT ACCOUNTING DEVELOPMENTS

a) The following amendment to a published IFRS standard was effective in the year ended 31 March 2007:

IAS 19 (Amendment) "Employee Benefits". This amendment introduces the option of an alternative recognition approach for actuarial gains and losses and adds new disclosure requirements. The Group recognises in full through equity all actuarial gains and losses in the period. The implementation of this amendment had no impact on the Group's consolidated financial statements during the year as the amendment was early adopted on transition to IFRS.

b) Standards that have been early adopted by the Group:

IFRIC 11, IFRS 2 – "Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007). This interpretation does not have any impact on the Company's and Group's consolidated financial statements.

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

IFRS 7, "Financial instruments: Disclosures" and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures" (effective for annual periods beginning on or after 1 January 2007) introduces new disclosures for financial instruments. The Group will apply IFRS 7 from 1 April 2007, but is not expected to have a material impact on the Company's and Group's consolidated financial statements.

IFRIC 8, "Scope of IFRS 2" (effective for annual periods beginning on or after 1 May 2006). The Group will apply IFRIC 8 from 1 April 2007, but it is not expected to have any impact on the Company's and Group's consolidated financial statements.

IFRIC 9, "Reassessment of embedded derivatives" (effective for annual periods beginning on or after 1 June 2006). The Group will apply IFRIC 9 from 1 April 2007, but it is not expected to have any impact on the Company's and Group's consolidated financial statements.

IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). The Group will apply IFRIC 10 from 1 April 2007, but it is not expected to have any impact on the Company's and Group's consolidated financial statements.

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

REVERSE ACQUISITION

The Company was incorporated on 18 February 2005 as Milescreen Limited and changed its name to London Stock Exchange Group Limited on 16 November 2005. On 7 December 2005 the Company re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and became London Stock Exchange Group plc. On 15 May 2006 the Company became the holding company of London Stock Exchange plc pursuant to a scheme of arrangement under section 425 of the Companies Act 1985 ('the Scheme').

Under IFRS 3, "Business Combinations", this group reconstruction effected by the Scheme has been accounted for as a reverse acquisition. Although the consolidated financial statements have been prepared in the name of the legal parent, the Company, they are in substance a continuation of the consolidated financial statements of the legal subsidiary, London Stock Exchange plc. The following accounting treatment has been applied in respect of the reverse acquisition:

a) The assets and liabilities of the legal subsidiary, London Stock Exchange plc, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;

b) The retained (loss)/earnings and other equity balances recognised in the consolidated financial statements reflect the retained earnings and other equity balances of London Stock Exchange plc immediately before the business combination, and the results of the period from 1 April 2006 to the date of the business combination are those of London Stock Exchange plc as the Company did not trade prior to the Scheme. However, the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, London Stock Exchange Group plc, including the equity instruments issued under the Scheme to effect the business combination; and

c) Comparative numbers presented in the consolidated financial statements are those reported in the consolidated financial statements of the legal subsidiary, London Stock Exchange plc, for the year ended 31 March 2006.

The Company had no significant assets, liabilities or contingent liabilities of its own at the time that the Scheme took effect and no cash consideration was paid in respect of the business combination. Accordingly no cash flow statement is presented for the Company for the period ended 31 March 2006.

Transaction costs of equity transactions relating to the issue of the Company's shares are accounted for as a deduction from equity.

ACCOUNTING POLICIES

Revenue

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

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

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

c) Data, transaction and Exchange charges are recognised in the month in which the data is provided or the transaction is effected; and

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

Exceptional items

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

Foreign currencies

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

Transactions in foreign currencies and currency balances at the year end are converted at the rate ruling at the transaction date or year end date respectively, with any gains or losses recognised in the income statement.

Intangible assets

a) Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid over the identifiable fair value of net assets acquired. It is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses; and

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

Property, plant and equipment

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

b) Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the economic life of the asset; and

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

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

Joint ventures

Investments in joint ventures are accounted for under the equity method and are initially recognised at cost. The Group's share of profits or losses after tax from joint ventures is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet.

Investments in subsidiaries

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

Cash and cash equivalents

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

Financial instruments

a) Investments (other than fixed deposits and interests in joint ventures and subsidiaries) are designated as available for sale and are recorded on trade date at fair value with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost;

b) Foreign currency derivatives are recorded at fair value. The method of recording gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. Where they meet the relevant criteria in IAS 39, "Financial Instruments: Recognition and Measurement", the Group designates foreign currency derivatives as cash flow hedges with the movement in fair value recognised in equity. Amounts recognised in equity are transferred to the income statement when the hedged item is recognised in the income statement. Any movements in fair value in respect of foreign currency derivatives which do not qualify as highly effective cash flow hedges under IAS 39 are recognised immediately in the income statement;

c) The Company's own shares held by the ESOP trust are deducted from equity until they vest unconditionally in employees and are held at cost; and

d) Consideration paid in respect of own shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Borrowings

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

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

Operating leases

Rental costs for operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease. Provision is made in the accounts for lease commitments, less income from sub-letting, for property space which is surplus to business requirements. Such provisions are discounted where the time value of money is considered material.

Pension costs

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

Deferred taxation

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled.

Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Share based compensation

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

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

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

a) The determination of the defined benefit pension liability is based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary;

b) The property provision is determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers;

c) Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance;

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

e) The determination of the future value of the subsidiary, London Stock Exchange plc, is based on its future earnings potential. The basis of such value cannot be precise and is subject to market variations.

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

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

	Issuer Services £m	Broker Services £m	Information Services £m	Derivatives Services £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	63.2	163.8	105.9	9.3	7.4	-	349.6
Total revenue	63.2	163.8	105.9	9.3	7.4	-	349.6
Expenses							
Depreciation and amortisation	(2.9)	(10.6)	(9.6)	(0.4)	-	(0.6)	(24.1)
Exceptional costs (see note 6)	-	-	-	3.1	-	(14.5)	(11.4)
Other expenses	(32.5)	(39.6)	(43.8)	(7.4)	(6.5)	(10.1)	(139.9)
Total expenses	(35.4)	(50.2)	(53.4)	(4.7)	(6.5)	(25.2)	(175.4)
Operating profit	27.8	113.6	52.5	4.6	0.9	(25.2)	174.2
Share of profit after tax of joint venture	-	-	1.9	-	-	-	1.9
Assets	19.7	68.7	49.7	11.1	22.2	93.8	265.2
Investment in joint venture	-	-	1.9	-	-	-	1.9
Total assets	19.7	68.7	51.6	11.1	22.2	93.8	267.1
Liabilities	(24.2)	(23.8)	(32.7)	(3.8)	(18.0)	(514.5)	(617.0)
Capital expenditure	3.3	16.7	3.1	0.1	0.2	0.1	23.5

