London Stock Exchange Group

International expansion. Diversification. Growth.

Annual Report

31 December 2014

Welcome to our annual report

Who we are

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

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

Post trade and risk management services are a significant part of the Group's business operations. In addition to majority ownership of multi-asset global CCP operator, LCH.Clearnet Group, the Group operates CC&G, the Italian clearing house; Monte Titoli, the European settlement business; and globeSettle, the Group's newly established central securities depository based in Luxembourg.

The Group is a global leader in indexing and analytic solutions. FTSE and Russell Indexes offer thousands of indices that measure and benchmark markets around the world. The Group also provides customers with an extensive range of real time and reference data products, including SEDOL, UnaVista, Proquote and RNS.

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

Since December 2014, the Group has owned Russell Investments, an investment management business.

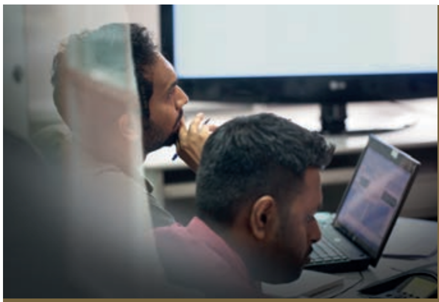
Headquartered in London, with significant operations in North America, Italy, France and Sri Lanka, the Group employs approximately 4,700 people.

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

www.lseg.com

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS
Telephone +44 (0)20 7797 1000

Registered in England and Wales
No. 5369106



STRATEGIC REPORT

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

Sign-off for the Strategic Report is provided in the Directors' Report on page 112

GOVERNANCE

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

GROUP FINANCIAL STATEMENTS

Detailed financial information setting out our performance for the reported 9 month period and financial position at year end.

SHAREHOLDER INFORMATION

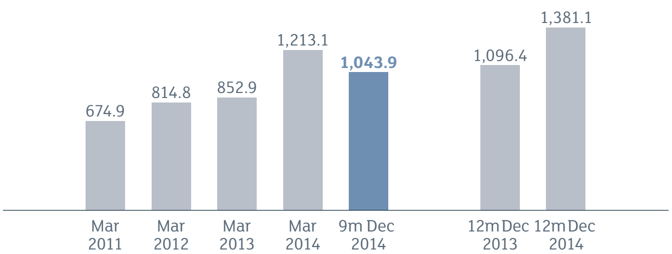
A glossary of terms used in this report and other information for shareholders.

Financial highlights

The Group has changed its financial year end to 31 December. As a consequence, this report shows audited results for 9 months to 31 December 2014. To provide further insight, we also show information on a calendar 12 month basis (unaudited).

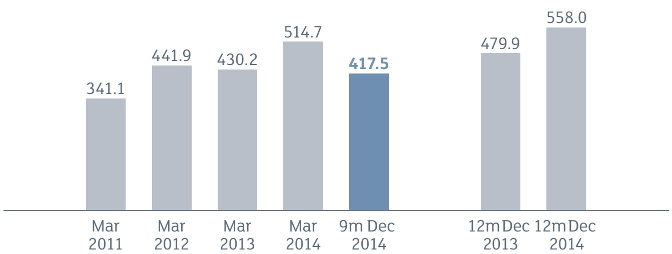
Adjusted total income*

£ million



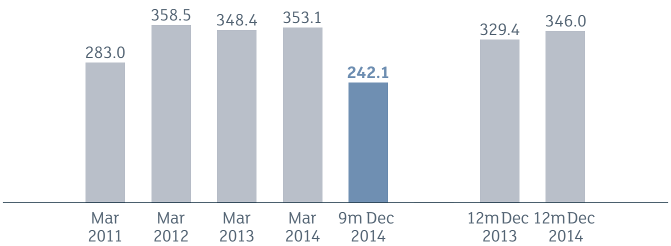
Adjusted operating profit*

£ million

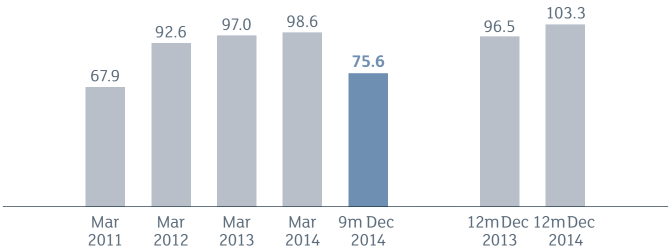


Operating profit

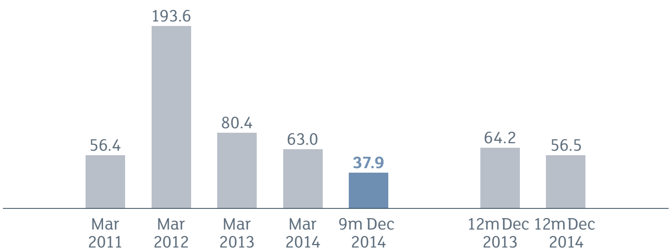
£ million



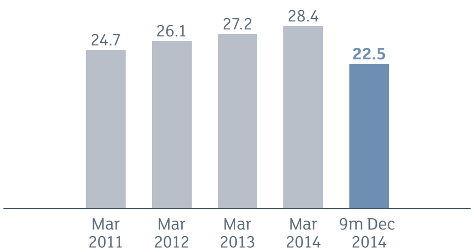
Adjusted earnings per share (pence)*



Basic earnings per share (pence)*



Dividends per share (pence)*



Period ended	9 months Dec 2014	12 months Mar 2014	12 months Dec 2014 unaudited	12 months Dec 2013 unaudited	12 months Dec Variance %
Adjusted total income*	**£1,043.9m**	£1,213.1m	£1,381.1m	£1,096.4m	26%
Adjusted operating profit*	**£417.5m**	£514.7m	£558.0m	£479.9m	16%
Operating profit	**£242.1m**	£353.1m	£346.0m	£329.4m	5%
Adjusted profit before tax*	**£368.2m**	£445.9m	£491.7m	£412.7m	19%
Profit before tax	**£191.0m**	£284.3m	£277.9m	£262.2m	6%
Adjusted basic earnings per share*	**75.6p**	98.6p	103.3p	96.5p	7%
Basic earnings per share	**37.9p**	63.0p	56.5p	64.2p	(12%)

* London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. Adjusted operating profit, adjusted total income, adjusted profit before tax and adjusted basic earnings per share all exclude amortisation and impairment of purchased intangibles and goodwill, non-recurring items and unrealised losses/gains at LCH.Clearnet (£0.1 million gain in the 9 months to December 2014, £3.5 million loss in 12 months to March 2014, £0.5 million loss in 12 months to December 2014 and £2.9 million loss in 12 months to December 2013). Adjusted earnings per share and dividends have been restated for the year ended 31 March 2014, and prior years, for the September 2014 rights issue.

Operational highlights

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

Capital Markets

- Revenues for calendar year 2014 increased by 12 per cent to £333.2 million (2013: £296.8 million). Primary Markets saw a seven year high in new issue activity with 219 new companies admitted, including AA, the largest UK capital raising IPO of the year
- UK cash equity average daily value traded increased 15 per cent and average daily number of trades in Italy increased 16 per cent
- Average daily value traded on Turquoise, our European cash equities MTF, increased 42 per cent to €3.7 billion per day and share of European trading increased to over 9 per cent
- In Fixed Income, MTS cash and BondVision value traded increased by 32 per cent, while MTS Repo value traded increased by 3 per cent

Post Trade Services – CC&G and Monte Titoli

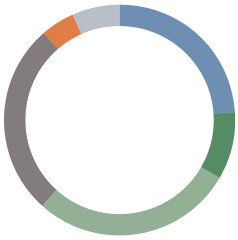
- Revenues for calendar year 2014 increased by 3 per cent in constant currency terms. In sterling terms revenues declined by 2 per cent to £96.5 million
- CC&G cleared 69.7 million equity trades, up 16 per cent and 39.0 million derivative contracts up 20 per cent
- Monte Titoli is the largest CSD entering the first wave of TARGET2-Securities from June 2015. Successful testing with the European Central Bank finished in December 2014. In addition, Monte Titoli moved settlement of contracts executed on the Italian market from T+3 to T+2 in October 2014
- globeSettle, the new CSD in Luxembourg, has utilised Monte Titoli's expertise to commence operations

Post Trade Services – LCH.Clearnet Group

- LCH.Clearnet's adjusted income* for the calendar year 2014 was £389.4 million, up 24 per cent on a pro forma constant currency basis. LCH.Clearnet received EMIR reauthorisation for the UK and France businesses
- SwapClear, the world's leading interest rate swap clearing service, cleared $642 trillion notional, up 26 per cent
- Compression services at SwapClear reduced level of notional outstanding, from $426 trillion to $362 trillion
- LCH.Clearnet Limited was granted clearing house recognition in Canada and Australia
- Clearing of commodities for the London Metal Exchange ceased in September 2014 as expected
- RepoClear, one of Europe's largest fixed income clearers, cleared €73.4 trillion in nominal value, up 1 per cent

Group Adjusted Total Income by segment*

£ million



	9 months to 31 Dec 2014	12 months to 31 Dec 2014 unaudited
Capital Markets	249.1	333.2
Post Trade Services CC&G and Monte Titoli	94.7	129.1
Post Trade Services LCH.Clearnet	284.6	389.4
Information Services	281.0	373.0
Technology Services	47.3	66.0
Other (including Russell Investment Management)	87.2	90.4

Information Services

- Revenues for calendar year 2014 increased by 10 per cent to £373.0 million, with good growth from FTSE and other information products
- The Group completed the acquisition of Frank Russell Company in December 2014. Russell Indexes contributed £10.0 million revenue for the period from acquisition date
- FTSE increased its China offering, with continued development of the FTSE China Index series, the leading benchmark for Chinese linked ETFs
- FTSE published a statement of compliance with the IOSCO principles, committing to best global practice standards
- Real time data revenue declined 11 per cent to £84.3 million. Other Information Services products performed well, with revenues up by 14 per cent to £91.9 million
- UnaVista, our award winning matching, validation and reconciliation platform increased its user base to over 33,000 and processed 1.4 billion trades on its MiFID transaction reporting service, up 40 per cent

Technology Services

- Revenues for calendar year 2014 increased 6 per cent to £66.0 million
- MillenniumIT will provide Aequitas Innovations Inc., Canada's new stock exchange, with a suite of capital markets technology products
- Casablanca Stock Exchange (CSE) selected MillenniumIT trading and market surveillance technology and other Group services including ELITE and RNS

Other

- Following a review of the investment management part of the recently acquired Frank Russell Company, the Group announced the intended sale of this business in 2015

To aid comparison purposes, income and KPIs are all on a 12 month calendar year basis, 12 month income unaudited.
* Adjusted income relates to 12 months for 2014, and since acquisition (8 months) for 2013. Excludes unrealised gain/loss.

Overview of Group activities

London Stock Exchange Group is a diversified international market infrastructure and capital markets business, incorporating London Stock Exchange, Borsa Italiana, FTSE International, Russell Indexes, MillenniumIT and LCH.Clearnet. The information below and on pages 6-7 provides an outline of our business model and core activities. Income by segment is shown for 12 months to December 2014. Income by segment for the 9 month reported period can be found on page 23 in the segmental review.

TOTAL INCOME CONTRIBUTION | SUB-SEGMENT | MAIN TYPES OF REVENUE

CAPITAL FORMATION

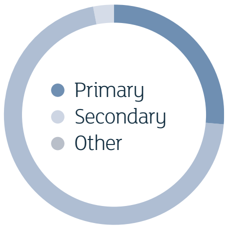
Capital Markets

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

Group total income: **24%**

£333.2m

2013: £296.8m



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

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

RISK AND BALANCE SHEET MANAGEMENT

Post Trade Services CC&G and Monte Titoli

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

Group total income: **9%**

£129.1m

2013: £157.9m

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

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

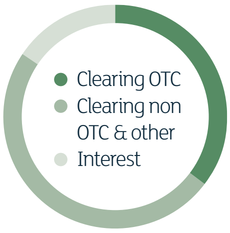
Post Trade Services LCH.Clearnet

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

Group total income: **28%**

£389.4m

2013 (8 months): £220.4m



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

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

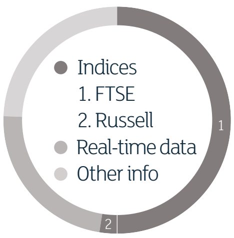
Information Services

We provide a wide range of information and data products including indices and benchmarks, real-time pricing data, coding and post trade analytics, reporting and reconciliation services.

Group total income: **27%**

£373.0m

2013: £339.5m



Indices – FTSE & Russell
- Subscription fees for data and analytic services
- Licence fees for passive funds and derivatives tracking indices

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

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

INTELLECTUAL PROPERTY

Technology Services

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

Group total income: **5%**

£66.0m

2013: £62.2m

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

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

Note: Other income £90.4 million (7% of Group total income), of which £79.7 million (6%) relates to Russell Investment Management (it is our intention to sell this business). Group total income of £1,381.1 million is shown on an adjusted basis and is unaudited.

CUSTOMER PROFILE	HIGHLIGHTS	KPIs
Primary Companies from 69 countries around the world have come to our markets to raise money for growth, together with issuers of bonds, ETFs and other instruments **Secondary** Banks and brokers worldwide, trading on the Group's equities, derivatives and fixed income trading platforms	**Primary** 219 new companies joined our markets in the year, including 40 international companies	Number of companies on our markets **2,752** (2013: 2,736) Capital raised by new and further issues **£42.6bn** (2013: £30.4bn)
	Secondary Share of order book trading remained stable during the year at 65.5 per cent in UK equities and 83.0 per cent in Italian equities MTS cash and BondVision fixed income volume traded up 32 per cent Turquoise average daily value traded increased by 42 per cent	Average order book equity value traded per day in London **£4.6bn** (2013: £4.0bn) Average number of equity order book trades per day in Italy **264,000** (2013: 227,000)
CC&G 154 members, mainly banks and brokers, over 40 per cent of which are based outside Italy **Monte Titoli** Wide range of Italian and international banks and brokers for both on market and OTC trades. Issuers of equity and fixed income products (Italian and international)	**CC&G** Clearing of equity and derivatives volumes increased by 18 per cent	Number of equity and derivative contracts cleared **108.7m** (2013: 92.5m) Average initial margin held **€9.9bn** (2013: €11.6bn)
	Monte Titoli International CSD, globeSettle, launched, clients include JP Morgan, LCH.Clearnet, CC&G and CME Clearing Europe Settlement rate of 99.2 per cent of trades	Settlement instructions handled **64.8m** (2013: 56.8m) Monte Titoli's custody assets under management **€3.35tr** (2013: €3.30tr)
Clearing services A wide base of banks, brokers and fund manager firms worldwide for OTC derivatives and listed equity, derivatives, fixed income and commodities	**Clearing services** SwapClear Compression services enhanced with resulting first ever annual drop in OTC IR derivatives notional outstanding LCH.Clearnet was named Risk Magazine's 2015 Clearing House of the Year EMIR reauthorisation achieved for UK and France based clearing services	Nominal value of fixed income cleared **€73.4tr** (2013: €72.8tr) Number of SwapClear members **114** (2013: 103) Average cash collateral held **€47.1bn** (2013: €39.4bn) SwapClear notional cleared **$642tr** (2013: $508tr) SwapClear notional compressed **$292tr** (2013: $97tr)
Indices – FTSE & Russell Asset managers, active and passive buy-side firms and trading venues **Real-time data** Direct to trading firms and via service providers, such as Bloomberg and Thomson Reuters, that incorporate our data with other information **Other information** Our customers vary based on the service provided, including fund managers, traders, retail brokers and market makers	**FTSE** FTSE China is widely regarded as the leading benchmark for Chinese linked ETFs	ETF assets benchmarked to FTSE indices **$216bn** (2013: $186bn)
	Russell Russell Indexes acquired December 2014, significantly extends the Group's footprint in the US	ETF assets benchmarked to Russell indices **$153bn** (2013: $129bn)
	Real time data Direct billing, enterprise licence and non-display tariff initiatives **Other information** UnaVista increased its user base from 18,000 to over 33,000 in the last year	Number of professional terminals taking Group data (76,000 London data; 131,000 Italian data) **207,000** (2013: 211,000) UnaVista number of MiFID transaction reports processed **1.4bn** (2013: 1.0bn)
MillenniumIT London Stock Exchange Group divisions, other exchange groups and capital market clients, banks, IT and large Sri Lankan companies **Technology** Banks, trading firms and depositories in Europe, North America, Africa and Asia-Pacific region	**MillenniumIT** Selected by Aequitas Exchange and Casablanca SE to provide technology	Number of customers using Millennium IT capital markets software **41** (2013: 37)
	Technology Consolidation of Group data centres and launch of FTSE prime low latency service	Availability of UK equity market during the year **100% uptime** (2013: 100%)

To aid comparison purposes, income and KPIs are all on a 12 month calendar year basis (LCH 2013 since acquisition – 8 months).

What we do: our business model

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

Key

Contribution to Group adjusted income (for 12 months calendar 2014)

- **24%** Capital Markets
- **9%** Post Trade Services – CC&G and Monte Titoli
- **28%** Post Trade Services – LCH.Clearnet
- **27%** Information Services
- **5%** Technology Services
- **7%** Other*

How we add value

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

* Other income includes 6 per cent Russell Investment Management, and 1 per cent sub-let rental income.

CAPITAL FORMATION

Capital Raising – Primary Markets

Our central function is to bring together companies and others seeking capital with investors from around the world. Finance is raised on our markets through:
- Equity issuance
- Debt issuance

Markets:
London – Main Market; Professional Securities Market; Specialist Fund Market; AIM; Order Book for Retail Bonds (ORB); High Growth Segment
Borsa Italiana – MTA Main Market; AIM Italia – MAC; MOT
ELITE – Fast track development programme for high growth private companies

Information Services

We provide a wide range of information and data products including indices and benchmarks, real-time pricing data, coding and post trade analytics, reporting and reconciliation services.