Comparative segmental disclosures for the year ended 31 March 2006 are as follows:

	Issuer Services £m	Broker Services £m	Information Services £m	Derivatives Services £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	56.9	125.5	94.1	7.7	6.9	-	291.1
Exceptional revenue (see note 6)	-	-	6.4	-	-	-	6.4
Total revenue	56.9	125.5	100.5	7.7	6.9	-	297.5
Expenses							
Depreciation and amortisation	(2.6)	(13.0)	(9.2)	(0.9)	(0.2)	(0.6)	(26.5)
Exceptional costs (see note 6)	-	-	-	(23.2)	-	(17.9)	(41.1)
Other expenses	(30.4)	(43.0)	(45.8)	(10.4)	(6.5)	(8.4)	(144.5)
Total expenses	(33.0)	(56.0)	(55.0)	(34.5)	(6.7)	(26.9)	(212.1)
Operating profit	23.9	69.5	45.5	(26.8)	0.2	(26.9)	85.4
Share of profit after tax of joint venture	-	-	1.2	-	-	-	1.2
Assets	19.0	75.2	59.4	1.3	4.5	252.6	412.0
Investment in joint venture	-	-	1.7	-	-	-	1.7
Total assets	19.0	75.2	61.1	1.3	4.5	252.6	413.7
Liabilities	(11.2)	(13.9)	(14.7)	(5.8)	(33.9)	(45.4)	(124.9)
Capital expenditure	1.1	20.0	3.5	0.1	0.8	0.1	25.6

The Other segment represents property letting and activities not directly related to the main four business segments and do not individually constitute separately reportable segments. Corporate expenses are for corporate services which cannot reasonably be allocated to business segments.

Principal operations and customers of the Group are in the United Kingdom.

4. EXPENSES BY NATURE

Expenses comprise the following:

	2007 £m	2006 £m
Employee costs (see note 5)	**56.7**	57.2
Depreciation and amortisation	**24.1**	26.5
Other costs, including exceptional costs of £11.4m (2006: £41.1m) (see note 6)	**94.6**	128.4
Total	**175.4**	212.1

5. EMPLOYEE COSTS

Employee costs comprise the following:

	2007 £m	2006 £m
Salaries and other short term benefits	**40.6**	42.4
Social security costs	**8.2**	8.7
Pension costs (see note 22)	**3.4**	4.1
Share based compensation	**4.5**	2.0
Total	**56.7**	57.2

The number of employees in the Group was:

	2007	2006
At the year end	**444**	501
Average for the year	**446**	514

The Company has no employees.

6. EXCEPTIONAL ITEMS

	2007 £m	2006 £m
Exceptional Information Services revenue	**-**	6.4
Fees in respect of offers for the Company	**(13.5)**	(12.1)
Impairment of goodwill and provision in respect of EDX London Ltd (see notes 12 and 21[1])	**3.1**	(23.1)
Restructuring costs[2]	**(1.0)**	(5.9)
Total	**(11.4)**	(34.7)

[1] A provision for an onerous operating contract of EDX London Ltd has been released in 2007 as it is no longer required.
[2] Restructuring costs of £1.0m (2006: £5.9m) are one-off implementation costs arising from the cost savings programme announced in February 2006.

7. NET FINANCE (COSTS)/INCOME

	2007 £m	2006 £m
Finance income		
Bank deposit and other interest	**4.7**	9.4
Expected return on defined benefit pension scheme assets (see note 22)	**11.9**	10.8
	16.6	20.2
Finance costs		
Interest payable on bank and other borrowings	**(17.8)**	(0.4)
Other finance costs	**(0.5)**	(0.4)
Interest on discounted provision for leasehold properties (see note 21)	**(1.4)**	(1.6)
Defined benefit pension scheme interest cost (see note 22)	**(11.8)**	(11.2)
	(31.5)	(13.6)
Net finance (costs)/income	**(14.9)**	6.6

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION

Taxation charged to the income statement	2007 £m	2006 £m
Current tax:		
Corporation tax for the year at 30% (2006: 30%)	49.6	30.4
Adjustments in respect of previous years	(5.1)	(2.5)
	44.5	27.9
Deferred tax (see note 16):		
Deferred tax for the current year	1.3	(2.0)
Adjustments in respect of previous years	5.1	0.8
Taxation charge	**50.9**	**26.7**

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with HM Revenue & Customs.

Taxation on items (credited)/charged to equity	2007 £m	2006 £m
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	(2.3)	-
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial gains/(losses)	0.1	(1.2)
Tax allowance on share options/awards in excess of expense recognised	(2.6)	(2.6)

Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 30 per cent (2006: 30 per cent) and the income statement tax charge for the year are explained below:

	2007 £m	2006 £m
Profit before taxation	161.5	93.5
Profits multiplied by standard rate of corporation tax in the UK of 30%	48.5	28.1
Expenses not deductible/income not taxable	3.0	0.7
Share of joint venture consolidated at profit after tax	(0.6)	(0.4)
Adjustments in respect of previous years	-	(1.7)
Taxation charge	**50.9**	**26.7**

9. EARNINGS PER SHARE

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

	2007	2006
Basic earnings per share	50.5p	27.8p
Diluted earnings per share	49.4p	27.4p
Adjusted basic earnings per share	56.2p	37.4p
	£m	£m
Profit for the financial year attributable to equity holders	109.6	70.7
Adjustments:		
Exceptional items	11.4	34.7
Tax effect of exceptional items	0.6	(6.5)
Exceptional items and taxation attributable to minority interests	0.5	(3.7)
Adjusted profit for the financial year attributable to equity holders	122.1	95.2
Weighted average number of shares - million	217.2	254.3
Effect of dilutive share options and awards - million	4.6	4.1
Diluted weighted average number of shares - million	221.8	258.4

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 217.2 million (2006: 254.3 million).

10. DIVIDENDS

	2007 £m	2006 £m
Final dividend for 2005 paid August 2005: 5p per Ordinary share	-	12.6
Second interim dividend (in lieu of final dividend) for 2006 paid May 2006: 8.0p per Ordinary share	**20.5**	-
Interim dividend for 2007 paid January 2007: 6.0p (2006: 4.0p) per Ordinary share	**12.7**	10.2
	33.2	22.8

The Board has declared a final dividend in respect of the year ended 31 March 2007 of 12.0p per share, which is estimated to amount to £23.1m, to be paid on 13 August 2007.

11. PROPERTY, PLANT & EQUIPMENT

	Land and buildings		Plant and	
Group	**Freehold £m**	**Leasehold £m**	**equipment £m**	**Total £m**
Cost:				
1 April 2005	57.2	42.6	51.3	151.1
Additions	1.5	0.9	3.4	5.8
Disposals	(14.3)	(1.4)	(28.6)	(44.3)
31 March 2006	**44.4**	**42.1**	**26.1**	**112.6**
Additions	0.9	0.7	5.0	6.6
Disposals	-	(0.1)	(1.3)	(1.4)
31 March 2007	**45.3**	**42.7**	**29.8**	**117.8**
Depreciation:				
1 April 2005	39.7	5.3	34.4	79.4
Charge for the year	0.1	4.9	7.0	12.0
Impairment loss	-	-	0.3	0.3
Disposals	(14.3)	(0.3)	(28.6)	(43.2)
31 March 2006	**25.5**	**9.9**	**13.1**	**48.5**
Charge for the year	0.3	4.9	6.2	11.4
Disposals	-	-	(0.9)	(0.9)
31 March 2007	**25.8**	**14.8**	**18.4**	**59.0**
Net book values:				
31 March 2007	**19.5**	**27.9**	**11.4**	**58.8**
31 March 2006	18.9	32.2	13.0	64.1

The Company has no property, plant or equipment.

NOTES TO THE FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS

Group	Goodwill £m	Software £m	Total £m
Cost:			
1 April 2005	31.2	80.2	111.4
Additions	–	19.8	19.8
Revised estimate of contingent consideration	1.0	–	1.0
Disposals	–	(4.9)	(4.9)
31 March 2006	32.2	95.1	127.3
Additions	–	16.9	16.9
Disposals	–	(0.7)	(0.7)
31 March 2007	**32.2**	**111.3**	**143.5**
Amortisation and accumulated impairment:			
1 April 2005	1.7	44.7	46.4
Charge for the year	–	14.5	14.5
Impairment loss	19.4	0.3	19.7
Disposals	–	(4.9)	(4.9)
31 March 2006	21.1	54.6	75.7
Charge for the year	–	12.7	12.7
Disposals	–	(0.7)	(0.7)
31 March 2007	**21.1**	**66.6**	**87.7**
Net book values:			
31 March 2007	**11.1**	**44.7**	**55.8**
31 March 2006	11.1	40.5	51.6

The net book value of goodwill relates entirely to the Information Services segment.

An impairment review of goodwill and other assets has been carried out in accordance with IAS 36, "Impairment of assets".

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

The Company has no intangible assets.

13. AVAILABLE FOR SALE INVESTMENTS

Available for sale financial investments of £0.4m (2006: £0.4m) represent the cost of the Group's 0.6 per cent interest in the unlisted ordinary shares of Euroclear plc.

14. INVESTMENT IN JOINT VENTURE

The Group owns 50 per cent of the 1,000 £1 issued equity shares in FTSE International Ltd a company incorporated in Great Britain which distributes financial information. FTSE International Ltd is a joint venture owned together with The Financial Times Ltd, a subsidiary of Pearson plc. The Group investment of £1.9m represents the Group's share of the joint venture's net assets as at 31 December 2006, its accounting reference date.

The following amounts represent the Group's 50 per cent share of the revenue and expenses and assets and liabilities of FTSE International Ltd for the years ended 31 December 2005 and 2006.

	2006 £m	2005 £m
Revenue	**21.0**	18.3
Expenses	**(19.1)**	(17.1)
Profit after tax	**1.9**	1.2
Non-current assets	**3.8**	3.4
Current assets	**14.2**	13.7
Total assets	**18.0**	17.1
Current liabilities	**(15.8)**	(15.2)
Non-current liabilities	**(0.3)**	(0.2)
Total liabilities	**(16.1)**	(15.4)
Net assets	**1.9**	1.7

The Group is entitled, under a shareholders' agreement, to receive royalties from FTSE International Ltd. The amount receivable by the Group from FTSE International Ltd for the year ended 31 March 2007 was £5.7m (2006: £4.8m).

During the year the Group received dividends of £1.7m (2006: £1.7m) from FTSE International Ltd.

15. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	**Shares £m**	**Loans £m**	**Total £m**
1 April 2006 (and for period from incorporation)	–	–	–
Investments and other movements during the year	3,268.2	(38.6)	3,229.6
31 March 2007	**3,268.2**	**(38.6)**	**3,229.6**

Principal subsidiaries	**Principal activity**	**Country of incorporation**	**Country of principal operations**	**% Equity and votes held**
Held directly by the Company:				
London Stock Exchange plc	Recognised Investment Exchange	UK	UK	100
Held directly by London Stock Exchange plc:				
EDX London Ltd	Derivatives exchange	UK	UK	76
Proquote Ltd	Market data provider	UK	UK	100
The Stock Exchange (Properties) Ltd	Property company	UK	UK	100

London Stock Exchange plc holds directly or indirectly 100 per cent of the Ordinary shares, being the only class of shares in issue, of other subsidiaries, none of which has actively traded during the year. A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange plc.

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED TAXATION

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

	Group		
	Accelerated tax depreciation £m	Provisions and other temporary differences £m	Total £m
At 1 April 2005	2.8	12.0	14.8
Transfer to the income statement during the year (see note 8)	4.6	(3.4)	1.2
Tax credited to equity:			
- defined benefit pension scheme actuarial loss	-	1.2	1.2
- allowance on share options/awards	-	2.6	2.6
31 March 2006	7.4	12.4	19.8
Transfer to the income statement during the year (see note 8)	(5.8)	(0.6)	(6.4)
Tax credited/(charged) to equity:			
- defined benefit pension scheme actuarial gain	-	(0.1)	(0.1)
- allowance on share options/awards	-	2.6	2.6
31 March 2007	**1.6**	**14.3**	**15.9**

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

There was no deferred tax in the Company.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Trade receivables	**27.0**	20.2	**-**	-
Less: provision for impairment of receivables	**(0.1)**	(0.2)	**-**	-
Trade receivables - net	**26.9**	20.0	**-**	-
Amounts due from group undertakings	**-**	-	**45.4**	-
Other receivables	**0.2**	0.2	**-**	-
Prepayments and accrued income	**34.3**	29.1	**0.8**	-
	61.4	49.3	**46.2**	-

During the year the Group recognised a cost of £0.2m (2006: gain of £0.1m) for impairment provisions against trade receivables.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Cash at bank	**6.4**	5.3	**-**	-
Short term deposits	**66.5**	221.5	**-**	-
	72.9	226.8	**-**	-
Average maturity of short term deposits	**89 days**	31 days	**-**	-
Weighted average interest rate	**5.6%**	4.5%	**-**	-

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Trade payables	**3.3**	2.0	**-**	-
Amounts owed to group undertakings (note 30)	**-**	-	**207.9**	-
Social security and other taxes	**2.1**	1.9	**-**	-
Other payables	**7.0**	2.1	**4.6**	-
Share buyback programme[1]	**60.0**	-	**60.0**	-
Accruals and deferred income	**57.0**	45.1	**5.7**	-
	129.4	51.1	**278.2**	-

[1] Shares purchased during the close period following the 2007 year end, under an irrevocable commitment entered into with the Company's corporate brokers prior to the year end, are recorded as a current liability at a total cost of £60.0m (2006: nil) (see note 24).