Services:	Provided by:
Indices/analytics	FTSE, Russell Indexes
Real-time data (prices/trading data)	LSE, Borsa Italiana, Proquote, BIt Market Services
Specialist services:	
Reference data	SEDOL
Transaction reporting/ trade matching	UnaVista
Regulatory news	RNS

INTELLECTUAL PROPERTY

INVESTMENT MANAGEMENT

On 5 February 2015, LSEG announced that it was exploring the sale of Russell Investment Management, part of the group of businesses acquired in 2014. Consequently, the investment management activities are not included in the business model on these pages.

Need help?
Like any industry, capital markets have their own language. For that reason, we have included a glossary on pages 164-165.

RISK and BALANCE SHEET MANAGEMENT

Trading – Secondary Markets

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

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

Post Trade

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

Services:	Provided by:
Central counterparty (CCP) clearing services	LCH.Clearnet (UK, France and US) CC&G (Italy)
Settlement	Monte Titoli (Italian CSD), globeSettle (CSD in Luxembourg)
Custody, collateral management and asset services	

Technology Services

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

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

Market position and outlook

Through its three core business activities: capital formation, risk and balance sheet management and intellectual property, the Group supports economic growth by providing infrastructure to facilitate effective and safe global capital markets as well as the creation of new products and services. Our customers range from the world's largest financial institutions to individual investors. Whatever their size, today they share exposure to a dynamic investment landscape shaped by ongoing shifts in global geopolitics.

Capital Formation

— Access to primary sources of equity and debt finance for companies of all sizes from all over the world

— Secondary markets for price formation and trading

Risk and Balance Sheet Management

— Post trade services to mitigate counterparty risk, maximise capital efficiencies for customers, support the safe transfer of securities and optimise cash flows for efficient collateral management

— Technology and analytics to support efficient processes and meet regulatory requirements

Intellectual Property

— Market data, indices, analytics and information services to increase knowledge and transparency in support of trading and investment decision making

— Technology solutions to enable customers and markets to operate reliably, securely and efficiently

At the end of 2014, LSEG's market capitalisation was £7.7 billion, up 64% over the 9 month period. Central to our continued success is a deep understanding of our customers; this gives us the ability to anticipate needs and respond effectively with trusted and efficient international capital markets infrastructure services in increasingly regulated markets. Our review of the environment in which LSEG operates takes into account the underlying factors affecting customers, including the global economic, political and regulatory environment within which they and we are operating.

Economic and political landscape for LSEG businesses

Broadly, the trends impacting LSEG's business are not significantly different from our last report. A number of major economies in which the Group operates, including the US and UK, have shown signs of accelerating recovery in 2014; however, economic growth globally remains uneven with historically low interest rates and continued uncertainty. These mixed signals and associated ongoing volatility impact LSEG businesses in varying ways dependent upon their customer and geographic profile and their revenue model.

The ongoing diversification of the Group's revenue base and the increased exposure to the US through the acquisition of Frank Russell Company reduces the Group's exposure to market and liquidity risks and to European economic factors. In 2015, the relative economic strength of the US is expected to drive the dollar higher against other currencies, negatively affecting the euro in particular. The benefits in respect of the Group's increased US dollar revenues is expected to offset to an extent the negative impact of currency movements in Europe.

As the home for over 50% of the world's invested assets, the US provides significant opportunities for LSEG businesses to benefit from universal growth drivers such as the switch to passive investment and increasing demand for direct buy-side access to trading and clearing. Our recent investment in building LCH.Clearnet's and MTS' presence in the US and in expanding our index offering seeks to capitalise on these trends.

In the eurozone, variable speeds of economic growth and political divergence between countries mean that policymakers face additional challenges in their efforts to restore growth. Quantative easing (QE)-induced depreciation is expected to impact revenue generated by LSEG's European operations. At the same time, the increase in bond issuance will benefit our fixed income businesses, such as MTS and also FTSE, which has multi-asset coverage.

In the UK, the outcome of the pending General Election may affect business and some of LSEG's core customers and we will continue to monitor closely any new political policies and initiatives.

LSEG remains committed to supporting customers throughout European capital markets, including smaller companies who require access to capital to drive broader economic growth. We believe the current evolving market environment presents a range of opportunities for innovative new infrastructure services as we help customers to manage the unprecedented change and increased business management challenges. At the same time, the headwinds described above, combined with the sheer volume of regulatory change, will require our businesses to adapt to new environments and challenges through careful planning and prudent investment.

Impact of regulation

The broader and deeper regulation we have seen globally since the financial crisis creates challenges and additional costs for LSEG customers. Banks, in particular, are increasingly facing the need to cut operational costs, optimise capital usage and collateral management processes and significantly upscale their risk management and governance approach. The provision of solutions to support customers in navigating these challenges creates opportunities for Group companies to innovate and to develop new products and services. In particular, our risk management and index businesses, focused on transparency and efficiency, are well positioned to tap into emerging customer needs for their services. This is seen in the growth of businesses such as SwapClear, FTSE, Russell Indexes and UnaVista.

Further details on regulatory changes which impact LSEG are included later in this section.

Primary Markets

2014 was the best year for global equity underwriting since 2007 with total deals recorded at more than US$890 billion. This is reflected in the healthy IPO market seen in London in 2014, with 138 IPOs raising £16.9 billion. London Stock Exchange ranked second globally both in terms of number of IPOs and total money raised. We continue to look to actively promote equity issuance across our markets; however, given the macro-economic environment, we expect the 2015 rate of issuance to be slower than 2014.

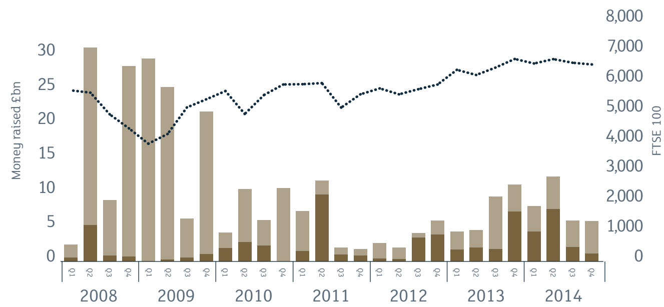
Trading/Secondary Markets

The divergence in central bank rate-setting and monetary policies across the major world economies has been a catalyst for increased trading and hedging activities. The impact of this can be seen in the 'search for yield', exemplified by investors turning to equities as the combination of lower bond yields, subdued commodity prices and low inflation reduce overall returns. This is a positive trend for LSEG trading and clearing volumes.

London Stock Exchange money raised – 2008-2014

£ billion

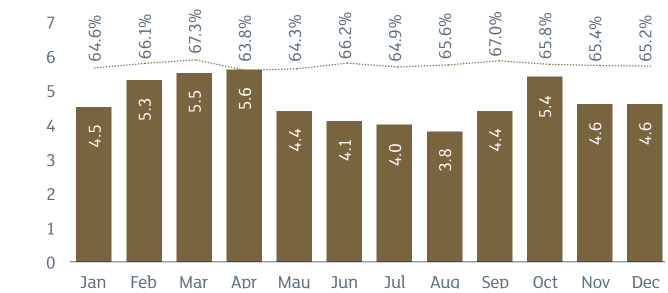
new issues – money raised · further issues – money raised · FTSE 100



London Stock Exchange order-book value traded 2014

£ billion

LSE daily value traded · LSE share of lit trading



FTSE 100 2014

FTSE MIB 2014

Market position and outlook continued

European Central Bank (ECB) monetary easing actions will be a key determinant in supporting confident eurozone markets, including Italy, in which LSEG has operations. If successful in this respect, we anticipate a positive impact on equity volumes, which could in turn benefit our Italian and pan-European cash equity and derivatives businesses.

The volatility shifts in the trading environment combined with increased regulation, long-term financial pressures arising from the crisis and the evolving requirements of their customer base is fundamentally impacting the business models of the global banks who are among LSEG's largest customers. This has resulted in continued de-leveraging and balance sheet right-sizing. These customers are therefore increasingly looking at efficiencies including automation of processes across the trade life cycle, and this is leading to a greater number of electronic matching platforms for clients being rolled out (especially in the fixed income space).

LSEG trading venues, in particular Turquoise, our multilateral trading facility (MTF), and MTS Markets, the international electronic fixed income trading platform, offer efficient solutions to clients to support liquidity discovery across both equities and fixed income and are well positioned to benefit from this trend. Turquoise Block Discovery, introduced in 2014, is an example of innovation driven by the need to provide greater trading transparency and access to liquidity through electronic execution tools.

Post Trade

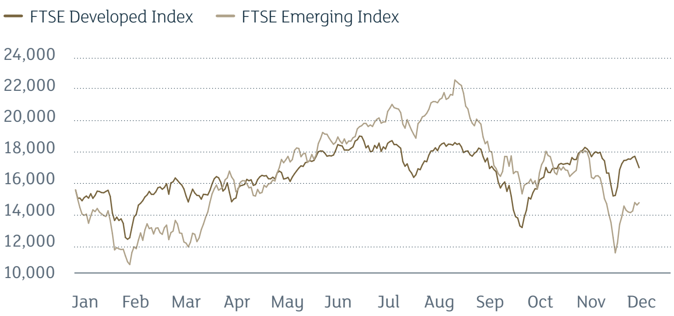
The impact of much of the ongoing regulatory change has increased pressure on banks to manage collateral and capital efficiently. LCH.Clearnet, a leading global central clearing counterparty (CCP), has invested in a number of service developments to increase efficiencies for clearing members and their clients, such as the compression solution offered by LCH.Clearnet's SwapClear.

2015 will see the start of the implementation of mandatory central clearing of swaps in Europe. SwapClear is a key beneficiary of this requirement with the value of notional cleared increasing 26% to over $640 trillion in 2014. SwapClear is the leading global provider of swap clearing services and seeks to maintain this position through the provision of key services such as compression and the development of portfolio margining for the benefit of customers.

Acknowledging the systemic importance of CCPs, policymakers are now focused on recovery and resolution in the event of failure. LCH.Clearnet and CC&G are actively contributing to these discussions.

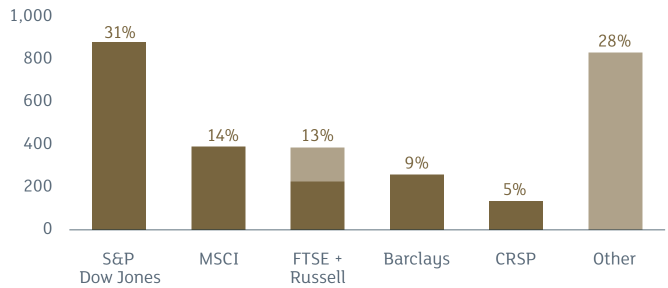
The ECB's Target2-Securities (T2S) is an initiative to create a single European platform for the settlement of securities which is due to go live in June 2015. By centralising and harmonising settlement and custody practices at a European level, T2S is also expected to help market participants manage

FTSE global equity indices performance 2014



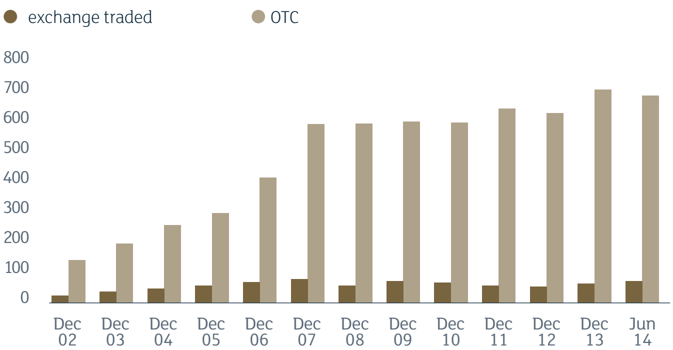
Top 5 index providers ETF AUM benchmarked

US$ billion. Source: ETFGI as at December 2014



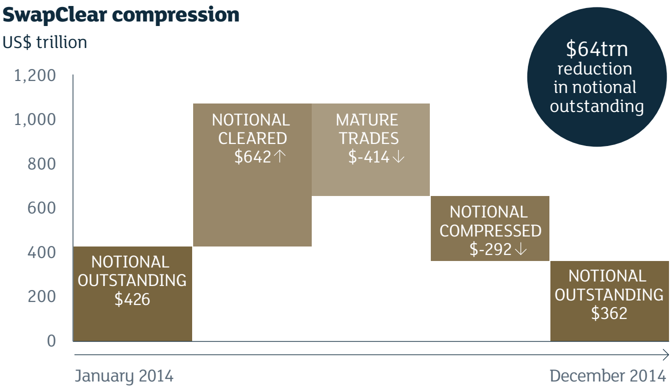
Global notional outstanding of exchange traded vs OTC derivatives

US$ trillion Source: BIS



SwapClear compression

US$ trillion



their collateral in a more cost-effective and operationally safer way. Monte Titoli, LSEG's Central Securities Depository (CSD), will participate in the first wave of migration to the T2S platform, and will be able to offer its services across Europe, with customer benefits to be seen in 2015 and beyond. In addition, globeSettle, the Group's Luxembourg-based CSD, will provide settlement, custody and a broad range of asset services to customers, allowing the Group to expand its post trade services across Europe.

Information Services

Asset owners and fund managers continue to face challenges in delivering the returns they need to fund increasing liabilities in the institutional space and to compete effectively on both cost and returns in the retail market. In response to the need to keep costs down and to manage risk, the well-documented increase in deployment of passive strategies such as 'smart beta' and use of index tracking funds, such as Exchange Traded Funds (ETFs), creates opportunity for increased revenue from product and data licensing for FTSE and Russell Indexes. The parallel globalisation in investment strategies and diversifying asset allocation strategies creates opportunities for new products such as FTSE's REITs indices which are enjoying good levels of customer take-up.

At the close of 2014, FTSE and Russell Indexes had combined ETF assets under management (AUM) benchmarked of US$372 billion, ranking third globally. In the important US segment, FTSE and Russell Indexes together ranked second by ETF AUM. Net new inflows to FTSE and Russell-based US ETFs totalled US$30 billion in 2014, showing continuing and growing interest in those products from US investors and issuers. The success of the Group's index businesses in the ETF space also delivers synergies with LSEG, which continues to be the leading venue for ETF and other ETP trading in Europe by turnover, with over £450 million average daily value traded in 2014.

Cost pressures continue to be seen in the sell-side, with customers automating trading and reducing data costs. Professional terminals displaying LSEG real-time declined from 211,000 at the end of 2013 to 207,000 in 2014 directly as a consequence of this.

The increasing regulation of indices, benchmarks and market data is also being seen with the objective of increasing transparency and access. FTSE and Russell Indexes have been leading exponents of index regulation and strong governance, with FTSE issuing in 2014 a statement of compliance with respect to the IOSCO principles for Financial Benchmarks. FTSE and Russell Indexes expect to publish a joint statement in 2015; these businesses are therefore able to continue to meet index customer requirements as regulation is introduced.

Regulatory change is a key growth driver for LSEG's software services, such as UnaVista, whose EMIR trade repository service saw the number of transactions processed reaching over 1.7 billion in 2014, after the service was launched in February. With its flexible and responsive software, UnaVista is well-positioned to grow further as it builds out additional solutions for regulatory reporting, trade confirmation and reconciliation.

Technology

As noted, the changing regulatory landscape brings with it an increasing need for automation, technological resilience, surveillance and efficiency among LSEG's customers. The flexible, low-cost development models of the Group's core technology businesses, including MillenniumIT and GATELab, are therefore equipped to respond in support of customer and internal requirements.

Outlook

As volatility and increased regulation continue to be defining factors in financial markets, we do not see the broad market landscape changing significantly in the next 12 months. In 2015, we expect greater clarity on the impact of European regulation on a number of LSEG businesses with progress expected in several key areas. We see significant opportunities arising from the acquisition and integration of Russell Indexes to deliver revenue growth and to expand our US presence. Furthermore, businesses including SwapClear, MTS and the wider Information Services Division can benefit from leveraging the shared customer relationships in North America. We also see future opportunities for business growth in Asia as we continue to develop our information services offering, and in emerging markets through partnerships such as the agreement with Borsa Istanbul in early 2015.

In the year ahead, the priorities for the Group are to integrate Russell Indexes with FTSE and to start to deliver the synergies and cost savings resulting from the combination. We will also continue to focus on the delivery of further cost savings and growth initiatives at LCH.Clearnet. Alongside, the Group will be focused on responding to the opportunities and managing the risks associated with increased regulation. Following a comprehensive review of the business, we are exploring a sale of the Russell Investment Management business in its entirety. We are also prioritising the development of our corporate responsibility (CR) strategy by investing in the ingredients for the sustainable success of our business: our people, customer relationships, our services and in playing a positive role in the communities in which we operate.

Regulatory landscape

Regulatory change continues to have an impact on the global markets in which we operate. As a global group, most of our activities are subject to regulation on a domestic and/or supranational basis.

We monitor proposed regulatory changes, engaging with policy makers and regulators to help influence and structure legislation in a way that we believe best delivers the optimum outcome in terms of efficiency and transparency. The regulatory changes detailed below have been implemented or are moving towards implementation phase. However, it remains difficult to fully quantify their impact or to predict the eventual effect on the markets with any certainty.

Looking ahead, there is a sense that, in Europe at least, the regulatory reform agenda is moving into a phase of consolidation and review, allowing for an agenda promoting economic growth, jobs and stability.

G20 goals

Efforts have continued over the past year to implement the G20 commitment to strengthen the regulatory framework for OTC derivatives. In Europe and the US, derivatives transactions are now subject to trade reporting obligations; mandatory clearing of certain derivatives contracts is in place in the US and Japan, and mandatory trading has begun for certain derivatives transactions under CFTC rules in the US. ESMA has also consulted on various clearing obligations in Europe.

Market position and outlook continued

MiFID Implementation

In the context of regulatory impacts, we would note that we are assuming there will be a sizeable implementation impact arising from MiFID and MiFIR, in terms not only of the Regulatory Technical Standards and Delegated Acts currently being developed by ESMA/the European Commission, but also the implementation of aspects of the Directive by Member States in national legislation and likely domestic rulemaking by National Competent Authorities.

The broad scope of MiFID 2 across a range of issues (including investor protection, equity and non-equity market transparency and trading structures, trading venue obligations, Consolidated Tape and data publication requirements, changes to market microstructure (HFT/algo trading, Direct Electronic Access, Tick Sizes), increased scope of transaction reporting, the new SME Growth Market regime, the access provisions affecting trading venues, clearing houses and benchmarks providers, the position management requirements for commodity derivatives) is likely to mean that almost all aspects of Group operations will be affected to some degree by MiFID Implementation, in relation to technology systems, process and/or rules. There will be a similar impact, to varying degrees, on most of the Group's users and customers, all of whom will have to ensure they are 'MiFID Compliant' by January 2017.

At this stage, it is difficult to quantify the nature and scope of the impact on the Group and we will be working on developing a better understanding and a detailed implementation project in the coming months, in good time for effective implementation. We assume others across the market in the EU will be doing likewise.

European Union
Relevant Regulatory Developments

Following political agreement at Level I on MiFID/MiFIR, MAD/MAR and CSDR, regulators have been focused on developing the necessary Level II measures (so-called Technical Standards and Delegated Acts). Implementation is expected over the course of 2016 and early 2017 in the case of MiFID/MiFIR.

- MiFID/MiFIR (Markets in Financial Instruments Directive/Regulation) contains a broad range of market structure measures, aimed at promoting the integration, competitiveness and efficiency of EU financial markets. Key changes include non-discriminatory open access to trading venues and CCPs; the introduction of SME Growth Markets; the extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives; and increased regulatory requirements for high frequency trading strategies and algorithmic trading
- CSDR (Central Securities Depository Regulation) brings in measures to harmonise the authorisation and operation of central securities depositories and certain aspects of securities settlement in the EU, including settlement periods and settlement discipline. A shorter settlement cycle of T+2 was introduced in the UK and EU in October 2014, with full dematerialisation expected by 2025. CSDs will benefit from uniform requirements for licensing and from an EU-wide passport, which will help remove existing barriers of entry and promote competition, presenting both opportunities and risks to the Group
- MAD/MAR (Market Abuse Directive/Regulation) has been expanded to include securities and derivatives traded on any trading venue and platform, and now covers the manipulation of both benchmarks and carbon emission allowances

Banking Union

Further progress has been made in establishing a Banking Union in the EU which comprises: (1) a Single Supervisory Mechanism (SSM) to monitor the health of eurozone banks; (2) a Deposit Guarantee Scheme (DGS) to protect depositors; and (3) a Single Resolution Mechanism (SRM) to take action where a bank in the SSM must be closed or restructured.

Ongoing Measures

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

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

Future Measures

During 2015 the European Commission plans to bring forward a legislative proposal for a Recovery & Resolution framework for CCPs. The Commission has also launched a consultation on measures that would underpin a framework for Capital Markets Union. These measures may affect Group activities to some extent.

T2S

T2S (TARGET2-Securities), a project led by the ECB (European Central Bank), aims to facilitate cheaper cross-border settlement across Europe. Migration to T2S will take place in phases, with Monte Titoli participating in the first phase in June 2015.

Regulatory Structure
US

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

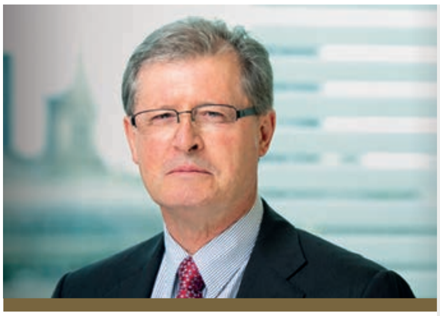
In the Principal Risks and Uncertainties section (page 54), we set out the potential implications for the expanded Group of the key measures we have identified.

Overview of regulatory landscape

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

LSEG DIVISION & BUSINESS AREA	LEGISLATION/MEASURE	SCOPE
Capital Markets		
Primary markets	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— SME (Small and Medium-Sized Enterprises) Growth Market proposals to support SME funding and markets
Secondary (trading) markets	Financial transaction tax (FTT) non UK but in Italy and France. Commission proposal under negotiation	— To impose transaction tax on equity, bond and derivatives trades that involve one financial institution with its headquarters in the EU FTT zone
	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Non-discriminatory open access to trading venues and CCPs — Extension of pre and post trade transparency to non-equity asset classes, including bonds and derivatives — Increased regulatory requirements for high frequency trading strategies and algorithmic trading — Additional organisational, transparency and market surveillance requirements for trading venues — Platform trading obligation for shares and OTC derivatives
	MAD/MAR (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Index manipulation and non-listed issues within Market Abuse regime
Post Trade		
CCPs	EMIR (Level II under implementation)	— Mandates CCP clearing for a wide range of eligible derivatives contracts — Mandates the reporting of derivative trades to Trade Repositories — Establishes harmonised requirements for CCPs and Trade Repositories, so that they can demonstrate safety, soundness and efficiency
	EC regime for recovery and resolution for CCPs (awaiting Commission proposal)	— Commission likely to propose recovery and resolution measures in 2015 for CCPs — May provide regulators with expanded powers to intervene at an early stage, including the power to require an entity to implement measures under its recovery plan — Authorities will also be provided with wide range of resolution tools
Settlement Monte Titoli	CSDR (political agreement reached at Level I agreed; work on technical aspects, Level II – under way)	— Measures to harmonise: – the authorisation and operation of central securities depositories – certain aspects of securities settlement in the EU, including settlement periods and settlement discipline
	T2S (ECB project)	— Monte Titoli signed the ECB's Framework Agreement, reconfirming its positioning in the 'first wave' of the project aimed at facilitating cheaper cross-border settlement across Europe — The implementation date for phase 1 has now been set for June 2015
Information Services		
FTSE	Benchmark Regulation – (Commission proposal under negotiation)	— Regulation of specified benchmarks/indices
	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Access under MiFIR Art 37 requires non-exclusive licensing of benchmarks
Market data	MiFID (political agreement reached at Level I; work on technical aspects, Level II – under way)	— Post trade consolidated tape (CT) — Introduction of requirements for harmonised post trade data reporting to enable consolidated tape and data provision on a 'reasonable commercial basis'

Chairman's statement



Chris Gibson-Smith
Chairman

"THE GROUP IS IN A STRONG POSITION, AND CONTINUES TO BE AS RELEVANT AS EVER TO THE SUCCESSFUL FUNCTIONING OF THE GLOBAL ECONOMY AND THE STABILITY AND EFFICIENCY OF THE INTERNATIONAL FINANCIAL SYSTEM."

Overview

London Stock Exchange Group has continued its strategy of expanding its global presence and business footprint while delivering growth, both through acquisition and organically. We have reaped the benefits of recent acquisitions, LCH.Clearnet and FTSE, and have strengthened our position as a key facilitator of capital formation with resurgent IPO markets in London and Italy, helping companies raise over £42 billion during the course of the year.

In December 2014, we successfully completed the acquisition of Frank Russell Company, a strong strategic acquisition for LSEG and a rare opportunity to acquire a high quality US business with a leading global brand. The combination of FTSE and the Russell index businesses will give our Group a leading global index franchise, strongly positioned to capitalise on key industry trends such as growth in passive investment strategies, and will provide an excellent platform for attractive financial returns.

Financial performance and dividend

The Group delivered a good financial performance, with adjusted income on a 12 month basis up 26 per cent to £1,381.1 million. Adjusted operating profit rose 8 per cent, on an organic and constant currency basis, to £558 million. LSEG's delivery on its stated strategy is also reflected in the Group's share price performance, which reached a record high during 2014. A rights issue to partially fund the purchase of Frank Russell Company was successfully completed in September, expanding the number of shares in issue to 347 million. Given the change in the Group's accounting reference date to 31 December, we are proposing a final dividend of 12.8 pence per share. This results in a total dividend of 22.5 pence per share for the 9 month period, equivalent to 75 per cent of the dividend that would have been paid for a full 12 month period. The final dividend will be paid to shareholders on the register as at 8 May 2015.

Corporate responsibility

We remain acutely aware of the wider role that our organisation plays in the communities in which we operate, and as a participant in the global economy. The Group's approach to corporate responsibility is founded on four pillars that are directly linked with the way we operate as a business: namely our markets, our services, our people and our community. In June 2014, LSEG joined the UN Sustainable Stock Exchanges Initiative as a partner exchange where we collaborate with peers to promote sustainable business practices and corporate transparency.

The wider role our business plays in society remains a key focus across the Group. In the past nine months, the Group donated over £1.5 million, a 21 per cent increase on the equivalent pro rated period last year. This is in addition to ongoing initiatives which individual employees undertake in conjunction with our partner charities across the globe. We have refreshed our corporate responsibility strategy and a summary of our activities can be found on page 40 and in a fuller corporate responsibility report, which can be accessed from our website.

Board changes

In August 2014, the Group's Board was further strengthened with the appointment of Sharon Bowles as a Non-Executive Director. Sharon brings extensive knowledge of the European and global political and regulatory trends impacting our business. Her experience and insight will be of great value to the Group, which continues to operate in an increasingly complex and evolving regulatory environment.

In July 2014, Paolo Scaroni stepped down after seven years as a Director and Deputy Chairman. We are grateful to Paolo for his significant contribution to LSEG's board since the merger with Borsa Italiana, providing sound and insightful counsel on the delivery of the Group's successful strategy.

Conclusion

At the Group's AGM in July 2014 I announced that it was the time to think about my own succession, having had the privilege of chairing the Board of Directors of LSEG for almost 12 years. In my time as Chairman, LSEG has transformed from a largely domestic stock exchange to a global, diversified infrastructure and capital markets group. Regulation, competition and technology have been catalysts for that change and I am proud of LSEG's position today as one of the world's leading global participants in our industry. The unwavering focus on, and implementation of, our strategy for diversification and growth, has resulted in a strong portfolio of markets, products and services across the trading cycle; from capital formation to information services, technology, clearing, settlement and risk management. Importantly, the Group's firm commitment to operating as a neutral, open access venue remains a key differentiator and allows us to partner with stakeholders around the globe to facilitate the operation of stable and effective financial markets.

The Group is in a strong position, and continues to be as relevant to the successful functioning of the global economy and the stability and efficiency of the international financial system as ever. The industry is still characterised by ongoing structural change and a dynamic regulatory environment, but I am confident that the Group is in an excellent place and that it will continue to thrive.

I have had the privilege to work with an array of highly experienced, intelligent, and dynamic colleagues across all areas of the business, from employees in our various locations across the globe, to the executive management team and my fellow Board Directors. I would formally like to extend my personal thanks for their individual dedication throughout my tenure. In particular I would like to thank Clara Furse and Xavier Rolet, Chief Executives of London Stock Exchange Group during my Chairmanship. In very different ways their leadership and vision have nurtured the Group against a tumultuous economic backdrop, through an evolving industry landscape and against an unprecedented competitive environment.

As previously announced, the Board has asked Robert Webb, as Senior Independent Director, to chair the Nomination Committee through the process of appointing a successor and it is intended that the search and appropriate transition will be completed by the end of December 2015.

Chris Gibson-Smith
Chairman

Chief Executive's statement

Xavier Rolet
Group Chief Executive

"THE GROUP'S TRANSFORMATION HAS CONTINUED THROUGHOUT 2014. WE ARE AN INTERNATIONAL BUSINESS WITH A BROAD SUITE OF MARKETS, PRODUCTS AND SERVICES FOCUSED ON GLOBAL CUSTOMERS."

Overview
London Stock Exchange Group has enjoyed another successful year. The completion of the acquisition of Frank Russell Company significantly enhances our international presence, particularly in North America, the world's largest financial services market. The combination of FTSE with Russell Indexes creates a truly global index provider, and presents exciting new opportunities for our organisation. We have also made good progress on the integration of LCH.Clearnet into the Group, while continuing to grow organically through our existing businesses around the world.

One of the Group's principal objectives is to provide access to capital for UK and international companies, giving them access to one of the world's largest and deepest pools of liquidity. In 2014, we were delighted to welcome 219 new firms, both large and small, to our markets in London and Italy making it our busiest year for IPOs since 2007. The Group has also expanded its pioneering ELITE programme, designed to support SMEs. Already home to over 200 Italian and UK companies, it is helping to fast-track the development and capital-raising process for some of the best and brightest of Europe's high-growth private companies and the programme is now being rolled out across Europe. All the right ingredients in Europe's economy exist to generate notable and sustainable economic growth, including a strong entrepreneurial culture, and our innovative programme offers these companies access to advisors, investment and education, ingredients vital for their continued development.

Our unwavering commitment to operating an open-access model remains a key differentiator on the global stage and leaves LSEG well positioned to capitalise on future opportunities, promoting safer and more efficient markets.

Building best in class capabilities
Innovation and partnership are core values for the Group and we have continued to develop our offering across equities, fixed income and derivatives. IDEM, our Italian derivatives market, saw a 20 per cent increase in volumes and extended the range of products to include weekly single stock options. The derivatives market in London received regulatory approval to offer stock, depositary receipt and index options to US investors, while in equities London Stock Exchange confirmed plans to introduce a new intra-day auction. The move, which is in direct response to demand from customers, will encourage larger, institutional and smaller retail size trading to take place in a lit, price-forming venue.

Turquoise, the Group's pan-European trading platform saw its average daily value traded rise by 42 per cent. Its new Turquoise Block Discovery tool was designed to enhance opportunities for block trading and went live with the support of several major brokers for block trading in October.

In fixed income, MTS saw the value traded on its cash markets increase by 32 per cent while the exchange traded product team welcomed the 150th fixed income ETF to London's markets and it continued to consolidate its market-leading position in European ETF daily trading volumes.

In our post trade businesses, both LCH.Clearnet and CC&G received approval for reauthorisation under EMIR. Risk management is a key contributor to stable financial markets and the Group's central counterparties (CCPs) helped their members and customers efficiently manage their risk positions across a range of assets, many of which are now required to be centrally cleared. Regulation and policy debate has put a renewed focus on CCPs and under Suneel Bakhshi's leadership LCH.Clearnet has remained at the forefront of the debate on risk management recovery and resolution. LCH.Clearnet and CC&G continue to contribute to the work underway at a national, EU and international level to improve the transparency of CCPs risk management policies and procedures in order to further strengthen their resilience.

Creating a global business

Diversification remains a cornerstone of our Group strategy and we have again made good progress this year in this respect. LCH.Clearnet's position as a leading global multi-asset clearing provider was reinforced during the year. Record volumes were processed through SwapClear, with $642 trillion of notional cleared in 2014. More significantly, the expansion of its innovative compression services contributed to a reduced level of notional outstanding at SwapClear, from $426 trillion at the start of 2014 to $362 trillion at the end of the year, a milestone in the efficient management of risk. In FX, ForexClear expanded the number of currencies cleared and signed new members to the service.

globeSettle, the Group's CSD based in Luxembourg, signed agreements with three CCPs to offer collateral location services in addition to the provision of settlement, custody and asset servicing for J.P. Morgan's international collateral management business.

The trend towards increased passive investing has been a key contributor to FTSE's global growth over the past few years. FTSE continued to respond to investor demand for innovative, tailored solutions, launching a range of new products throughout the year including factor-based indices, a new frontier index and taking further steps to allow investors to prepare for China's eventual inclusion in global indices. FTSE also expanded its fixed income offering, winning contracts in Australia and Latin America.

MillenniumIT remained at the forefront of LSEG's commitment to building global partnerships and saw with a number of notable contract wins, including an agreement with Casablanca Stock Exchange and Aequitas, a new Canadian exchange platform. London Stock Exchange signed capital markets agreements with The Nigerian Stock Exchange to facilitate companies' dual listings in London and Lagos and, in October, the Moroccan Central Securities Depository signed a number of cooperation agreements with LSEG. GATElab, our multi-asset electronic trading systems provider, was named as an accredited software vendor by Moscow Exchange.

Developing opportunities

Our customers remain at the centre of all that we do. We continue to seek ways in which to work together and develop strategic partnerships to help them respond efficiently to the implementation of regulatory change and the evolving industry landscape. A good example of this is through UnaVista, which signed an innovative partnership with Wipro. The agreement combines Wipro's expertise in consultancy and operations with UnaVista's flexible and scalable software providing solutions that will help financial firms access a hosted environment for end-to-end reconciliation services.

Monte Titoli also remains on track to become the largest CSD operator in the first wave of T2S, which will be introduced across Europe in 2015, enabling us to deliver pan-European settlement services for an increasingly global customer base.

To ensure that we continue to capitalise on the number of opportunities across the Group, we have strengthened the senior management team with key appointments to the Executive Committee. Nikhil Rathi has joined as Head of International Development and Chief of Staff, and Serge Harry was appointed LSEG Country Head for France, Benelux and Germany, as well as Chairman of globeSettle. Finally, we were also pleased to welcome Len Brennan, CEO of Russell Investments, to the Executive Committee in December 2014, following the completion of the acquisition of Frank Russell Company.

Outlook

The Group's transformation has continued throughout 2014. We are an international business with a broad suite of markets, products and services focused on meeting the needs and aspirations of our global customers. Our revenues and our profitability reflect this ongoing diversification. Following the acquisition of Frank Russell Company, approximately a third of the Group's revenues, for example, will now come from the US, a key growth market for us in the coming years. Colleagues across the Group continue to impress with their enthusiasm and commitment to deliver on our stated strategic objectives around capital formation, risk management and intellectual property. Our focus in the year ahead is to further develop the opportunities across the Group. I am confident that we will build on the strong foundations achieved throughout the past year.

Xavier Rolet
Group Chief Executive

Strategy in action

The Group continues to pursue its strategy of: building best in class capabilities; creating a global business; and developing opportunities. We have made further advances in all areas of strategic focus during the period. The acquisition of Russell Indexes represents a significant milestone by creating a new global leader in the fast-growing indices segment and significantly expanding our US footprint.

We have made good progress with the integration of LCH.Clearnet, bringing together back office functions and generating cost savings as well as new opportunities in terms of service expansion and innovation. Organic growth has also been strong, in many cases drawing on cross-Group synergies: the introduction of ELITE in the UK, leveraging FTSE's global sales network to deliver growth in Information Services and the support of Monte Titoli for globeSettle's services are some examples of this.

A key focus for 2015 will be the integration of Russell Indexes with FTSE, the Group's international index provider, and the commencement of an extensive synergy delivery programme to realise the benefits of this transaction.