20. BORROWINGS

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Current				
Bank borrowings	**155.7**	-	**155.7**	-
Redeemable Class B shares	**15.7**	-	**15.7**	-
Other borrowings	**-**	0.6	**-**	-
	171.4	0.6	**171.4**	-
Non-current				
Bond issue	**248.2**	-	**248.2**	-
Other borrowings	**0.5**	0.5	**-**	-
	248.7	0.5	**248.2**	-

CURRENT BORROWINGS

The Company has in place a multicurrency revolving loan facility of £200m, available up to February 2011. Borrowings under the loan facility are unsecured and currently bear interest at a floating rate of LIBOR plus 40 basis points. The interest margin applicable to borrowings under the loan facility is dependent upon the Group net debt: EBITDA ratio.

At 31 March 2007 the Company also had a bridge facility of £250m which is available for drawdown up to September 2007, repayable by July 2008, to fund the share buyback programme. This facility had not been drawn down at 31 March 2007.

Redeemable Class B shares were issued to facilitate the capital return in May 2006 (see note 23). Shareholders who elected to retain their B shares are entitled to a non-cumulative preference dividend based on 75 per cent of six month LIBOR on 1 June and 1 December each year until 1 June 2009 and may redeem their B shares for 200 pence each on those dates. Any outstanding B shares will be redeemed on 1 June 2009.

NON-CURRENT BORROWINGS

In July 2006 the Company issued a £250m bond which is unsecured and due for repayment in 2016, with a 5.875 per cent coupon, interest to be paid semi-annually in arrears. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on the Company's credit rating. As a result of a change in the Company's credit rating from Moody's in February 2007 from Baa1 to Baa2, the coupon will increase to 6.125 per cent from July 2007.

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS CONTINUED

a) FAIR VALUES

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

	Group			
	Carrying value 2007 £m	Fair value 2007 £m	Carrying value 2006 £m	Fair value 2006 £m
Borrowings				
- within one year	171.4	171.7	-	-
- after more than one year	248.2	245.2	-	-
Loan from minority shareholder:				
- within one year	-	-	0.6	0.6
- after more than one year	0.5	0.5	0.5	0.5
	420.1	417.4	1.1	1.1

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

	Company			
	Carrying value 2007 £m	Fair value 2007 £m	Carrying value 2006 £m	Fair value 2006 £m
Borrowings				
- within one year	171.4	171.7	-	-
- after more than one year	248.2	245.2	-	-
	419.6	416.9	-	-

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

b) INTEREST RATE RISK ON BORROWINGS

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Within one year	171.4	-	171.4	-
After one year	-	-	-	-
	171.4	-	171.4	-

Floating rate borrowings bear interest at an agreed margin over LIBOR.

c) BORROWING FACILITIES

The undrawn committed facilities were:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Expiring within one year	250.0	-	250.0	-
Expiring beyond one year	44.0	450.0	44.0	-
	294.0	450.0	294.0	-

21. PROVISIONS

	Group			
	Property £m	Contingent consideration £m	Other £m	Total £m
1 April 2005	34.8	5.2	–	40.0
Revised estimate of contingent consideration	–	1.0	–	1.0
Exceptional charges during the year	–	–	9.0	9.0
Utilised during the year	(4.8)	(6.2)	(0.1)	(11.1)
Interest on discounted provision	1.6	–	–	1.6
31 March 2006	31.6	–	8.9	40.5
Exceptional charges during the year	–	–	1.0	1.0
Utilised during the year	(4.3)	–	(3.6)	(7.9)
Released during year	–	–	(3.1)	(3.1)
Interest on discounted provision	1.4	–	–	1.4
31 March 2007	**28.7**	**-**	**3.2**	**31.9**
Non-current	23.9	–	–	23.9
Current	4.8	–	3.2	8.0
	28.7	**-**	**3.2**	**31.9**

PROPERTY

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between seven and 21 years to expiry.

OTHER

As at 31 March 2007 other provisions relate to the one off implementation costs arising from the cost saving programme announced in February 2006. A provision for an onerous operating contract of EDX London Ltd was released as it is no longer required.

The Company has no provisions.

NOTES TO THE FINANCIAL STATEMENTS

22. RETIREMENT BENEFIT OBLIGATIONS

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Investec Asset Management Limited and Legal & General Investment Management Limited.

The Company has no retirement benefit obligations.

DEFINED BENEFIT SCHEME

The defined benefit scheme is non-contributory and provides benefits based on final pensionable pay related to salary earned in the last five years of employment. The defined benefit scheme was closed to new members in 1999 but provides retirement benefits to approximately 20 per cent of current and many former employees. Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

DEFINED CONTRIBUTION SCHEMES

The Group's defined contribution schemes are now the only schemes open to new employees. A core contribution of eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six per cent of pensionable pay.

Amounts recognised in the income statement are as follows:

	2007 £m	2006 £m
Defined contribution schemes	(2.0)	(2.7)
Defined benefit scheme – current service cost	(1.4)	(1.4)
Total pension charge included in employee benefit expense (see note 5)	(3.4)	(4.1)
Finance income and costs:		
Interest cost	(11.8)	(11.2)
Expected return on assets in the scheme	11.9	10.8
Net finance income/(cost)	0.1	(0.4)
Total recognised in the income statement	(3.3)	(4.5)

DEFINED BENEFIT ASSETS AND OBLIGATIONS

Funded obligations and assets are set out below:

	2007 £m	2006 £m	2005 £m
Fair value of assets:			
Equities	35.7	69.4	52.2
Bonds	185.2	153.3	139.1
Property	3.7	-	-
Total fair value of assets	224.6	222.7	191.3
Present value of funded obligations	(239.6)	(243.0)	(210.0)
Balance sheet liability	(15.0)	(20.3)	(18.7)

The main actuarial assumptions are set out below:

	2007	2006
Inflation assumption	3.1%	2.8%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions in payment	3.7%	3.6%
Discount rate	5.3%	4.9%
Expected return on assets as at 31 March 2006 and 2005		
- equities	7.6%	7.9%
- bonds	4.4%	4.8%

Expected return on equities is determined by applying an equity risk premium applicable to the investments held to the risk free rate measured with reference to the return on government bonds. Expected returns on bonds are derived from returns on government and corporate bonds of an equivalent term to the investments held.