Customer service and operational excellence remain key foundations for the Group's growth. We set the highest standards of performance and integrity in our businesses and operations in order to establish strong and long-lasting relationships with our customers and other stakeholders. This entails effective and continual dialogue with external groups such as regulators, governments and the communities in which we operate.

STRATEGY	ACTION
Building best in class capabilities	— We develop the people and skills we need to create innovative products and provide superior service to our customers around the world — We prioritise the highest levels of governance and integrity across our businesses — We deliver value from acquisitions through effective integration — We continuously aim to improve our operational and technology capabilities and infrastructure — We follow strong cost discipline and invest prudently to deliver growth
Creating a global business	— We engage with the leading participants in financial markets worldwide to understand their needs and provide solutions — We seek new opportunities to provide services and build our footprint in key geographies — We develop partnerships around the world to extend and enhance our customer servicing capabilities
Developing opportunities	— We anticipate customers' evolving needs — We capitalise on our assets of intellectual property, financial markets expertise and our global customer and partner network to expand existing and build new revenue lines — We leverage the strengths of complementary Group businesses to create new products and services — We continue to expedite strategy execution and business growth through value-enhancing acquisitions and partnerships

PROGRESS

We are building a strong, efficient and sustainable business, positioned for continued growth

— Delivery of increased cost synergies at LCH.Clearnet – €60m full run-rate will be delivered in 2015

— LCH.Clearnet management and business structure realigned to deliver enhanced customer service and future growth opportunities

— Delivery of three-year synergy targets for FTSE ahead of target on both cost and revenue measures

— FTSE confirmed compliance with IOSCO Principles for Financial Benchmarks

— Successful integration of MTS indices with FTSE TMX Global Debt Capital Markets

— UnaVista voted European Trade Repository of the year by its customers

— Continuation of Group Ticker Plant programme with the migration of Borsa Italiana customers and the go-live of EuroTLX markets

— Extended management focus on Corporate Responsibility Strategy delivering top quartile ratings performance for LSEG in 2015

— Talent programme introduced alongside enhanced People Strategy, including first Group-wide employee engagement study

We have expanded in the US and other growth markets

— Acquisition of Russell Indexes significantly extends the Group's footprint in the US, with FTSE/Russell ranking 2nd in this market on combined ETF AUM

— Expansion of SwapClear's presence in Asia/Pacific with the establishment of a fully operational hub in Sydney

— Information Services businesses, such as SEDOL and UnaVista, continue to leverage FTSE's global presence to expand in North America and Asia

— Development of globeSettle, LSEG's central securities depository in Luxembourg, expanding the scope of LSEG's settlement and custody services internationally

— Expansion of UnaVista's client network to over 30,000 users across 6 continents

— London primary markets saw 40 international new issues raising £3.4 billion in 2014

— Additional North American expansion with new MillenniumIT sales in Canada

— New partnership with Borsa Istanbul for derivatives and index products

— Support for developing financial centres through strategic agreements with Casablanca Stock Exchange and the Nigerian Stock Exchange for capital markets and post trade services

We are targeting growth opportunities in multiple business lines and continue to deliver synergies across Group businesses

— Commencement of the integration programme for Russell Indexes delivering early successes

— SwapClear's introduction of enhanced compression delivering unmatched levels of operational and capital efficiencies for market participants

— globeSettle commenced operations in September 2014 and will deliver continued enhancements in 2015 to provide services for global custodians

— T2S launch in Monte Titoli on schedule for June 2015 following successful completion of pre-launch testing

— Turquoise Block Discovery successfully launched, enhancing liquidity for customers

— Development of new rates and credit trading solutions in the US through MTS BondVision US and MTS Bonds.com

— Launch of ELITE UK and successful on-boarding of 35 new British SMEs; ELITE Europe in preparation

— Development of new products and services through cooperation between LCH.Clearnet, Capital Markets, Information Services and Post Trade divisions

Executive management team

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

Three new members were appointed to the Executive Committee during the year, providing strong international business backgrounds and relevant experience as the Group continues to expand globally: Len Brennan joined following completion of the acquisition of Frank Russell Company; Nikhil Rathi joined to head our International development and as Chief of Staff; and Serge Harry was appointed to take responsibility for our France, Benelux and Germany interests. Tony Weeresinge left during 2014 and his responsibilities at MillenniumIT have been taken on by Antoine Shagoury.

For further information on Xavier Rolet, David Warren and Raffaele Jerusalmi, who are also members of the Board of Directors, see their biographies on pages 62-63.

Xavier Rolet
Group Chief Executive Officer

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

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

David Warren
Group Chief Financial Officer

Mark Makepeace
Group Director of Information Services, including FTSE Group and Russell Indexes. He was a founding Director of FTSE Group in 1995 and joined the Group in 2011. Mark has over 20 years' experience of developing successful joint ventures and has forged alliances with stock exchanges, academics and leading industry groups.

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

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

Len Brennan
CEO of Russell Investments and LSEG Group Director of Buyside Solutions. Joined the Executive Committee in December 2014 following the completion of the acquisition of Frank Russell Company. He has more than 30 years of experience in financial services, including President and CEO of Rainier Investment Management, and through a number of senior management positions at Russell, latterly as CEO.

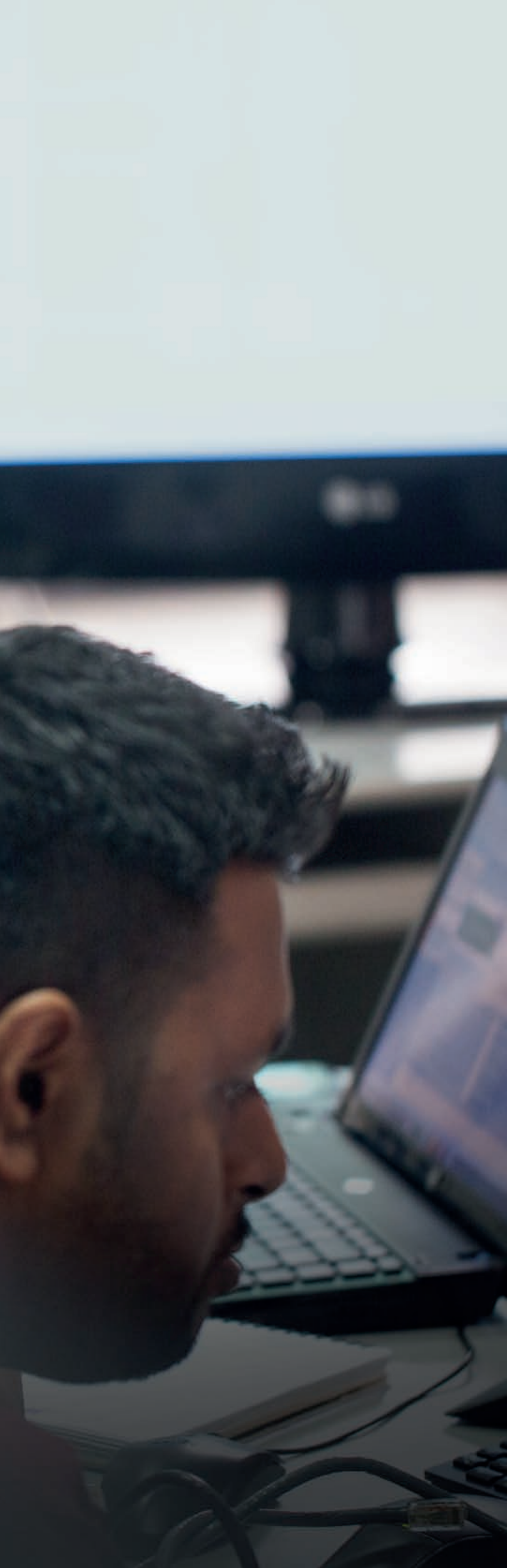
Suneel Bakhshi
Chief Executive Officer, LCH.Clearnet Group. Joined in February 2014 from Citigroup with over 30 years of experience in trading, banking and risk management. Most recently, he was President and CEO, Citigroup Global Markets, Japan. Prior to this, he held several senior risk roles, including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

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

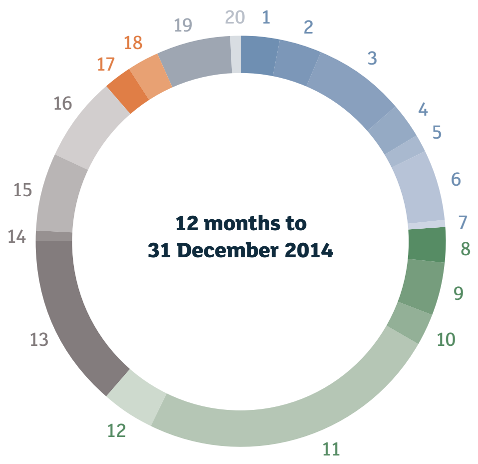
Serge Harry
Chairman of globeSettle and LSEG Country Head for France, Benelux and Germany. He was previously Chairman and CEO of BlueNext, a global carbon credits trading exchange, Head of Strategy at NYSE Euronext, and CFO of Euronext from 2000 to 2007.

Nikhil Rathi
Head of International Development and Chief of Staff. Appointed in May 2014, he joined from the UK Treasury, where he held a number of senior positions over an 11 year period, including Director of the Financial Services Group, representing the UK Government's financial services interests internationally, and Private Secretary to the UK Prime Minister for three years from 2005 to 2008.

Introduction to segmental review



Adjusted total income
£ million



	9 months to 31 December 2014	12 months to 31 December 2014 unaudited
Capital Markets	£m	£m
1 Annual fees	33.6	44.2
2 Admission fees	34.6	44.6
3 Cash equity trading UK & Turquoise	74.9	101.2
4 Cash equity trading Italy	28.0	38.0
5 Derivatives trading	14.9	20.0
6 Fixed Income trading	56.3	75.9
7 Other Capital Markets	6.8	9.3
	249.1	**333.2**
Post Trade Services CC&G & Monte Titoli		
8 Clearing (CC&G)	27.8	38.2
9 Settlement & Custody (Monte Titoli)	43.7	58.3
10 Net treasury income (CC&G)	23.2	32.6
	94.7	**129.1**
Post Trade Services LCH.Clearnet		
11 Clearing	238.7	329.4
12 Net treasury income	45.9	60.0
	284.6	**389.4**
Information Services		
13 FTSE	140.7	186.8
14 Russell Indexes (from 3 December 2014)	10.0	10.0
15 Real time data	61.0	84.3
16 Other information	69.3	91.9
	281.0	**373.0**
Technology Services		
17 MillenniumIT	19.6	29.7
18 Technology	27.7	36.3
	47.3	**66.0**
Other		
19 Russell Investment Management (from 3 December 2014)	79.7	79.7
20 Other revenues	7.5	10.7
	87.2	**90.4**
Adjusted total income*	**1,043.9**	**1,381.1**

May not cast down due to roundings.
* Adjusted total income excludes unrealised gain/loss.

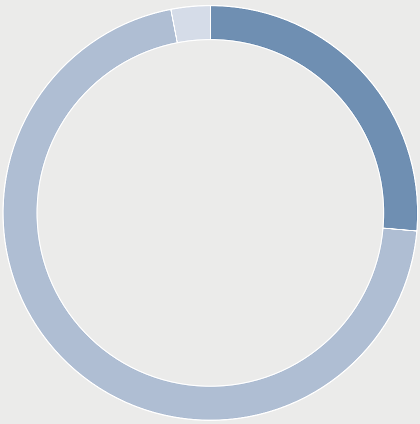
Income for each segment shown on the following pages (24-39) is for 12 months to 31 December 2014, and comparison is made with the previous 12 months in 2013.

Capital Markets

Revenues

£333.2m

2013: £296.8m



Key Summary

- Revenues for calendar year 2014 increased by 12 per cent to £333.2 million (2013: £296.8 million). Primary Markets saw a 7 year high in new issue activity with 219 new companies admitted, including AA, the largest UK capital raising IPO of the year.
- In Secondary Markets cash equity UK average daily value traded increased 15 per cent and average daily number of trades in Italy increased 16 per cent.
- Average daily value traded on Turquoise, our European cash equities MTF, increased 42 per cent to €3.7 billion per day and share of European trading increased to over 9 per cent.
- In Fixed Income, MTS cash and BondVision value traded increased by 32 per cent, while MTS Repo value traded increased by 3 per cent.

*Other revenue includes Entrance and Membership fees.

Further information

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues unaudited). Market position and outlook for Capital Markets can be found on page 8. Profitability of each segment can be found in the Financial Review on page 42. A glossary of terms can be found on pages 164-165.

Introduction

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

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

Primary Markets

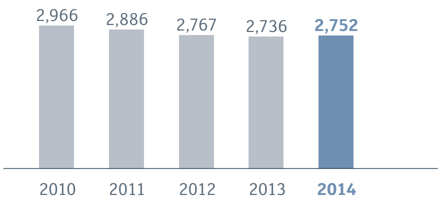
In the last calendar year, we saw a 7 year high in new issue activity with 219 new companies listing on our markets, up 30 per cent on 2013 (169). In London, 75 companies listed on our Main Market and a further 118 were admitted to AIM. In Italy, 26 new companies joined our markets. The total money raised by companies through IPOs on our markets was £13.8 billion (2013: £12.1 billion).

Notable IPOs included AA, the UK motoring breakdown service which was the largest UK IPO raising £1.4 billion, and Anima Holdings in Italy which raised €0.8 billion. Retail sector companies were also a strong IPO theme throughout the year with B&M European Value Retail, a discount retailer raising £1.1 billion. Three challenger banks, One Savings Bank, TSB and Virgin Money, listed during the year. In addition, our markets continue to be at the forefront of international issuance, with listings including Gulf Marine Services plc from United Arab Emirates, Electrica from Romania, Nomad Holdings Ltd from Israel and SEPLAT Petroleum Development Co Ltd, the first Nigerian company to simultaneously dual list equity shares in London and Nigeria.

Matomy Media Group and Just Eat became the first companies to use the new High Growth Segment to join the Main Market, with Just Eat subsequently transferring to a Premium listing. During the year, 32 financial sponsor-backed IPOs (supported by private equity or venture capital firms) raised a combined total of £9.3 billion. Overall, these companies have performed well in the secondary market and have helped to reinforce investor appetite for sponsor-backed issuance, boding well for other potential new issues in the year ahead.

The total amount of capital raised across our equity markets, through both new issues and further capital raising, increased 40 per cent to £42.6 billion (2013: £30.4 billion). Looking ahead, the pipeline of companies preparing to join our markets remains encouraging. At year end there were a total of 2,752 companies on our markets (2013: 2,736).

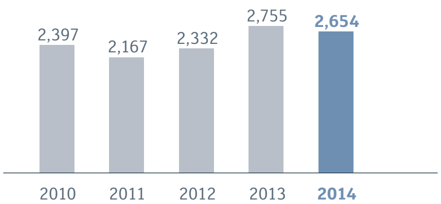
Number of companies listed – Group



Market capitalisation – Group

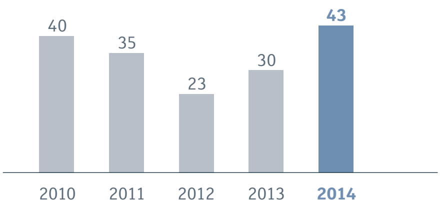
Companies listed on our markets

£ billion



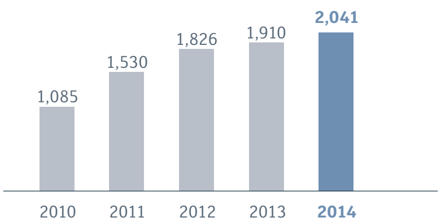
Equity money raised – Group

£ billion



Exchange Traded Products – Group

number listed



Our Exchange Traded Funds (ETF) and Exchange Traded Products (ETP) markets continued to make good progress. 108 new ETFs and 13 new ETPs were listed in London in 2014. This includes new products coming to the market which offer exposures to asset classes that were not accessible previously – for example, direct exposure to China A-share equities, or convertible bond markets. Also listed were 4 ETFs from China that track an index designed to reflect a comprehensive set of Chinese companies with A-share listings on the Shanghai and/or Shenzhen Stock Exchanges.

In Italy, the ETFplus market welcomed a new issuer, Source, which launched 27 ETFs and 1 ETP. We also saw the first 3 actively managed ETFs issued by UBS and Source. In London, Morgan Stanley (FundLogic) and WisdomTree were new issuers in Europe.

The total number of ETFs and other ETPs listed on our markets rose to 2,041 (2013: 1,910).

AIM is one of the world's leading growth markets for small and mid-cap companies. Since its launch in 1995, almost 3,600 companies have joined the market, raising £90 billion to fund their growth. This year, 118 companies were admitted to AIM in the UK (2013: 99) bringing the total number of companies admitted at year end to 1,104. (2013: 1,087). AIM Italia admitted 22 companies during the year (2013: 15), bringing the total number of companies to 57 (2013: 36). AIM showed great resilience throughout the year, despite periods of market-wide volatility. The diversity of companies joining AIM and the liquidity of the secondary market have increased and as AIM moves into its 20th anniversary year there is a strong pipeline for future growth.

We continue to improve access to equity finance for small and medium-sized enterprises and have engaged extensively with policymakers across Europe. The UK Government's decision to abolish stamp duty for companies quoted on growth markets, such as AIM and the High Growth Segment, came into effect in 28 April 2014. We believe measures such as this, and the decision to allow AIM shares to be eligible for inclusion in ISAs, will continue to boost investment in companies admitted to growth markets and reduce the cost of capital for the UK's fast growing, job-creating businesses.

As part of our continuing focus on promoting growth and supporting the capital raising environment for SMEs, the ELITE programme was successfully launched in the UK in 2014, following the original launch in Italy in 2012. The programme is aimed at providing support to high-quality private companies, allowing them to boost their visibility and giving them structured access to potential investors. ELITE's proven track record has allowed over 200 firms from different sectors to directly benefit from the support of 150 stakeholder partners including business schools, trade associations, leading entrepreneurs, accountants, lawyers and banks. Following completion of the programme, in Italy, should they choose to, companies are given a fast tracked access to an IPO. ELITE now has 209 members with average revenue of €110 million per annum.

Capital Markets continued

At the European Parliament in December 2014, the Group announced an extension of the ELITE programme to other European SMEs. ELITE in Europe will be an international platform deeply rooted in each domestic market, through partnerships with local institutions combined with the opportunity to access pan-European support and advice.

This year's STAR Conferences gave further evidence of growing interest for Borsa Italiana's high-quality mid-size companies. The Conferences were held in Milan and London, with 100 companies meeting 280 institutional investors in more than 2,150 one-to-one meetings .

Our AIM and AIM Italia – MAC markets, High Growth Segment and STAR, the Italian mid-size company segment, are of significant importance to economic growth in terms of invigorating non-bank financing at a time when bank credit remains relatively restricted.

In June 2014, LSE launched the Greater China Forum in Hong Kong, bringing together corporates and the buy-side and sell-side community in the region to look at opportunities in London and Europe's wider capital markets. The event promoted the benefits of listing in London, accessing European equities, ETF listing, RMB internationalisation in London and our FTSE offering. LSE currently has over 60 Chinese companies admitted to our markets with a combined market capitalisation over £17 billion. Government support and private sector drive has helped to kick-start a wave of RMB innovation in London. Algorithmic Trading Group Netherlands Management BV, a Dutch trading firm headquartered in Hong Kong, joined our markets as a member in December 2014.

Secondary Markets

Equity Trading

The trading activity of our equity markets in the UK and in Italy increased year-on-year. In the UK, the average daily value traded was up 15 per cent to £4.6 billion (2013: £4.0 billion); in Italy, the average daily number of trades rose 16 per cent to 264,000 (2013: 227,000). The FTSE 100 declined 3 per cent, closing the year at 6,566 (2013: 6,749), and the FTSE MIB closed almost flat at 19,012 (2013: 18,968).

We continued to develop our secondary markets, including the deployment of a new version of the trading system supporting our equity markets in London and Milan. We have successfully implemented the industry initiative to shorten the standard securities settlement cycle from T+3 to T+2 in October 2014 across all our equity markets. This means that the cash and securities components of a trade will be exchanged within two days of the trade. In June 2014, LSE completed the migration of its direct post trade feeds from Euroclear UK & Ireland to the central counterparties. This has enabled members to derive benefits from cross venue netting, reducing the number of settlement obligations and ultimately the total cost of trading UK securities.

Plans to add EuroCCP as a third provider of clearing services for trades executed on LSE's main electronic order book were announced in November 2014. This reaffirms our commitment to offering choice to our members, helping to drive efficiencies across the trading cycle. LSE first introduced interoperability between clearing providers back in 2008 and the expansion of this further confirms the Group's unique position as a truly open-access infrastructure provider.

Turquoise is our majority-owned European cash equities Multilateral Trading Facility (MTF) in partnership with 12 global banks. With a single connection to Turquoise, users can trade equities admitted from 18 countries across Europe, including shares, IOB Depositary Receipts, and ETFs. Turquoise offers access to two discrete order books for complementary liquidity, an Integrated Lit book and a regulated dark pool with a number of innovative trading functions. In October 2014, Turquoise recorded activity in over 2,300 symbols traded with a value of €102 billion, setting a new Turquoise overall monthly record. Average daily value traded in 2014 increased 42 per cent to €3.7 billion (2013: €2.6 billion). Turquoise's share of European equity trading has risen from 3 per cent, when acquired in 2010, to 9.3 per cent for the year.

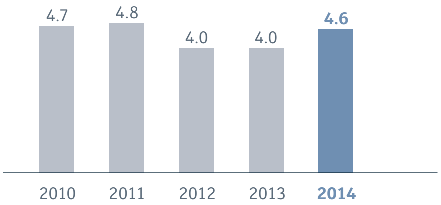
Turquoise Block Discovery was launched in October and has been active from its first day. The new service is designed to bring large block orders together in a truly neutral passive environment. By year end, Turquoise Block Discovery facilitated matches of nearly 400 trades, with an average trade size of €240,000, compared to around €9,000 in continuous matching in the Turquoise Midpoint Dark Book.

The International Order Book (IOB) enables investors to unlock the potential of some of the world's fastest growing markets through a single central electronic order book in US dollars. It offers easy and cost-efficient direct access to securities via depositary receipts from 40 countries, including those in Central and Eastern Europe, Russia, Asia and the Middle East. In November 2014, we made changes to the tick size in the IOB to support the increased liquidity of some stocks, changed the opening time to match other LSE markets and extended the post closing auction session by 15 minutes. Despite a widespread slowdown across many emerging markets, IOB value traded increased 5 per cent to US$188 billion (2013: US$179 billion).

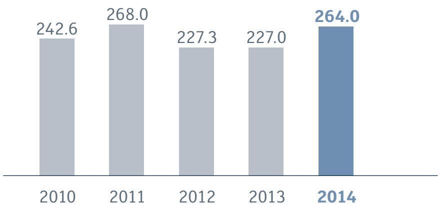
During the year we conducted an extensive consultation on intra-day auctions, which represents one of the most significant changes to London market structure in recent years. This initiative will be introduced in 2015 and is part of our Group-wide strategy to provide the market with alternative mechanisms for electronic block trading, which will be needed after the implementation of MiFID II in 2017. We also took the opportunity to consult on and introduce changes to the auctions held on our SETSqx platform, which caters for less liquid equities. These changes, implemented in September 2014, have improved the trading environment for participants.

Greater education for retail investors on how markets work and access to investment opportunities is an important focus for the Group. In September 2014, the Stock Market Show celebrated its 5th anniversary in London, continuing our commitment to the retail market. The Trading Online Expo in Milan was held the following month, offering a full educational programme. Additionally, we played an active part in encouraging the exemption of Stamp Duty in April for stocks traded on the London Stock Exchange AIM and High Growth Segment, which attracts significant interest from retail investors.

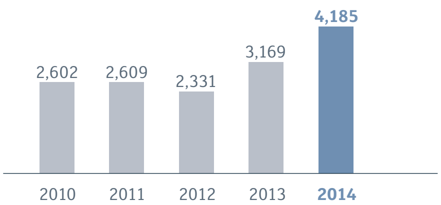
London Stock Exchange – order-book average daily value traded
£ billion



Borsa Italiana – order-book average daily number of trades
thousands



MTS cash and BondVision
volume traded € billion



Exchange Traded Products
The Group has strengthened its position as the leading venue for ETF and other ETP trading in Europe by value traded. In December 2013, we launched a new trading platform for ETFs which offers settlement through Euroclear that has seen 15 new ETFs launched. At the start of the year we introduced Chinese Renminbi and Hong Kong dollar as trading currencies for ETFs on LSE. In October 2014, the highest trading on the order book ever was recorded with £6.2 billion worth of ETFs and £0.4 billion other ETPs being traded. Total ETP value traded in the past year remained stable at £114.0 billion (2013: £113.4 billion).

Derivatives
Derivatives volumes on our markets were little changed on 2013, with 50.4 million contracts traded (2013: 50.3 million). Increased volumes on IDEM, the Group's Italian derivatives market, offset a fall on the London Stock Exchange Derivatives Market (LSEDM), due to a reduction in trading of Russian products.

IDEM, celebrated its 20th anniversary by continuing its long-term trend of volumes growth. Derivatives volumes increased by 20 per cent to 39.0 million contracts (2013: 32.5 million). FTSE MIB index products registered record performances in 2014, with FTSE MIB index futures up 55 per cent, FTSE MIB index mini-futures rose 78 per cent and FTSE MIB options were up 46 per cent for the year.

In 2014, LSEDM marked two important steps receiving CFTC contract approval for FTSE 100 and FTSE SLQ Futures, and SEC class no-action relief for index and equity options. In addition, dividend neutral stock futures and cash settled single stock options and futures were added to the existing list of products available to trade. IDEM continued to expand its product offering with the introduction of weekly single stock options.

LSEG signed a key partnership agreement with Borsa Istanbul (BIST) in January 2015, covering derivatives and index products. Under the terms of the partnership agreement, LSEDM will offer trading in futures and options on the BIST 30 Index and on leading Turkish stocks.

Fixed Income
MTS is a leading regulated electronic trading platform for trading European wholesale Government Bonds and other types of fixed income securities. MTS Cash and BondVision volumes have grown significantly, up 32 per cent on last year to €4,185 billion (2013: €3,169 billion), with a record year for BondVision. MTS Repo volumes increased by 3 per cent to €74.4 trillion (2013: €72.3 trillion) with trading in Repos from 14 countries showing good growth.

Capital Markets
continued

In May 2014, MTS acquired Bonds.com Group, a US-based platform for the electronic trading of US credit, high yield and emerging market bonds. Bonds.com has been in operation in the US for over five years, has more than 600 US buy-side and sell-side institutions on its credit trading platform, and provides an entirely anonymous environment for live, executable trading. This transaction enhances MTS' position as a global provider of fixed income trading platforms and assists the ongoing drive towards transparency and efficiency in fixed income markets. It also allowed MTS to penetrate the crucial US credit market and is a good complement to the BondVision offering that was launched in the US earlier in the year.

MTS Swaps, our fully regulated electronic interest rate swaps market, was launched in 2014. MTS Swaps leverages existing MTS distribution and technology to deliver immediate access to a diverse range of liquidity providers through chosen sponsor banks. The service supports the full trade life cycle from transparent pre trade price discovery and execution to post trade reporting and connectivity to clearing.

London Stock Exchange's electronic Order Book for Retail Bonds (ORB), now in its 5th year, has 185 bonds (2013: 178), including 71 UK government gilts. Since the launch of the market, over £4.3 billion has been raised through 46 new and 6 secondary issues. Liquidity for ORB dedicated issues increased in total value traded from £1.5 billion in 2013 to £1.7 billion in 2014. We now have 35 specialist retail brokers trading on ORB (2013: 32), and 10 dedicated ORB market makers providing continuous two-way tradable prices. In addition, a new electronic trading service, the Order book for Fixed Income Securities (OFIS) was launched early 2014, offering order book trading in a wider range of retail and wholesale debt instruments. There are currently 21 securities available for trading on OFIS, including an OFIS dedicated new issue.

We strengthened the role of London as a Renminbi trading hub outside Greater China with 10 new RMB denominated bond listings, including UK Treasury RMB 3 billion bond issue. There are currently 23 dim sum bonds listed on LSE's markets with a combined outstanding amount of almost RMB 20 billion. We also saw the listing of the UK Government's first Islamic bond, or Sukuk, the first for a country outside the Islamic world. London is becoming a key global venue for Islamic Finance with more than $49 billion raised through 55 Islamic Sukuk issues, including 3 in 2014.

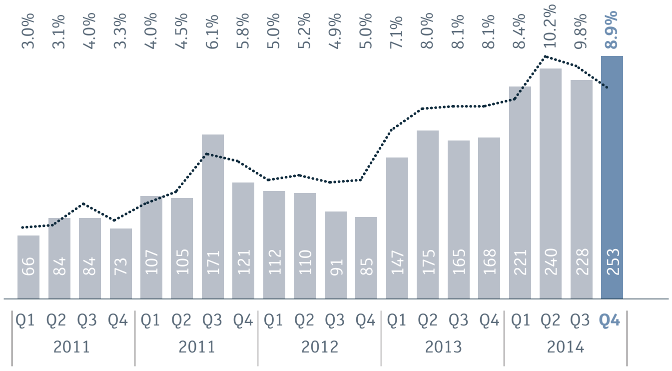
MOT is the most liquid and heavily traded retail fixed income platform in Europe with 1,663 bonds listed. It is the only Italian regulated market dedicated to the trading of Italian and non-Italian Government securities, domestic and international bank and corporate bonds, supranational securities and asset-backed securities. Trading volumes declined by 18 per cent to 4.9 million (2013: 6.0 million), reflecting a comparison with a strong prior year.

EuroTLX, our majority owned multilateral trading facility in the European retail fixed income market, migrated to MillenniumIT technology during the year. Volumes during the year amounted to 3.3 million trades (2013: 3.3 million) with a value of €95.8 billion (2013: €92.1 billion).

Our wide range of fixed income markets are well-placed to benefit from the changing regulatory landscape as OTC trading is being pushed towards transparent electronic markets.

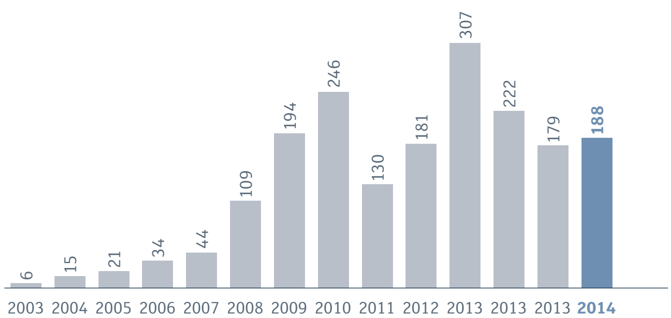
Turquoise – European equity trading

value traded € billion and share of European equity trading



International Order Book

value traded US$ billion



Post Trade Services

CC&G and Monte Titoli

Income

£129.1m

2013: £157.9m

- Clearing
- Net treasury income
- Settlement and Custody

Key Summary

- Revenues for calendar year 2014 increased by 3 per cent in constant currency terms. In sterling terms revenues declined by 2 per cent to £96.5 million.
- CC&G cleared 69.7 million equity trades, up 16 per cent and 39.0 million derivative contracts up 20 per cent.
- Monte Titoli processed 64.8 million settlement instructions, up 14 per cent on the previous year reflecting higher trading levels in Italian equity markets.
- Monte Titoli is the largest CSD entering the first wave of TARGET2-Securities from June 2015. Successful testing with the European Central Bank finished in December. In addition, Monte Titoli moved settlement of contracts executed on the Italian market from T+3 to T+2 in October.
- globeSettle, the new international CSD in Luxembourg, has utilised Monte Titoli's expertise to commence operations with its first major international client, J.P. Morgan.

Further information

To aid comparison purposes, income and KPIs are all on a 12 month calendar year basis (12 month income unaudited). Market position and outlook for Post Trade Services including CC&G and Monte Titoli can be found on page 8. Profitability of each segment can be found in the Financial Review on page 42. A glossary of terms can be found on pages 164-165.

Introduction

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

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

CC&G

CC&G provides risk management, open access clearing and CCP services for 12 markets, including services to non-Group markets, and has 154 clearing members, of which over 40 per cent are international. CC&G eliminates counterparty risk, acting as buyer toward the seller and vice versa, becoming the guarantor of the final settlement of the contracts. CC&G provides services across a diverse range of asset classes including cash equities, derivatives, closed-end funds, fixed income, energy products and, most recently, agricultural commodity derivatives. CC&G has an interoperability agreement with LCH.Clearnet S.A. for European Bond and Repo markets.

Clearing revenues increased in constant currency terms by 3 per cent as a result of increased cleared volumes in equities, up 16 per cent to 69.7 million (2013: 60.0 million), and derivatives, up 20 per cent to 39.0 million (2013: 32.5 million), in sterling terms, revenue decreased by 4 per cent to £38.2 million (2013: £39.9 million). CC&G has not experienced any negative impacts following the downgrading of Italy's credit rating.

CC&G generates net treasury income by investing the cash margin it holds. Average daily initial margin fell by 15 per cent to €9.9 billion for the period, reflecting lower market volatility (2013: €11.6 billion). Also impacting income were lower interest rates throughout Europe, which contributed to net treasury income for the year reducing to £32.6 million, down 45 per cent (2013: £59.2 million).

CC&G has gone through a successful period of testing and preparation for Target2-Securities (T2S) and there is an expectation that the client pipeline will strengthen with the introduction of this new framework.

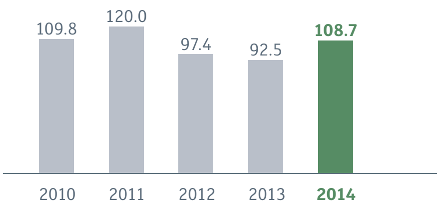
Given the importance of the role of CCPs in post-crisis financial markets, CCPs need to meet increased regulatory requirements. CC&G received recertification authorisation under EMIR in May 2014.

Monte Titoli

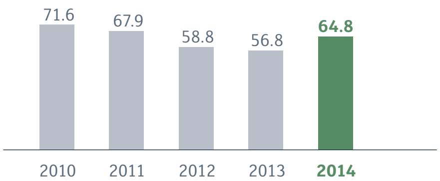
Monte Titoli, LSEG's Italian-based CSD, is a leading provider of efficient and secure pre-settlement, settlement, custody, asset servicing and collateral management services. It is a leader in the post trade industry with an AA rating from Thomas Murray, the specialist custody rating, risk management and research firm, for the last 8 years.

Settlement revenues increased 9 per cent in constant currency terms and, in sterling terms, by 4 per cent to £17.4 million (2013: £16.7 million). Custody and other revenues increased 2 per cent in constant currency terms, down 3 per cent in sterling terms to £40.9 million (2013: £42.1 million).

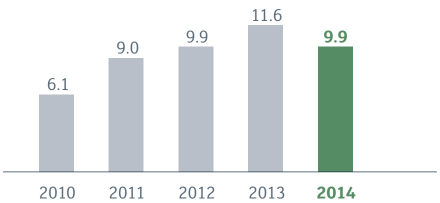
Trades and contracts cleared (CC&G)
million



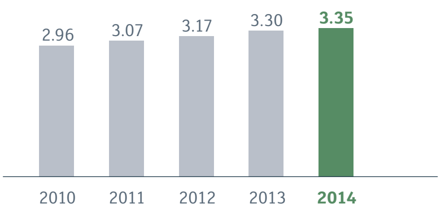
Settlement instructions (Monte Titoli)
million



Initial margin held (CC&G)
average € billion



Assets under custody (Monte Titoli)
€ trillion



Monte Titoli handles a wide range of financial instruments, with assets under custody amounting to €3.35 trillion (2013: €3.30 trillion). In 2014, its settlement service processed 64.8 million settlement instructions, up 14 per cent on the previous year, reflecting higher trading levels in the Italian equity and fixed income markets (2013: 56.8 million). Monte Titoli continued to provide a low-cost and efficient settlement system, with a settlement rate of 99.2 per cent of trades (2013: 99.4 per cent).