MORTALITY

The mortality assumptions are based on the standard tables PA92 published by the Institute and Faculty of Actuaries, adjusted to take account of projected future improvements in life expectancy. For existing pensioners from age 60, life expectancy assumed at 31 March 2007 for men is 25.0 years (2006: 25.0 years) and for women 27.9 years (2006: 27.9 years). For non retired members from age 60, life expectancy assumed at 31 March 2007 for men is 25.9 years (2006: 25.9 years) and for women 28.7 years (2006: 28.7 years).

SENSITIVITY

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

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.4%
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by 6.4%
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 3.9%
Mortality rate	Increase by 1 year	Increase by 3.1%

Movement in defined benefit obligation during the year	2007 £m	2006 £m
1 April 2006	**243.0**	210.0
Current service cost	**1.4**	1.4
Interest cost	**11.8**	11.2
Benefits paid	**(5.6)**	(5.4)
Actuarial (gain)/loss	**(11.0)**	25.8
31 March 2007	**239.6**	243.0

Movement in fair value of plan assets during the year	2007 £m	2006 £m
1 April 2006	**222.7**	191.3
Expected return on assets	**11.9**	10.8
Contributions paid	**6.3**	4.2
Benefits paid	**(5.6)**	(5.4)
Actuarial (loss)/gain	**(10.7)**	21.8
31 March 2007	**224.6**	222.7

DEFINED BENEFIT ACTUARIAL GAINS AND LOSSES RECOGNISED

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

	2007 £m	2006 £m
Recognised up to 1 April 2006	**(6.6)**	(2.6)
Net actuarial gain/(loss) recognised in the year	**0.3**	(4.0)
Cumulative amount recognised at 31 March 2007 in the statement of recognised income and expense	**(6.3)**	(6.6)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2006 by an independent qualified actuary. Following the valuation, ordinary contributions were increased from 23 per cent to 36 per cent of pensionable salaries. In addition, the Group will contribute £5.0m per annum towards the current deficit. Accordingly the Group expects to contribute approximately £6.5m to the defined benefit scheme during the year ending 31 March 2008. The actual return on plan assets was £1.2m (2006: £32.6m).

The Group estimates the present value of the duration of defined benefit obligations on average fall due over 20 years.

History of experience gains and losses	2007	2006	2005
Experience adjustments arising on scheme assets:			
Amount (£m)	**(10.7)**	21.8	4.1
Percentage of scheme assets	**(4.8%)**	9.8%	2.1%
Experience adjustments arising on scheme liabilities:			
Experience loss on scheme liabilities (£m)	**(0.4)**	5.2	0.9
Impact of changes in assumptions in valuing scheme liabilities (£m)	**11.4**	(31.0)	(7.6)
Total (£m)	**11.0**	(25.8)	(6.7)
Percentage of scheme liabilities:			
Experience loss on scheme liabilities	**(0.2%)**	2.1%	0.4%
Impact of changes in assumptions in valuing scheme liabilities	**4.8%**	(12.7%)	(3.6%)
Total	**4.6%**	(10.6%)	(3.2%)

NOTES TO THE FINANCIAL STATEMENTS

23. ORDINARY SHARE CAPITAL

	2007	2006
Authorised	**millions**	**millions**
Ordinary shares of $6\frac{79}{86}$p (2006: £5)	**350.0**	350.0
Class A ordinary shares of £0.01 (2006: £0.01)	**-**	400,000.0
Class B shares of £2 (2006: £2)	**11.6**	260.0
Deferred shares of £2 (2006: nil)	**119.4**	-
	£	£
Ordinary shares of $6\frac{79}{86}$p (2006: £5)	**24,215,116**	1,750,000,000
Class A ordinary shares of £0.01 (2006: £0.01)	**-**	4,000,000,000
Class B shares of £2 (2006: £2)	**23,229,920**	520,000,000
Deferred shares of £2 (2006: nil)	**238,734,500**	-
Issued, called up and fully paid	**millions**	**millions**
Ordinary shares of $6\frac{79}{86}$p (2006: £5)	**207.1**	-
Class A ordinary shares of £0.01 (2006: £0.01)	**-**	-
Class B shares of £2 (2006: £2)	**7.8**	-
Deferred shares of £2 (2006: nil)	**119.4**	-
	£	£
Ordinary shares of $6\frac{79}{86}$p (2006: £5)	**14,327,541**	-
Class A ordinary shares of £0.01 (2006: £0.01)	**-**	2
Class B shares of £2 (2006: £2)	**15,690,918**	-
Deferred shares of £2 (2006: nil)	**238,734,500**	-
	268,752,959	2
Less: Class B shares designated as borrowings (see note 20)	**(15,690,918)**	-
Share capital	**253,062,041**	2

Under the court-approved Scheme effected on 15 May 2006, the company issued 43 new ordinary shares for every 51 existing ordinary shares in London Stock Exchange plc and one B share with a nominal value of 200 pence per share for every one existing ordinary share in London Stock Exchange plc. On 17 May 2006 the nominal value of the Company's new ordinary shares was reduced and the merger reserve created by the Scheme was capitalised through an issue of A shares, and subsequently reduced through a court-approved capital reduction, creating sufficient distributable reserves to enable the return of £512.5m to shareholders, leaving approximately £2 billion of distributable reserves after the return.

The Scheme and capital reduction resulted in the creation of a reverse acquisition reserve of £(512.5)m in the consolidated accounts and a capital redemption reserve of £257.3m (see note 24).

256.2m B shares were issued as the mechanism to facilitate the capital return, through: an initial dividend of 200 pence per share; an immediate 200 pence redemption per share; or retention of the B shares with the right to redeem semi-annually up to June 2009 (see note 20). Payments totalling £496.0m relating to the initial dividend and immediate redemption were made in May 2006.

The initial dividend was paid in respect of 119.4m B shares, which were immediately reclassified as deferred shares. The deferred shares may be redeemed or cancelled by the Company in their entirety for a total consideration of one pence at any time, without prior notice, in accordance with the terms and conditions of the Scheme circular issued to shareholders in March 2006. The Company intends to redeem all the deferred shares in July 2007 after the Annual General Meeting.

The immediate redemption was paid in respect of 128.6m B shares, which were immediately redeemed and cancelled creating a £257.3m capital redemption reserve. On 1 December 2006, 0.4m B shares were redeemed and cancelled resulting in a further increase in the capital redemption reserve of £0.8m. Consequently there were 7.8m B shares in issue at 31 March 2007, with aggregate nominal value of £15.7m (see note 24).

After the Scheme and capital reduction, there were 216.0m ordinary shares in issue, at a nominal value of $6\frac{79}{86}$ pence per ordinary share.

During the year the Company re-purchased, and subsequently cancelled, 9.0m ordinary shares at an aggregate cost of £109.9m. The excess of the consideration over the nominal value has been charged against retained earnings.

24. RECONCILIATION OF MOVEMENTS IN EQUITY

Group	Notes	Ordinary share capital £m	Share premium £m	Retained earnings £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Minority interest £m	Total equity £m
		Attributable to equity holders			Other reserves			
1 April 2005		14.9	-	220.3	-	-	1.1	236.3
Total recognised income and expense for the financial year		-	-	70.5	-	-	(3.9)	66.6
Final dividend relating to the year ended 31 March 2005	10	-	-	(12.6)	-	-	-	(12.6)
Interim dividend relating to the year ended 31 March 2006	10	-	-	(10.2)	-	-	-	(10.2)
Issue of new shares		-	4.3	-	-	-	-	4.3
Issue of share capital in subsidiary undertaking[1]		-	-	-	-	-	4.4	4.4
31 March 2006		14.9	4.3	268.0	-	-	1.6	288.8
The Scheme	23	238.7	(4.3)	(491.7)	257.3	(512.5)	-	(512.5)
Equity transaction costs		-	-	(1.1)	-	-	-	(1.1)
Redemption of B shares	23	-	-	(0.8)	0.8	-	-	-
Total recognised income and expense for the financial year		-	-	114.7	-	-	1.0	115.7
Second interim dividend relating to the year ended 31 March 2006	10	-	-	(20.5)	-	-	-	(20.5)
Interim dividend relating to the year ended 31 March 2007	10	-	-	(12.7)	-	-	-	(12.7)
Share buyback[2]	23	(0.6)	-	(169.9)	0.6	-	-	(169.9)
Employee share schemes and own shares		-	-	(37.7)	-	-	-	(37.7)
31 March 2007		**253.0**	**-**	**(351.7)**	**258.7**	**(512.5)**	**2.6**	**(349.9)**

The capital redemption reserve is a non-distributable capital reserve set up primarily by redemption of the B shares. The reverse acquisition reserve is a non-distributable capital reserve arising on consolidation as a result of the Scheme.

[1] Issue of share capital in subsidiary undertaking to minority interest includes £2.8m of converted loans, giving net cash impact of £1.6m.

[2] The Company has entered into an irrevocable commitment with its corporate brokers to purchase shares which in part covers the close period from 1 April 2007 up to the preliminary announcement of the Company's results. This has resulted in £60.0m being included in the share buyback total of £169.9m and also being recorded as a current liability.

Company	Notes	Ordinary share capital £m	Retained earnings £m	Capital redemption reserve £m	Total equity £m
		Attributable to equity holders		Other reserves	
31 March 2006		-	-	-	-
The Scheme	23	253.6	2,244.8	257.3	2,755.7
Equity transaction costs		-	(1.1)	-	(1.1)
Redemption of B shares	23	-	(0.8)	0.8	-
Total recognised income and expense for the financial year		-	7.9	-	7.9
Interim dividend relating to the year ended 31 March 2007	10	-	(12.7)	-	(12.7)
Share buyback	23	(0.6)	(169.9)	0.6	(169.9)
Employee share schemes and own shares		-	6.9	-	6.9
31 March 2007		**253.0**	**2,075.1**	**258.7**	**2,586.8**

The Company had no movements in the period ended 31 March 2006.

NOTES TO THE FINANCIAL STATEMENTS

25. NET CASH FLOW GENERATED FROM OPERATIONS

	Group		Company
	2007 £m	2006 £m	2007 £m
Profit/(loss) before taxation	**161.5**	93.5	**(0.9)**
Depreciation and amortisation	**24.1**	26.5	**-**
Impairment loss and provision for EDX London Ltd	**(3.1)**	23.1	**-**
Provision for restructuring costs	**1.0**	5.9	**-**
Net finance costs/(income)	**14.9**	(6.6)	**29.4**
Investment income	**(0.3)**	(0.3)	**(42.4)**
Share of profit after tax of joint venture	**(1.9)**	(1.2)	**-**
(Increase)/decrease in trade and other receivables	**(13.5)**	2.0	**-**
Increase in trade and other payables	**6.0**	3.4	**0.7**
Defined benefit pension obligation – contributions in excess of expenses charged	**(4.9)**	(2.8)	**-**
Provisions utilised during the year	**(7.9)**	(4.9)	**-**
Share scheme expense	**4.5**	2.0	**-**
Cash generated from operations	**180.4**	140.6	**(13.2)**
Comprising:			
Ongoing operating activities	**198.6**	145.9	**(0.5)**
Exceptional items (see note 6)	**(18.2)**	(5.3)	**(12.7)**
	180.4	140.6	**(13.2)**

26. COMMITMENTS

Contracted capital commitments not provided for in the financial statements of the Group was nil in respect of software (2006: £0.1m).

27. FINANCIAL RISK MANAGEMENT

The majority of the Group's financial assets and liabilities are based in sterling with some exposure to Scandinavian currencies in Derivatives Services which are mainly hedged by forward foreign exchange contracts. The main risks arising from the Group's financial instruments are in respect of interest rate, credit, liquidity and exchange rate.

CASH FLOW AND INTEREST RATE RISK

There are no floating rate financial assets. Term deposits with banks are for fixed rates for the period of the deposit. Interest on the loan from the minority shareholder is determined with reference to LIBOR. The Group's interest rate risk on financial liabilities arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk (see note 20).

The Company monitors the composition of borrowings between fixed and variable rate and compliance with the customary financial covenants included in its bank facilities.

The Group has a multicurrency revolving loan facility of £200m, available up to February 2011, at variable rates of interest. Individual tranches are drawn down from time to time at variable rates which are fixed for the duration of each drawdown. Individual drawdowns are for fixed terms which, on expiry, are either rolled over or repaid. All drawdowns in the period from inception to 31 March 2007 have been in sterling (see note 20).

In July 2006 the Group issued a £250m bond with a 5.875 per cent coupon due for repayment in 2016. The coupon increases to 6.125 per cent from July 2007 (see note 20). Interest is payable in January and July each year. Interest payments commenced in January 2007.

The Group made an issue of B shares in May 2006. Each B share has a nominal value of 200 pence per share. Shareholders who elected to retain their B shares following the capital return in May 2006 are entitled to a non-cumulative preference share dividend based on 75 per cent of six month LIBOR on 1 June and 1 December each year until 1 June 2009 (see note 20).

No hedging of interest rates on financial assets or liabilities took place during the year.