Monte Titoli custody services has an extensive customer base, comprising 224 banks, brokers, CCPs, trading venues as well as 2,196 issuers and provides asset servicing in relation to a wide range of financial instruments. There is a strong client pipeline with 3 new major international clients committing to the service for the first wave of TARGET2-Securities (T2S).

Monte Titoli signed the T2S Framework Agreement in May 2012 and will participate in the first wave of T2S, scheduled to go live in June 2015. T2S is the new centralised settlement platform for securities, developed and operated by the Eurosystem (the European Central Bank and the national central banks of the eurozone), created to provide settlement services for any type of transaction in Central Bank money. Testing and preparation for T2S started in March 2014 and was completed successfully in late December. Monte Titoli has worked with the Italian financial system to prepare for this new post trade framework and has carried out training with clients to ensure they are ready. Testing with clients will begin in early 2015 and the migration will occur in June 2015.

In October 2014, the settlement of contracts executed on the Italian market moved from T+3 to T+2, meaning that the intended settlement date is now no later than the second business day after a trade takes place.

Monte Titoli has enhanced its cross-border presence during the year by establishing links with the National Bank of Belgium and the Bank of Greece.

globeSettle

globeSettle S.A. is the Group's newly established CSD, based in Luxembourg. globeSettle is recognised by the Luxembourg regulators and received the required regulatory approvals as a 'Professionel du Secteur financier' and a Securities Settlement System by the Banque Centrale de Luxembourg and the Eurosystem.

globeSettle will offer its clients a full range of services, including settlement and custody, as well as a broad range of asset services. It will run an operating day of 22 hours, providing market access to the major securities markets around the globe, providing 'Delivery versus Payment' services both in central and commercial bank money.

Together with J.P. Morgan and CME Clearing Europe, and as part of a global LSEG strategy, LCH.Clearnet and CC&G will be first joiners of globeSettle, appointing it as a collateral location. This will help improve operational systemic efficiency, by de-risking the process of placement of the collateral for the initial margin required to cover OTC derivatives transactions, required by EMIR regulation.

Post Trade Services

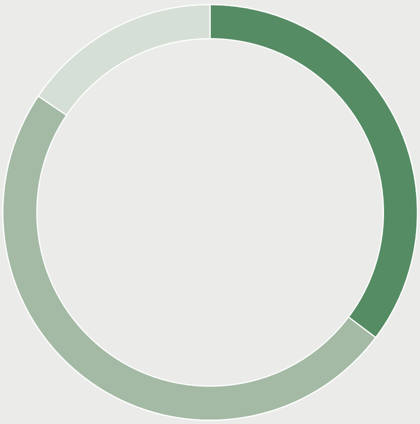
LCH.Clearnet

Adjusted income*

£389.4m

2013: £220.4m (8 months)

- Clearing OTC
- Clearing non-OTC & other
- Net treasury income



Key Summary

- LCH.Clearnet's income for the calendar year 2014 was £389.4 million, up 24 per cent on a pro forma constant currency basis. LCH.Clearnet received EMIR reauthorisation for the UK and France businesses.
- SwapClear, the world's leading interest rate swap clearing service, cleared $642 trillion notional, up 26 per cent.
- Compression services at SwapClear reduced the level of notional outstanding from $426 trillion to $362 trillion.
- LCH.Clearnet Limited was granted clearing house recognition in Canada and Australia.
- Clearing of commodities for the London Metal Exchange ceased in September 2014 as expected.
- RepoClear, one of Europe's largest fixed income clearers, cleared €73.4 trillion in nominal value, up 1 per cent.
- Cash equity clearing volumes increased 30 per cent to 452 million trades due to increases in trading activity, as well as an increase in number of venues and customers served.

* Adjusted income relates to 12 months for 2014, and since acquisition (8 months) for 2013. Excludes unrealised gain/loss.

Further information

To aid comparison purposes 2014, income and all KPIs are on a 12 month calendar year basis (12 month income unaudited). Market position and outlook for Post Trade Services including LCH.Clearnet can be found on page 8. Profitability of each segment can be found in the Financial Review on page 42. A glossary of terms can be found on pages 164-165.

Introduction

LCH.Clearnet is a leading multinational clearing house, with clearing operations in the UK, the eurozone and the US (LCH.Clearnet Limited, LCH.Clearnet S.A. and LCH.Clearnet LLC respectively) and an expanding presence in the Asia-Pacific region. LCH.Clearnet provides services to mitigate counterparty risk across multiple asset classes for clearing members and their clients operating on major exchanges and platforms as well as a range of OTC markets.

Similar to our Italian central counterparty (CC&G), LCH.Clearnet sits in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, the relevant CCP owns the defaulter's risk and becomes accountable for its liabilities. Fundamental to LCH.Clearnet's risk process is its collection of quality collateral from clearing members and clients as insurance to recover or replace defaulted risk. During the life of a trade, or that of a portfolio of trades, the LCH.Clearnet operating companies process all cash flows and mark the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio.

LCH.Clearnet Limited announced that the Bank of England had approved its application as a central counterparty under the European Market Infrastructure Regulation (EMIR) in June 2014. This follows LCH.Clearnet S.A.'s authorisation by L'Autorité de Contrôle Prudentiel et de Résolution in May 2014. It confirms that LCH.Clearnet's risk management framework, technology, governance, operating model and capital meet the standards required by EMIR. LCH.Clearnet Limited was also granted clearing house recognition by Canada's Autorité des Marchés Financiers.

LCH.Clearnet was named Risk Magazine's 2015 Clearing House of the Year after fulfilling criteria which included risk management, customer satisfaction, responsiveness to new regulations, engagement with regulators, liquidity provision and creativity.

OTC derivatives

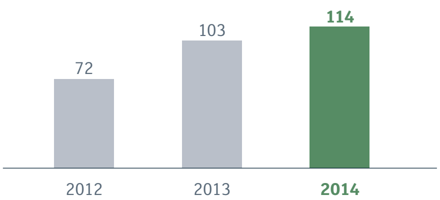
SwapClear

SwapClear, the world's leading interest rate swap (IRS) clearing service, led the move to mandatory central clearing, delivering high levels of efficiency and liquidity to an increasing roster of members and clients. During the year, SwapClear cleared $642 trillion total notional, up 26 per cent. Membership increased by 11 per cent to 114 members. Total clearing revenue for the calendar year was £109.6 million (2013 (8 months): £65.7 million).

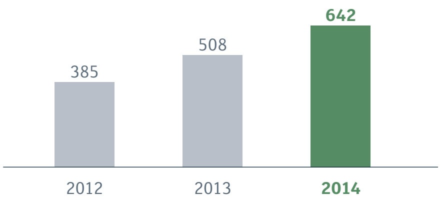
In September 2014, SwapClear expanded its compression offering with a blended rate compression service that provides both operational and capital efficiencies. It compressed $292 trillion of interest rate swaps during the year. SwapClear also introduced fees for all types of compression services.

Mandatory IRS client clearing was introduced in the US in 2013. In the first full year of operation in 2014, SwapClear client clearing increased by 113 per cent to $122 trillion (2013: $57 trillion). European client clearing is expected to be mandated to commence in 2016.

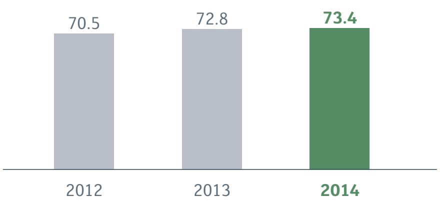
SwapClear – Members



SwapClear – Total Notional cleared
$ trillion



Fixed Income Notional value cleared
€ trillion



SwapClear will continue to develop its offering with the introduction of new products and services such as inflation linked swaps and further compression services. SwapClear has increased its operational presence with establishment of a hub in Australia and will continue to expand its services in Asia.

ForexClear

ForexClear is LCH.Clearnet's market-leading service clearing foreign exchange (FX) non-deliverable forwards (NDF) in multiple currencies. The service has seen continued growth in volumes, and during the year ForexClear added a 12th currency, the Peruvian Nuevo Sol enabling over 95 per cent of the NDF market to be cleared. With the first Swap Execution Facility (SEF) having now connected to ForexClear and a number in the pipeline for 2015, ForexClear is playing an important role in working with both new and established FX market infrastructure to bring the benefits of clearing, including reduction of risk, operational complexity and regulatory capital, to all market participants.

In the year ahead, ForexClear will be working with members and regulators on a global basis to search for a settlement solution that will allow the clearing of FX options.

ForexClear membership increased to 21 (2013: 20) and notional cleared increased to $907 billion (2013: $888 billion).

CDSClear

CDSClear offers industry leading default management provisions and clears a broad set of European credit indices and single names. CDSClear is now dual registered, meaning it can act for clients both in the US and Europe. Currently, CDSClear clears more than 200 European single name CDS and will expand its product range to include senior financials, CDX and US single names subject to regulatory approval. CDSClear cleared €61.9 billion notional value last year (2013: €167.6 billion) a fall due to lower customer activity levels on this service.

CDSClear and ForexClear revenue for the calendar year was £28.6 million (2013 (8 months): £10.7 million).

Non-OTC Clearing

Fixed Income

LCH.Clearnet remains the leading clearer of European repo and cash bond markets, clearing €73.4 trillion in the last year (2013: €72.8 trillion), across 15 European government markets. Total clearing revenue for the 12 month period was £42.9 million (2013 (8 months): £20.8 million).

Volumes in the Repo market overall have declined due to more stringent regulatory requirements on member banks' leverage ratios. However, the leverage ratio has made netting more attractive, such that cleared volumes at LCH.Clearnet have remained stable. There is a good pipeline of new members seeking to join the service and work is under way to extend the product range, which should broaden the appeal further.

Commodities and Listed Derivatives

LCH.Clearnet provides clearing services for interest rate and equity derivatives as well as a range of commodities markets, including power and associated energy markets, base and precious metals and agricultural products. It also provides clearing for freight derivatives and other commodities under its EnClear service. Total revenue for the calendar year for commodity clearing was £37.5 million (2013 (8 months): £22.8 million).

In November 2014, EnClear swaps were reclassified to block futures, making the market for freight and commodities more transparent whilst boosting margin efficiencies and mitigating risk for members. Also in November, agricultural clearing for Euronext was expanded with the launch of a rapeseed derivatives complex. Other new products to clearing during the year included 200 additional Single Stock Futures and introduction of a series of Euronext spotlight options on SMEs and newly listed stocks.

As expected, the clearing of commodities for the London Metal Exchange (LME), a major part of commodities clearing, ceased in September 2014 as this business migrated to LME's own clearing house. The Nodal Exchange has given notice that it intends to go live with its own clearing service in late 2015.

LCH.Clearnet Limited has been granted a clearing and settlement licence in Australia for the new FEX global commodity, energy and environmental exchange. The Company continues its search for expansion opportunities into different market venues and products such as precious metals.

Listed derivatives clearing for a number of venues, including Euronext markets, London Stock Exchange Derivatives Market and Nasdaq's NLX, saw an increase in volumes to 176.8 million contracts during the year (2013: 174.3 million). Revenue for the calendar year was £44.4 million (2013 (8 months): £35.1 million).

Cash Equities

LCH.Clearnet provides equity clearing services for a variety of European regulated exchanges and MTFs including London Stock Exchange, Turquoise, Euronext, SIX Swiss Exchange, Oslo Børs, BATS Chi-X Europe, and other venues. LCH.Clearnet is uniquely positioned to provide risk management and clearing services from Asian market hours through European trading to the close of the US markets. It has been at the forefront of industry initiatives to introduce competition and provide cost efficiencies for users of the European cash equities markets through the implementation of interoperability arrangements with other CCPs. Total revenue for the calendar year was £35.0 million (2013 (8 months): £23.1 million).

In the last year, clearing volumes increased 30 per cent to 452 million trades (2013: 347 million). This was due to both a market increase in trading activity and the addition of a new market venue, Oslo Børs in March 2014. In June 2014, LCH.Clearnet expanded clearing capacity which facilitated record monthly high clearing volumes for many venues in October with a total 51 million trades cleared. During the year, LCH.Clearnet expanded its Contracts For Difference (CFD) product range from 1,400 to 2,000 products.

LCH.Clearnet launched its post trade Crest model and successfully migrated to T+2 settlement. In the coming year, Cash Equities plans to expand into new trading venues, implement a new pricing proposal in response to member demand and will enhance risk models for cash and derivatives.

Net Treasury Income

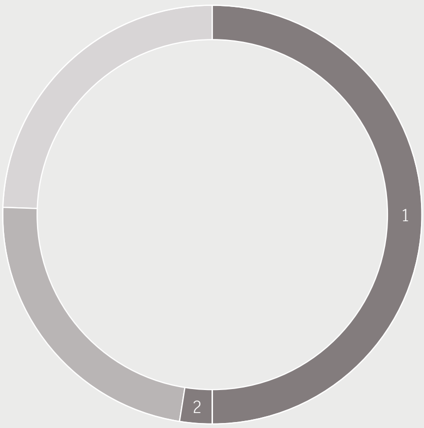
Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their initial margin and default fund contributions. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates predominantly in the euro, US dollar and UK sterling money markets. Average initial cash margin held increased 20 per cent to €47.1 billion (2013: €39.4 billion). Total income from Net Treasury Income for the calendar year was £60.0 million (2013 (8 months): £48.1 million).

Information Services

Revenues

£373.0m

2013: £339.5m



Key Summary

- Revenues for calendar year 2014 increased by 10 per cent to £373.0 million, with good growth from FTSE and other information products.
- The Group completed the acquisition of Frank Russell Company in December 2014. Russell Indexes contributed £10.0 million revenue for the period from acquisition date.
- FTSE increased its China offering, with continued development of the FTSE China Index series, the leading benchmark for Chinese linked ETFs.
- FTSE published a statement of compliance with the IOSCO principles, committing to best global practice standards.
- Real time data revenue declined 11 per cent to £84.3 million. Other Information Services products performed well, with revenues up by 14 per cent to £91.9 million.
- UnaVista, our award winning matching, validation and reconciliation platform increased its user base to over 33,000 and processed 1.4 billion trades on its MiFID transaction reporting service, up 40 per cent.

Further information

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues unaudited). Market position and outlook for Information Services can be found on page 8. Profitability of each segment can be found in the Financial Review on page 42. A glossary of terms can be found on pages 164-165.

Introduction

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

Information Services is a key area in our strategic focus and it is an area where we are diversifying on a global basis. Our intellectual property of indices, pricing data and numbering services serve clients around the clock throughout the world. We are developing new services with our partners and clients including tailor made alternative asset indices and our trade reconciliation/confirmation portal UnaVista which assists clients in complying with global regulation, whilst also reducing their operational risk .

This year, we acquired Frank Russell Company which further strengthens our global index business. We have seen growth in North America and emerging markets, with an increase in passive assets linked to FTSE benchmarks.

Details of the Russell Indexes business can be found on pages 36-37.

FTSE

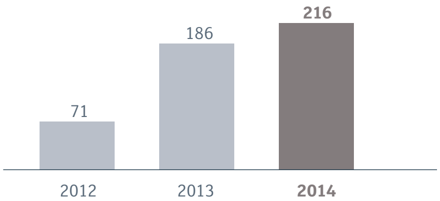
FTSE is a leading worldwide provider of information solutions. It is a high-growth, high-quality global index business with over 250,000 indices calculated across 80 countries. Together with Russell Indexes, our indices businesses are the joint second largest index provider for ETFs benchmarked globally, based on assets under management (AUM). FTSE earns around 60 per cent of revenue from annual subscription fees for index data and 40 per cent from licensing for index-based products. Clients include both active and passive fund managers, consultants, asset owners, sell-side firms and data vendors. FTSE's products are used extensively by market participants worldwide for investment analysis, performance measurement, asset allocation and hedging. Leading pension funds, asset managers, ETF providers and investment banks work with FTSE to benchmark their investment performance and use FTSE's indices to create world-class ETFs, passive index tracking funds, structured products and index derivatives. FTSE also provides many exchanges around the world with their domestic indices. Total revenue for the 12 months increased 14 per cent to £186.8 million (2013: £164.5 million).

In July 2014, FTSE published its statement of compliance with the recommendations made by the International Organization of Securities Commissions (IOSCO), as laid out in the Principles for Financial Benchmarks (the IOSCO Principles). The IOSCO Principles aim to promote reliability of benchmarks addressing issues surrounding governance, the quality of benchmark design and methodology, and accountability. FTSE is committed to leading best global practice standards and has published a statement, with independent assurance from KPMG, explaining how its business operates within IOSCO's proposed framework.

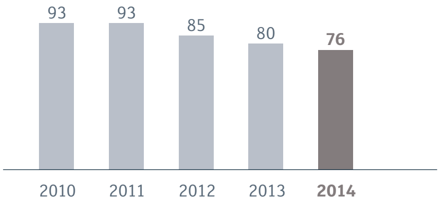
FTSE's presence in the US continues to grow, with about 30 per cent of its revenue coming from operations in North America. In the United States, FTSE partnered with leading product issuers to launch dozens of new exchange-traded products, including an innovative series of diversified factor ETFs with characteristics such as momentum or volatility with J.P. Morgan. FTSE also made important inroads in broadening awareness of its brand among US investor advisors, a group that has been increasingly influential in the choice of index provider.

FTSE TMX Global Debt Capital Markets fixed income business is a majority owned joint venture with the Canadian TMX exchange with more than US$1 trillion assets benchmarked. In April 2014 FTSE TMX Global Debt Capital Markets signed a cooperation agreement with Proveedor Integral de Precios (PiP),

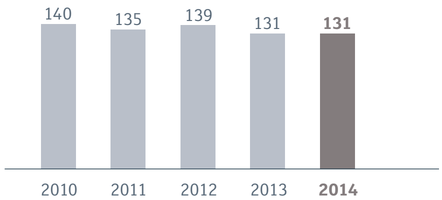
ETF assets under management benchmarked to FTSE indices
US$ billion



LSE terminals
thousands



Borsa Italiana terminals
thousands



a leading multi-national price vendor in Latin America, to provide a range of fixed income indices. PiP currently manages over 100 of the most widely used government and corporate bond indices in Mexico, Colombia, Costa Rica and Peru. Going forward, these indices have been rebranded as FTSE PiP. In October 2014, FTSE launched the FTSE ASFA Australia Bond Index Series, a comprehensive set of fixed income benchmarks that cover the different sectors of the Australian (AUD) bond market.

Also during 2014, FTSE TMX Global Debt Capital Markets acquired the indices business of MTS (MTS is majority owned by LSEG), broadening the fixed income portfolio. In November 2014, the EuroMTS eurozone Government Bond Mid-Price Indices were launched. These are a range of total return eurozone government bond indices, and run parallel to the existing range based on the best bid prices from the MTS interdealer trading platform.

There has been continued development of the FTSE China Index Series, with launches of ETFs based on the FTSE China A50 Index on various exchanges, including London Stock Exchange. In November 2014, ETF AUM tracking the FTSE China Index Series reached over $24 billion for the first time. The FTSE China A50 Index represents the 50 largest A-share companies by full market capitalisation, and is a tool used by both domestic and international investors in a range of QFII/RQFII RMB (Qualified Foreign Institutional Investors) investment portfolios.

FTSE continues to pioneer innovative Environmental Social Governance (ESG) concepts through the launch of new indices and analytical services. In April 2014, FTSE announced the development of a new research methodology for the FTSE4Good Index and Ratings, as well as plans for the launch of a variety of new ESG services. FTSE launched the FTSE Developed ex Fossil Fuels Index Series, an innovative set of benchmark indices that excludes companies linked to exploration, ownership or extraction of (carbon reserves) fossil fuels. This ground-breaking launch is leading the way to the implementation of a total exclusion model for fossil fuel-linked stocks, so that excluded enterprises are removed entirely from the Index Series. The Index Series has been designed with the close co-operation of BlackRock and NRDC.

FTSE continues its innovative approach to product development, which allows greater choice for market participants. In October 2014, FTSE launched the FTSE UK DC Benchmark Index Series, a suite of indices developed in conjunction with investment research and advisory firm, Elston Consulting. The new range of products has been designed specifically as a performance benchmark for UK Defined Contribution (DC) pension schemes.

In 2014, FTSE won the Best Beta Index Provider Award at the Asset Triple A Private Banking, Wealth Management and Investment Awards. FTSE also won three awards at the annual ETF Global Awards for Most Innovative ETF Index Provider, Most Innovative ETF and Most Innovative ETF Hybrid Product.

Real Time Data
Our Real Time Data service provides the primary reference data for UK and Italian equities, delivered by our advanced market data platform. This real time, tick by tick data is used by traders, brokers and fund managers around the globe. Total revenue for calendar 2014 declined 11 per cent to £84.3 million (2013: £94.4 million).

The number of professional users accessing real time data across our direct network, or through our network service providers and market data vendor partners, decreased by 5 per cent to 76,000 professional terminals for London Stock Exchange (2013: 80,000); professional terminals for Borsa Italiana were stable at 131,000 (2013: 131,000). The London declines were largely the result of continuing cost pressures and headcount reductions within the financial sector.

Declining terminal revenue is to some extent offset by increasing use of real time data by many non-display applications, including algorithmic trading. Private investor appetite for real time data continues to grow, with increasing interest in LSEG data on digital platforms including major internet providers.

Our focus remains on increasing client accessibility and promoting harmonisation between data services. We have been progressing our Group Ticker Plan project, which will offer access to all of our markets via a single feed.

Other Information Services
SEDOL is our global, multi-asset class numbering system, providing reference data and unique identification codes for global equity, derivatives and fixed income securities. The SEDOL Masterfile Service database provides clients with access to reference data on over five million live and almost 50 million historical instruments. In an extension to its duties as a national numbering agency, London Stock Exchange was sponsored by the Financial Conduct Authority (FCA) to be a Local Operating Unit (LOU) for the global allocation of the new Legal Entity Identifier (LEI), which uniquely identifies every legal entity or structure, in any jurisdiction, which is party to a financial transaction. The LEI is mandatory for a number of global regulations and UnaVista technology is being used to allocate and maintain the codes. Since launch in mid 2013, we have become the third largest LOU and have allocated circa 30,000 LEIs globally across six continents.

UnaVista is the Group's hosted platform for all matching, validation and reconciliation needs. It offers services for regulatory reporting, trade confirmations, reconciliations and reference data. In the last 12 months, UnaVista increased its user base to 33,800 (2013: 18,100). During 2014, UnaVista won FOW International's European Trade Repository of the year and Best Technology Solutions Provider – EMIR and Regulatory Reporting at the Compliance Register Awards. Our multi-asset class MiFID Transaction Reporting service processed 1.4 billion trades this year (2013: 1.0 billion) making it the

Information Services continued

largest Approved Reporting Mechanism (ARM) in Europe by trade volumes and client numbers.

EMIR has resulted in both product and client growth for UnaVista due to on-exchange and OTC derivative transactions requiring reporting across Europe. Last year, we launched our EMIR Trade Repository solution, approved by ESMA as a repository across all asset classes and geographies. This service has helped over 4,600 trading counterparties report in excess of 1.5 billion derivative transactions.

UnaVista is the only platform that is both an approved MiFID ARM and an EMIR Trade Repository. The UnaVista Rules Engine helps clients meet their wider regulatory reporting needs, taking data from client's multiple sources and determining which regulations each transaction is mandated for.

In addition to MiFID and EMIR, UnaVista assists firms with a variety of other reporting regulations including AIFMD, Short Selling, Financial Transaction Tax and Transparency Directive.

In July 2014, UnaVista and Omgeo, the post trade solutions provider, announced a partnership to support tri-party matching of synthetic equity swaps between executing brokers, prime brokers and investment managers. The new offering links UnaVista, with Omgeo Central Trade Manager (Omgeo CTM), Omgeo's strategic platform for the central matching of cross-border and domestic equity, fixed income, repos, exchange traded derivative and equity swaps transactions.

LSEG and Wipro Ltd entered into a strategic partnership to provide a hosted, global end-to-end reconciliation solution for the financial services industry in July 2014. The new solution will use UnaVista to help firms reduce their operational and regulatory risk. The joint offering will help financial services firms access an enterprise reconciliation utility without making any capital investment.

SIX, which operates the Swiss exchanges and post trade operations, has selected UnaVista as a partner to provide its reporting technology for its Swiss derivative trade repository solution.

Proquote in London and Borsa Italiana Market Services (BIMS) in Italy, offer cost efficient, global market data solutions and a range of trading services through their trading platforms and electronic execution gateways. Proquote has a successful partnership programme with companies including FactSet, SunGard, Liquid Metrix and Digital Look, offering solutions for mobile services, risk, surveillance, and best execution. In December 2014, Proquote announced a direct connection to Turquoise, extending the number of securities trading through the platform.

Our Regulatory News Service (RNS) is a leading high-quality service for UK and Italian regulatory news announcements and global press releases. RNS helps companies and their intermediaries to fulfil their regulatory disclosure obligations in the most effective and time-efficient way. Over 280,000 announcements were processed by RNS during 2014 (2013: 260,000), covering the majority of UK company announcements. RNS operates as a Primary Information Provider and is regulated by the FCA.

Total Other Information Services revenue for calendar year 2014 increased 14 per cent to £91.9 million (2013: £80.6 million).

Case study

Frank Russell Company

On 3 December 2014, the Group announced the completion of the acquisition of Frank Russell Company. This is a truly transformative deal for LSEG. The financial performance of Frank Russell Company has been included from the acquisition date. By way of background to this important new part of the Group, an introduction to Russell Indexes is provided over this and the next page.

Introduction
Frank Russell Company is comprised of two primary businesses: Russell Indexes and Russell Investment Management.

Following the acquisition, LSEG has started to integrate Russell's index business into its Information Services division and, in combination with FTSE, create a global leader in indices to deliver significant benefits to clients and shareholders. The acquisition continues our ongoing diversification strategy, builds on one of our core strengths in intellectual property, and accelerates our geographic expansion, particularly in North America. Revenue for the indices business for the period from acquisition date was £10.0 million.

The Group conducted a comprehensive review of the strategic fit of the Russell Investment Management business with the Group's long-term strategy. In February 2015, it concluded that it would explore the sale of this business. The results for Russell Investment Management are included from the acquisition date, with gross revenue amounting to £79.7 million.

Russell Indexes
Russell Indexes is a leading provider of benchmarks to US-focused equity funds and has strong relationships with leading asset managers and exchanges. The business provides customised and innovative index solutions, including smart beta products, to a global client base. US$5.7 trillion of assets are benchmarked to Russell Indexes globally including more than $835 billion of assets under management (AUM) invested in passive funds and ETFs. In addition, 73 per cent of US institutional equity portfolios by AUM are benchmarked to Russell Indexes, including 98 per cent of small-cap and style-specific equity AUM, 88 per cent of broad market equity AUM and 52 per cent of large-cap equity AUM. Further, 73 per cent of all US equity index futures contracts traded on the Intercontinental Exchange are based on Russell Indexes.

$5.7tr
Total assets benchmarked

$153bn
ETF assets benchmarked

Russell provides a range of 'smart beta' indices, which offer access to groups of stocks that represent a particular exposure, weighting or investment methodology. These indices can be a useful complement to both traditional cap-weighted index strategies and actively managed strategies. Russell's own research during the year demonstrated asset owners' growing interest in, and adoption of, 'smart beta' strategies in the US and Europe.

In September 2014, Russell Indexes launched the Falah Russell-IdealRatings U.S. Large cap which is the first shariah-compliant Russell index licensed as the basis of an ETF. Similarly, in December 2014, Russell launched its first ETF with PowerShares, the PowerShares Russell 1000. Development of ETFs within EMEA has also been strong with the first Russell based ETF with Amundi in January 2015 based on the Russell 2000. Additionally, Russell leveraged its broader relationship with SSgA to drive the first listing of an ETF in Europe tracking the Russell 3000 Index,

Revenue generation

Russell Indexes generates revenues in a similar way to FTSE, through:

- Subscription fees for index data and data services
- Licence fees for index-based financial products such as ETFs (fees based on AUM), and benchmarks for futures, options and structured products (fees based on volume of contracts traded)

Russell Benchmarks

Russell indices are constructed using an open, rules-based, published methodology that is well established and trusted by financial professionals and other market participants. Russell indices are constructed to be objective and comprehensive by offering full coverage of the underlying market segment without gaps or overlaps, and with no sampling. Processes to account for daily corporate actions, monthly share adjustments, quarterly initial public offering inclusions and annual total reconstitution, all are designed to ensure that the indices continue to represent accurately market performance.

Russell Indexes calculates approximately 700,000 benchmarks daily, covering 98 per cent of the investable universe globally, including more than 80 countries and more than 10,000 securities, with its primary focus being on the provision of equity indices in the US. Its index offerings span large cap indices, small cap indices, style indices, and broad market indices. Its principal indices include:

- Russell 1000 Index (US-based, large-cap equity index for the largest 1,000 stocks in the Russell 3000 index)
- Russell 2000 Index (US-based, small-cap equity index for the smallest 2,000 stocks in the Russell 3000 index)
- Russell 3000 Index (US-based, broad market equity index measuring the performance of the largest 3,000 US companies)
- Sub-set index families, including Russell Top 200 Index (US-based equity index for the 200 largest stocks in the Russell 3000 Index) and Russell Midcap Index (US-based equity index measuring the 800 smallest stocks on the Russell 1000 Index)
- Smart Beta series (rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies). These include stability indexes, Conscious Currency, defensive and high dividend yield indexes, among others

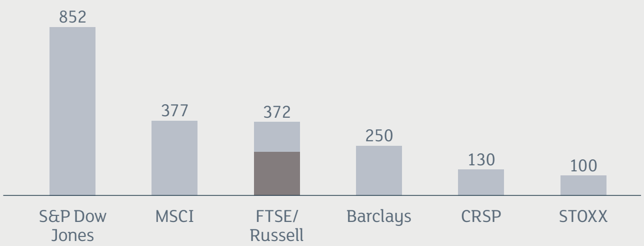
Combination with FTSE

The combined offering of FTSE and Russell creates a global index leader in US, European and emerging markets, comparable in scale to MSCI for ETFs benchmarked globally, based on AUM. The combination of index businesses further strengthens the Group's position to operate successfully in the global environment and increase benchmark choice for US investors. There is also significant cross-selling potential through complementary products and an extensive geographical footprint through both intellectual property and global sales teams. Both FTSE and Russell are well positioned to respond to client needs for transparency as well as regulatory demands and to benefit from the strong trend towards passive investing and use of ETFs. In addition, integration of best in class operations, technology and infrastructure will drive efficiencies.

Index providers by ETF AUM benchmarked

Source: ETFGI as at December 2014

$ billion

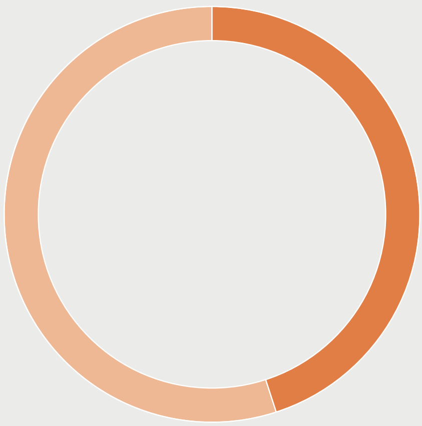


Technology Services

Revenues

£66.0m

2013: £62.2m



Key Summary

- Revenues for calendar year 2014 increased 6 per cent to £66.0 million.
- MillenniumIT will provide Aequitas Innovations Inc., Canada's new stock exchange, with a suite of capital markets technology products. Millennium Exchange, Millennium Surveillance, Millennium SOR and Millennium MarketData are among the products chosen.
- Casablanca Stock Exchange (CSE) selected MillenniumIT trading and market surveillance technology and other Group services including Elite and RNS.

Further information

To aid comparison purposes, revenues and KPIs are all on a 12 month calendar year basis (12 month revenues unaudited). Market position and outlook for Technology Services can be found on page 8. Profitability of each segment can be found in the Financial Review on page 42. A glossary of terms can be found on pages 164-165.

Introduction

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

Exchange Technology

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

Our UK cash equity and Turquoise platforms continue to exhibit excellent technical performance attributable to our Millennium Exchange technology. Turquoise markets have an average latency of 101 microseconds, remaining one of the fastest operating trading platforms in the world. On the UK cash equities platform, average latency is 122 microseconds, slightly higher than Turquoise due to the more diverse range of customers and the advanced functionality that it offers.

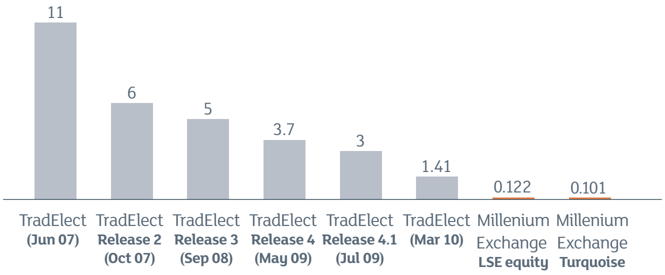
Development is under way for an online platform for private companies on the ELITE programme. Further enhancements and services will be launched during the coming year.

In Post Trade Services, our IT systems and processes have successfully completed testing for TARGET2-Securities (T2S). Phase 1 of T2S, of which the Group is a participant, is due to start in June 2015. The launch of globeSettle expands the scope of LSEG's settlement and custody services. The CSD has started operations to provide settlement, custody and asset servicing.

Within Information Services, our Group Ticker Plant (GTP) project continues to grow. This high-speed technology platform provides a single, normalised real time market data protocol for broadcast of market data from across the Group, regardless of asset class, trading platform or geography. The GTP will allow customers to connect to our markets or data products including indices via a single interface. The FTSE Prime service will allow low latency calculation and publication of indices within our Primary data centre, whilst also providing increased flexibility to create customised indices for users.

Consolidation of data centres over the last year has delivered one location for all primary processes. FTSE's and LCH.Clearnet's data centres will be transferred in 2015. FTSE has gone through a replatforming process this year, updating its platforms with corporate action processing and end of day series calculation capabilities.

Trading system latency
(milliseconds)



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

This year GATElab has signed several new contracts, including: market infrastructure providers including Casablanca SE and tier 1 institutions using our ultra low latency pre-trade risk gateways on NSE, the Indian futures and options market.

Other projects this year have included the introduction of microwave carried data, between our data centre and end customers, also Low Latency Interface (LLI) offering tighter integration and allowing clients to programmatically interact with the Group by using a common language interface.

This calendar year, Exchange Technology revenue increased by 10 per cent to £36.3 million (2013: £32.9 million).

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

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

In calendar year 2014, MillenniumIT revenue increased by 1 per cent to £29.7 million (2013: £29.3 million).

Highlights this year include:
- LSEG selected as the business development and technology partner by the Argentinian Central Securities Depository (CSD), Caja de Valores S.A. (CVSA). CVSA acts as the technology provider to the newly formed Bolsa & Mercados Argentinos exchange (B&MA). MillenniumIT, will supply capital markets technology across asset classes, based on Millennium Exchange
- MillenniumIT, has been selected by Canadian-based Aequitas Innovations Inc., (Aequitas) to provide a suite of capital markets technology products. Millennium Exchange, Millennium Surveillance, Millennium SOR and Millennium MarketData are among the products chosen by Aequitas for its new marketplace in Canada
- MillenniumIT will provide Millennium Exchange and Millennium Surveillance technology to Casablanca Stock Exchange (CSE)
- National Commodity and Derivatives Exchange (NCDEX) – India's pre-eminent online exchange and leader in agricultural commodities trading has selected Millennium Exchange and Millennium Surveillance, to provide the core technology infrastructure for both the derivatives and spot market
- EuroTLX (LSEG's majority owned European retail fixed income platform) migrated to MillenniumIT technology during the year

Global Business Development
Global Business Development identifies and implements business opportunities with exchanges, clearing houses and depositories globally, leveraging the assets of the Group to establish long-term and trusted business partnerships. This can help our partners fulfil their growth ambitions and generate new revenues for the Group.