LIQUIDITY AND CREDIT RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of credit facilities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Group maintains cash and cash equivalents to meet regulatory requirements. The Group manages liquidity risk by depositing funds available for investment in approved instruments for periods of up to one year. Counterparty risk with respect to cash and cash equivalents is managed by establishing minimum credit worthiness limits and limiting the maximum exposure to each counterparty. For banks and financial institutions, only independently rated parties with a minimum rating of Aa3 are accepted. Individual risk limits are based on internal and external ratings in accordance with limits set by the Group. No credit limits were exceeded during the reporting period and management does not expect any losses from the non-performance by these counterparties. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

EXCHANGE RATE RISK

The only derivative contracts used during the year were forward exchange contracts to hedge forecast cash inflows in Scandinavian currencies and were designated as fair value or cash flow hedges as appropriate. All contracts were closed out on or before the final contract dates and fully matched with equivalent currency cash holdings. At the year end, forward contracts were held for forecast currency cash flows in the coming year. The fair value of these contracts at 31 March 2007 amounted to nil (2006: nil). In respect of the cash flow hedging £0.1m (2006: £0.3m) has been taken to equity and £(0.1)m (2006: £(0.3)m) has been reclassified from equity to income statement.

The fair and carrying values of financial assets are as follows:

	Group			
	Carrying value 31 March 2007 £m	**Fair value 31 March 2007 £m**	Carrying value 31 March 2006 £m	Fair value 31 March 2006 £m
Financial assets				
Short term investments – term deposits and cash	**72.9**	**72.9**	226.8	226.8

Available for sale financial assets, representing the Group's 0.6 per cent interest in the ordinary shares of Euroclear plc, are measured at cost of £0.4m. The fair value of these shares cannot be measured accurately because they are unquoted.

The fair value of forward exchange contracts is determined using a valuation technique with reference to observable market interest rates. The carrying amount of trade receivables and payables are reasonable approximations of fair value.

The Company's financial assets primarily consist of a loan to the Employee Benefit Trust.

28. LEASES

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

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

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Less than one year	**15.2**	15.4	**-**	-
More than one year and less than five years	**60.5**	60.8	**-**	-
More than five years	**159.8**	174.9	**-**	-
	235.5	251.1	**-**	-

Operating lease payments representing minimum lease payments of £14.8m (2006: £14.9m) were charged to the income statement.

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

Less than one year	**3.0**	2.0	**-**	-
More than one year and less than five years	**15.8**	11.0	**-**	-
More than five years	**18.3**	7.3	**-**	-
	37.1	20.3	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE SCHEMES

The Long Term Incentive Plan (LTIP), approved at the 2004 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Exchange's shares. Vesting of these awards is dependent upon the Company's total shareholder return performance. Further details are provided in the Remuneration Report on pages 35 to 41.

Under the Group's previous share option plan approved by shareholders in 2002, the maximum value of shares placed under option to an individual was equivalent to 100 per cent of their annual salary. No further awards will be made under this scheme.

Prior to 2002, under the previous long term incentive scheme (comprising the Initial and Annual Share Plans) option grants and share awards were made based on approvals prior to the Group's listing in July 2001. No further option grants or share awards will be made under this scheme apart from the SAYE schemes available to all staff. Under both the Initial and Annual Share Plans, share awards have a vesting period of three years and share options become exercisable at 20 per cent per annum over five years with a contractual life of 10 years.

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

The Group established an ESOP discretionary trust to administer the share plans and to acquire the Group company shares to meet commitments to Group employees. At the year end 2,849,438 (2006: 428,529) shares were held by the trust, funded by an interest free loan from the Group. The Company has no employees, but in accordance with SIC 12 "Consolidation - Special Purpose Entities" has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements and the cost of the Group's shares held by the trust are deducted from retained earnings.

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

	Share awards		Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 April 2005	123,822	-	6,982,315	3.26	1,415,779	2.38	746,888	-
Granted	-	-	-	-	-	-	963,612	-
Exercised	(89,066)	-	(1,875,100)	3.00	(681,680)	1.95	(5,027)	-
Forfeited	-	-	(134,964)	3.51	(121,450)	2.58	(38,331)	-
At 31 March 2006	34,756	-	4,972,251	3.36	612,649	2.83	1,667,142	-
Granted	-	-	-	-	134,916	10.26	678,131	-
Exercised	(34,756)	-	(1,351,746)	3.29	(305,561)	2.76	(43,682)	-
Forfeited	-	-	(134,535)	3.87	(86,421)	2.90	(149,152)	-
At 31 March 2007	**-**	**-**	**3,485,970**	**3.37**	**355,583**	**5.69**	**2,152,439**	**-**
Exercisable at:								
31 March 2007	**-**	**-**	**2,316,994**	**3.15**	**-**	**-**	**-**	**-**
31 March 2006	700	-	2,079,090	3.14	22,610	1.90	-	-

The weighted average share price during the year was £12.20 (2006: £6.12).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding at 31 March 2007 and 2006 are as follows:

Exercise price range	Awards/options outstanding at 31 March 2007 Number outstanding	Weighted average remaining contractual life Years	Awards/options outstanding at 31 March 2006 Number outstanding	Weighted average remaining contractual life Years
Share awards				
Nil	-	-	34,756	0.1
Share options				
Up to £3	**803,820**	**3.7**	1,066,960	4.7
Between £3 and £4	**2,618,740**	**6.2**	3,841,881	7.2
Above £4	**63,410**	**4.2**	63,410	5.2
SAYE				
Up to £2	-	-	22,610	0.1
Between £2 and £4	**220,667**	**2.1**	590,039	2.2
Above £10	**134,916**	**2.9**	-	-
LTIP				
Nil	**2,152,439**	**1.5**	1,667,142	2.2
Total	**5,993,992**	**3.9**	7,286,798	5.2

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

	SAYE 1 February 2007	Performance Shares 29 September 2006	Performance Shares 7 July 2006	Matching Shares 7 June 2006	Matching Shares 31 May 2006	Matching Shares 30 May 2006	Matching Shares 26 May 2006	Performance Shares 25 May 2006
Grant date share price	£13.00	£12.36	£11.40	£11.15	£11.06	£11.18	£11.40	£10.79
Exercise price	£10.26	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Volatility	32.0%	35.0%	33.9%	34.2%	32.8%	32.8%	32.8%	32.8%
Expected life	3.25 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Dividend yield	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Risk free rate of return	5.4%	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Fair value	£4.88	£8.88	£6.28	£8.02	£7.79	£8.03	£8.12	£7.48

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

30. TRANSACTIONS WITH RELATED PARTIES

DIRECTORS

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

FTSE INTERNATIONAL LTD

Details of transactions with FTSE International Ltd are included in note 14.

KEY MANAGEMENT COMPENSATION

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

	2007 £m	2006 £m
Salaries and other short term benefits	**5,954**	4,992
Pensions	**155**	272
Share based payments	**1,742**	673
	7,851	5,937

NOTES TO THE FINANCIAL STATEMENTS

30. TRANSACTIONS WITH RELATED PARTIES CONTINUED

INTER-COMPANY TRANSACTIONS WITH SUBSIDIARY UNDERTAKINGS

Group

London Stock Exchange plc

During the year the Company was charged by London Stock Exchange plc £11.4m (2006: nil) for interest payable on the inter-company loan. The Company charged London Stock Exchange plc £4.5m in respect of employee share schemes.

In January 2007 the Company received a dividend of £42.4m from its subsidiary, London Stock Exchange plc.

The amounts owed by the Company to its subsidiary London Stock Exchange plc is disclosed in note 19. The loan is for a term of 25 years and is repayable in five equal annual instalments commencing on the 21st anniversary of the first drawdown in May 2027. The loan bears interest at LIBOR plus 2 per cent.

London Stock Exchange Employee Benefit Trust

During the year the Company made loans to the London Stock Exchange Employee Benefit Trust to fund the acquisition of Group company shares to meet share award/option commitments to Group employees. The loans are not repayable and do not bear interest.

31.OTHER STATUTORY INFORMATION

Auditors' remuneration for the audit of parent company and consolidated accounts was £0.2m (2006: £0.2m). Other fees paid to PricewaterhouseCoopers LLP during the year were £0.7m (2006: £0.8m), including fees in respect of taxation advice £0.2m (2006: £0.2m) and corporate finance transactions £0.5m (2006: £0.6m).

Directors' emoluments comprise the following:

	2007 £000	2006 £000
Salary and fees	**1,499**	1,150
Performance bonus	**1,520**	1,255
Gains on exercise of share options	**155**	231
Benefits	**2**	2
	3,176	2,638
Contributions to defined contribution pension schemes	**44**	131
	3,220	2,769

During the year one director (2006: two) had retirement benefits accruing under defined contribution schemes and no director (2006: none) had retirement benefits accruing under a defined benefit scheme.

Further details of directors' emoluments are included in the Remuneration Report on pages 35 to 41.

FINANCIAL RECORD

	IFRS			UK GAAP[1]	
Income statement	**Year ended 31 March 2007 £m**	Year ended 31 March 2006 £m	Year ended 31 March 2005 £m	Year ended 31 March 2004 £m	Year ended 31 March 2003 £m
Revenue					
- Issuer Services	**63.2**	56.9	43.3	45.7	42.8
- Broker Services	**163.8**	125.5	100.6	94.7	87.5
- Information Services - ongoing	**105.9**	94.1	86.7	79.9	83.8
- Information Services - exceptional	**-**	6.4	-	-	-
- Derivatives Services	**9.3**	7.7	6.8	6.1	-
- Other income	**7.4**	6.9	7.0	10.7	11.8
Total revenue (see[2] below)	**349.6**	297.5	244.4	237.1	225.9
Operating expenses					
- operating expenses before exceptional items and goodwill amortisation[3]	**(164.0)**	(171.0)	(159.8)	(154.2)	(144.5)
- exceptional items	**(11.4)**	(41.1)	(6.8)	-	(11.6)
Operating profit before exceptional items and goodwill amortisation[3]	**185.6**	120.1	84.6	82.9	81.4
Profit before taxation	**161.5**	93.5	92.2	88.8	79.2
Profit for the financial year	**110.6**	66.8	64.5	63.1	52.4
Basic earnings per share	**50.5p**	27.8p	24.2p	21.6p	18.0p
Diluted earnings per share	**49.4p**	27.4p	23.9p	21.4p	17.8p
Adjusted basic earnings per share	**56.2p**	37.4p	24.2p	21.2p	20.8p
Balance sheet					
Non-current assets	**132.8**	137.6	154.1	197.9	148.9
Current assets	**134.3**	276.1	206.3	285.6	268.7
Current liabilities	**(329.4)**	(78.7)	(76.8)	(85.5)	(67.7)
Non-current liabilities	**(287.6)**	(46.2)	(47.3)	(32.3)	(37.9)
Net (liabilities)/assets	**(349.9)**	288.8	236.3	365.7	312.0
Cash flow					
Net cash flow from operating activities before exceptional items	**198.6**	145.9	100.9	105.4	74.8
Other information					
Operating margin before exceptional items and goodwill amortisation[2,3]	**53.1%**	41.3%	34.6%	35.0%	36.0%
Share price - high	**£13.50**	£11.90	£5.90	£3.83	£5.03
- low	**£10.00**	£4.49	£3.37	£2.80	£2.70
Total dividend per share declared in respect of financial year	**18.0p**	12.0p	7.0p	4.8p	4.3p

BASIS OF PREPARATION OF FINANCIAL RECORD

[1] Financial information for years ended 31 March 2003 and 2004 is presented under UK GAAP. In line with IFRS 1 paragraph 37, the Company has not restated financial information for periods prior to the date of transition to IFRS (1 April 2004). The main changes arising from the introduction of IFRS are in respect of goodwill amortisation, pensions, share-based payments, lease rentals, property depreciation and dividends.

[2] Analysis of revenue numbers for UK GAAP for years ended 31 March 2003-2004 exclude turnover from joint ventures, and reflect reclassifications between segments as reflected in the IFRS numbers.

[3] Operating expenses, operating profit, and operating margin before exceptional items all exclude goodwill amortisation in the UK GAAP numbers for years ended 31 March 2003-2004.

INVESTOR RELATIONS

SHAREHOLDER SERVICES

LLOYDS TSB REGISTRARS SHAREVIEW SERVICE

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

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

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you. If you have any problems in registering your portfolio for the Shareview services, please contact Lloyds TSB Registrars on 0870 600 3989.

EXCHANGE'S SHARE PRICE SERVICE

To obtain share price information for Exchange Group (and for the Exchange prior to the Scheme of Arrangement becoming effective on 15 May 2006), please see our website at: www.londonstockexchange-ir.com/

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

ALERTING SERVICE

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

SUBSTANTIAL SHAREHOLDERS

As at 16 May 2007 London Stock Exchange Group plc had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 198 to 208 of the Companies Act 1985 and from 20 January 2007 in accordance with the FSA's Disclosure and Transparency Rules:

Nightingale Acquisition Limited (a wholly-owned subsidiary of The NASDAQ Stock Market, Inc.)	30.0%
Bear Stearns International Trading Limited	12.0%
Kinetics Asset Management Inc./Horizon Asset Management Inc.	7.1%
Credit Suisse Securities (Europe) Limited/ Credit Suisse International	3.8%

FINANCIAL CALENDAR (PROVISIONAL)

AGM	11 July 2007
Q1 Trading Statement (revenues only)	11 July 2007
Ex-dividend date for final dividend	18 July 2007
Final dividend record date	20 July 2007
Final dividend payment	13 August 2007
Half year end	30 September 2007
Interim Results	November 2007
Q3 Trading Statement (revenues only)	January 2008
Financial year end	31 March 2008
Preliminary Results	May 2008

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

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