In summer 2014, we signed strategic business agreements with Casablanca Stock Exchange as well as agreements with Maroclear, the Moroccan central securities depository, to help develop their market infrastructure and position them as a hub for the North Western and Central African region. They will be supported by MillenniumIT which will power the Casablanca Stock Exchange markets and other services from across the Group, including UnaVista, Elite and RNS agreement expected to be signed during the course of this year.

During the year, LSEG was also selected as the business development and technology partner of the Argentinian Central Securities Depository (CSD), Caja de Valores S.A. (CVSA). CVSA acts as the depository of the Argentinian securities market and technology operator of the newly formed Bolsa & Mercados Argentines (B&MA). In addition to MillenniumIT trading technology, LSEG will also provide a range of market services across the full exchange business chain to further develop the Argentinian capital market.

LSEG is working with Central Securities Depository – Ghana (CSD (Gh)), to develop a medium term business development plan and help it contribute to the economic growth in Ghana and its sub region. CSD (Gh) uses Millennium CSD technology.

Our wider responsibility

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

Below, we summarise our developing approach to Corporate Responsibility (CR) and highlight some of the main changes during the year. We have also produced a detailed CR report, which can be downloaded at www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

Our Approach to CR
Following approval by the Group Board in March 2014, LSEG has further developed its focus on CR and delivered significant progress in a number of areas. We have seen improved performance in external CR ratings, lifting us from 3rd quartile ranking against peers to 1st quartile against increasingly demanding standards. Executive Committee members (supported by cross-Group teams) have led CR strategy working groups focused on developing specific targets and action plans in each of our four pillars of CR:

The four pillars of our CR approach

LSEG CORE CR PILLARS

1. Our markets	2. Our services	3. Our people	4. Our communities
Lead: Raffaele Jerusalmi	**Lead:** Mark Makepeace	**Lead:** Tim Jones	**Lead:** David Lester
Group Director of Capital Markets	Group Director of Information Services	Group Director of Human Resources	Group Director of Corporate Strategy
"We develop markets that can sustain the long-term prosperity of the economies we serve."	"We aim to help investors, traders and market intermediaties, make informed and sustainable investment decisions and to execute them efficiently, safely and cost efficiently."	"We develop our employees' talent, commitment and critical thinking for our long-term success."	"We turn our market presence into opportunities for all those we connect with and carefully manage our impact on the communities in which we operate."

Environment
As a Group, we are committed to utilising resources in ways that ensure the long-term sustainability and profitability of the business and have a positive impact on the environment. The Group's primary GHG emissions arise from energy, waste and water in our offices and data centres around the world, from staff travel, and indirectly from our supply chain (please see the Environment section of our CR report for details on emissions and targets).

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

Global FY14 GHG Emissions (1 April 2014 to 31 December 2014) (tCO_2e)

	Apr-Dec 2013	Apr-Dec 2014	% Change
Total Scope 1 & 2 Emissions (as per below)	17,550	16,497	-6.00%
per m^2 [1]	0.23	0.21	-6.39%
per FTE[2]	4.60	4.16	-9.51%
per £m Revenue	22.61	16.95	-25.03%
Combustion of fuel and operation of facilities[3]	814	635	-21.93%
Purchase of electricity, heat, steam and cooling by the Group for its own use[4]	16,736	15,862	-5.22%

1 Total Group emissions and floor space, including data centres and tenanted space.
2 Total Group emissions excluding tenanted space.
3 Scope 1 including Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles.
4 Scope 2 (The Group does not purchase heat, steam or cooling).
Note: Frank Russell Company sites were acquired by LSEG in December 2014 and are not included in this year's reporting. This data will be included in Group reporting from 2015 onwards.

In addition to monitoring our environmental impact, we have set environmental targets for the next financial year that include energy, water, waste and travel. More information on these as well as full details of emissions including scope 3 and reporting methodology can be found in our Corporate Responsibility report www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

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

This year we launched the Gateway to the City apprenticeship scheme, supported by LSEG Foundation and run by LSEG in collaboration with six other financial organisations: the programme aims to provide 12 apprentices with formal development and training opportunities in addition to on-the-job training, to improve their long-term employability in the financial sector. Further information on our approach to developing and retaining our people is detailed in the CR report.

Diversity/Equal Opportunities
We value diversity as a driver for development and innovation. Our operations span four continents, with offices in Australia, Canada, France, Hong Kong, India, Italy, Japan, Sri Lanka, the UK and the US. We have employees of 51 different nationalities, reflecting both the growing international scale of our business and the diversity of our customer base. 5 nationalities are represented on our Executive Committee.

In early 2015, we launched the 'Women Inspired Network', a Group-wide network aimed at inspiring and growing female talent within our organisation.

Gender Diversity

	Female	Male
LSEG plc Board	**3**	**11**
LSEG Subsidiary Boards[1,3]	10	93
Executive Committee and Leadership Teams[2,3]	11	48
All other staff	1,593	3,004
Total	**1,604**	**3,052**

1 Mix of employees and Non-Executive Directors.
2 Executive Committee and Leadership Teams in LSEG and LCH.Clearnet.
3 The LSEG Subsidiary Board members and the Executive Committee and Leadership Teams together comprise the 'Senior Managers' for the purposes of 414C(10)b Companies Act 2006.
Note: Figures as of year end 31 December 2014.

Human Rights
The Group prides itself on its high standards of social responsibility. To that effect, we respect and seek to adhere to the principles covered by the Universal Declaration of Human Rights, together with the International Labour Organization Conventions and Recommendations within its working environment in each location where it operates. The Group strongly supports these conventions which aim to abolish forced labour and child labour and promote freedom of association and equality. Human rights considerations are included in our Supplier Code of Conduct, approved in October 2014, and in our Group-wide Code of Conduct. These policies, and other policies covering a range of expected behaviours, can be found on our Group website.

Community
Our activities benefit communities worldwide. We engage with governments, inter-governmental agencies and regulators to promote ESG disclosure and sustainable practices. We work to support local communities and the environment where we have a significant presence.

The Group established the London Stock Exchange Group Foundation in 2010 which provides a single channel for the Group's charitable giving and for promoting and facilitating staff engagement with the community. (Please see the Community section of the Group CR report for further information). Over the reporting period, significant effort has been put into developing a common, scalable charitable giving framework that will enable the transition of FTSE and LCH.Clearnet's charitable giving programme onto LSEG Foundation in 2015, with a view to subsequently integrating Russell Indexes.

For the 9 months ending 31 December 2014, the Group donated £1,511,000 to charity (including Frank Russell Company's donation for December 2014). This was a 21 per cent increase compared to the equivalent pro rated period last year. Excluding the charitable donations made through Frank Russell Company, the increase in donations was 7 per cent. The donations for the 9 months are equivalent to £534 per employee (excluding Frank Russell Company), a 23 per cent increase on the equivalent prorated period last year. Our donation per employee is over 100 per cent higher than the benchmark calculated in research by the London Benchmarking Group, which showed that the average amount donated per employee by leading corporate donors was £352 in 2014, equivalent to £264 for the 9 month period.

Governance
We remain committed to the highest standards of corporate governance and business integrity. In the past period we have complied with all the UK Corporate Governance Code's provisions. In the year ahead the board will ensure that we comply with the provisions of the new code, which will apply following amendments made with effect from October 2014.

Given the increased size and scope of our businesses, we face a wide and expanding universe of risks. In particular, our presence in post trade services provides direct and indirect exposure to financial market volatility. We also face technology risks such as cyber threats, systems resilience and technological innovation, and political, regulatory and macro-economic risks, which include the impact of our competitors' actions. Pursuing our growth strategy in this dynamic environment requires best-in-class risk management. Our governance and risk management structures have evolved to meet this need (see pages 64 and 50 for further details).

We adhere to aspects of the GRI Sustainability Reporting Guidelines which provides the best and most up-to-date guidance for effective sustainability reporting (see Corporate Responsibility report page 42 for further details).

The UN Sustainable Stock Exchange (SSE) Initiative
The SSE initiative aims at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on ESG (environmental, social and corporate governance) issues and encourage responsible long-term approaches to investment. On 2 June 2014, London Stock Exchange Group announced that it would partner with the United Nations Sustainable Stock Exchange (SSE) initiative. This initiative focuses on 6 main aspects: 1) Business Strategy 2) Transparency and Issuer Reporting 3) Issuer Capacity Building 4) Collaboration and Engagement 5) Sustainable Products 6) Exchange Needs. Disclosure levels to which we adhere to as a Group are listed in the Corporate Responsibility report on page 44.

Looking ahead
As our business expands and diversifies, we continue to review our approach to sustainability. In the coming year, within each of our core pillars we plan to promote sustainable, responsible and effective business management in the following ways:

Our Markets	— Use new channels to promote with issuers non-financial disclosure and dialogue with long term investors as a governance and market quality element, also in view of the implementation of the EU non-financial reporting directive — Continue building sustainable growth into the SME and cleantech space, further engaging investors
Our Services	— Develop and further enhance FTSE's Environmental, Social and Governance, and Low Carbon Economy services — Roll out the Academy education programs, including e learning platforms to universities and business schools — Drive cost and capital efficiencies through partnering with and supporting market participants with their post trade activity
Our People	— Deploy Group programmes aimed at improving the engagement of our staff — Scale up our diversity and social inclusion programmes (including gender)
Our Communities	— Development of a Group framework for charitable giving and staff community involvement — Continue to work to meet our environmental targets

Financial review

The Group has changed its financial year end to 31 December. As a consequence, this report shows audited results for the 9 months to 31 December 2014. To provide further insight, we also show information on a calendar 12 month basis (unaudited), with commentary and analysis in comparison with the equivalent 12 months ended 31 December 2013.

FY2014 is the financial year from 1 April 2013 to 31 March 2014 (audited)
CY2013 is the calendar year from 1 January to 31 December 2013 (unaudited)
CY2014 is the calendar year from 1 January to 31 December 2014 (unaudited)
All percentage variances used for income analysis quoted are on an organic and constant currency basis.

Highlights

On a statutory comparative basis:

- Adjusted total income of £1,043.9 million (FY2014: £1,213.1 million) and total revenue of £971.4 million (FY2014: £1,088.3 million), including one month's contribution from Frank Russell Company of £89.7 million
- Operating expenses of £626.5 million (FY2014: £698.4 million) including £77.6 million of costs relating to businesses acquired in the period ending December 2014, of which Frank Russell Company was £74.5 million
- Adjusted operating profit of £417.5 million (FY2014: £514.7 million)
- Operating profit of £242.1 million (FY2014: £353.1 million)
- Adjusted basic earnings per share of 75.6 pence (FY2014: 98.6 pence). Timing of the purchase of Frank Russell Company resulted in a three month impact from the increased share base due to the Rights Issue offset by only one month's accretive earnings
- Basic earnings per share of 37.9 pence (FY2014: 63.0 pence). Higher earnings were offset by Frank Russell Company acquisition costs and impairments to licenses relating to the LCH.Clearnet acquisition
- Cash generated from operations of £413.4 million (FY2014: £515.4 million)
- Year end operating net debt to adjusted EBITDA at 2.1 times (FY2014: 1.9 times), temporarily outside the Group's normal target range of one to two times following the partial debt financing of the acquisition of Frank Russell Company

On a twelve month calendar year comparative basis:

- Adjusted total income up at £1,381.1 million (CY2013: £1,096.4 million). On an organic constant currency basis adjusted total income was up 7 per cent with an increase in revenue from the core business segments offset by a reduction in net treasury income
- Operating expenses up at £823.2 million (CY2013: £616.5 million). On an organic constant currency basis costs were up 5 per cent
- Upgraded €60 million (£49 million) cost synergy run-rate target with LCH.Clearnet successfully achieved
- Adjusted operating profit rose 16 per cent to £558.0 million (CY2013: £479.9 million) due to underlying business growth and the inclusion of LCH.Clearnet for the full year
- Operating profit up to £346.0 million (CY2013: £329.4 million) with higher adjusted operating profit partly offset by higher transaction costs and an impairment on purchased intangibles relating to LCH.Clearnet
- Adjusted basic earnings per share increased by 7 per cent to 103.3 pence (CY2013: 96.5 pence)
- Basic earnings per share decreased 12 per cent to 56.5 pence (CY2013: 64.2 pence) as a result of higher earnings being offset by Frank Russell Company acquisition costs

David Warren
Group Chief Financial Officer

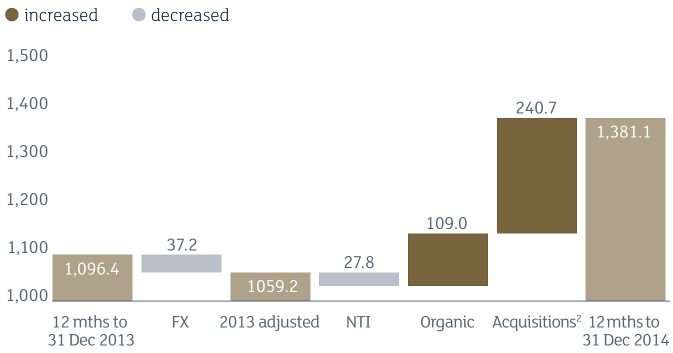
Revenue	9 months ended Dec 2014 £m	12 months ended Mar 2014 £m
Capital Markets	249.1	309.5
Post Trade Services – CC&G and Monte Titoli	71.5	98.4
Post Trade Services – LCH.Clearnet[1]	238.7	263.0
Information Services including Russell Indexes	281.0	348.7
Technology Services	47.3	64.0
Investment Management	79.7	0.0
Other	4.1	4.7
Total revenue	971.4	1,088.3
Net treasury income		
– CC&G	23.2	47.6
– LCH.Clearnet	45.9	62.2
Other income	3.5	11.5
Total income	1,044.0	1,209.6
Adjusted total income[2]	1,043.9	1,213.1
Operating expenses[2]	(626.5)	(698.4)
Share of Profit after tax of associates	0.1	0.0
Adjusted operating profit[2]	417.5	514.7
Operating profit	242.1	353.1
Adjusted basic earnings per share[2]	75.6p	98.6p
Basic earnings per share	37.9p	63.0p

Revenue	12 months ended Dec 2014 (unaudited) £m	12 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency[3] %
Capital Markets	333.2	296.8	12	12
Post Trade Services – CC&G and Monte Titoli	96.5	98.7	(2)	3
Post Trade Services – LCH.Clearnet[1]	329.4	172.3	91	34
Information Services including Russell Indexes	373.0	339.5	10	8
Technology Services	66.0	62.2	6	11
Investment Management	79.7	–	–	–
Other	5.4	4.5	20	19
Total revenue	1,283.2	974.0	32	12
Net treasury income				
– CC&G	32.6	59.2	(45)	(42)
– LCH.Clearnet	60.0	48.1	25	(13)
Other income	4.8	12.2	(61)	(65)
Total income	1,380.6	1,093.5	26	7
Adjusted total income[2]	1,381.1	1,096.4	26	7
Operating expenses[2]	(823.2)	(616.5)	34	5
Share of Profit after tax of associates	0.1	–	–	–
Adjusted operating profit[2]	558.0	479.9	16	8
Operating profit	346.0	329.4	5	13
Adjusted basic earnings per share[2]	103.3p	96.5p	7	
Basic earnings per share	56.5p	64.2p	(12)	

1. LCH.Clearnet results consolidated from acquisition in May 2013.
2. Before amortisation and impairment of purchased intangibles and goodwill, non-recurring items and unrealised net investment gains/losses at LCH.Clearnet, which is taken through other income (£0.1 million gain in the 9 months to Dec 2014; £3.5 million loss in FY2014; £0.5 million loss in CY2014; £2.9 milion loss in CY2013).
3. Organic growth excludes EuroTLX, Bonds.com, FTSE TMX and Frank Russell Company. LCH.Clearnet organic and constant currency comparative includes the published revenues for the period from January to April 2013 prior to acquisition.

Adjusted total income[1]

12 month calendar year unaudited
£ million



Capital Markets

Revenue	9 months ended Dec 2014 £m	12 months ended Mar 2014 £m
Primary Markets		
Annual Fees	**33.6**	**41.2**
Admission Fees	**34.6**	**39.9**
Total Primary Markets	**68.2**	**81.1**
Secondary Markets		
Cash equities: UK & Turquoise	**74.9**	**94.5**
Cash equities: Italy	**28.0**	**36.1**
Derivatives	**14.9**	**19.6**
Fixed income	**56.3**	**68.1**
Total Secondary Markets	**174.1**	**218.3**
Other	**6.8**	**10.1**
Total revenue	**249.1**	**309.5**
Operating expenses	**(123.9)**	**(164.8)**
Operating profit	**125.2**	**144.7**

1. Before unrealised net investment gains/losses at LCH.Clearnet.
2. Acquisitions includes non-comparative 2014 income for LCH.Clearnet, EuroTLX, Bonds.com and Frank Russell Company.

Capital Markets

Revenue	12 months ended Dec 2014 (unaudited) £m	12 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency %
Primary Markets				
Annual Fees	**44.2**	**40.2**	10	11
Admission Fees	**44.6**	**37.2**	20	17
Total Primary Markets	**88.8**	**77.4**	15	14
Secondary Markets				
Cash equities: UK & Turquoise	**101.2**	**91.4**	11	11
Cash equities: Italy	**38.0**	**35.6**	7	12
Derivatives	**20.0**	**19.5**	3	8
Fixed income	**75.9**	**63.2**	20	12
Total Secondary Markets	**235.1**	**209.7**	12	11
Other	**9.3**	**9.7**	(4)	–
Total revenue	**333.2**	**296.8**	12	12
Operating expenses	**(170.4)**	**(163.8)**	4	
Operating profit	**162.8**	**133.0**	22	

Capital Markets 9 month revenue, which mainly comprises primary and secondary market activities, was £249.1 million (FY2014: £309.5 million).

On a twelve month calendar year comparative basis:
Capital Markets revenues increased by 12 per cent from £296.8 million to £333.2 million. Following the highest IPO activity seen in the last seven years, Primary Markets revenue was up 14 per cent. Higher equity and fixed income trading volumes resulted in an increase of 11 per cent in Secondary Markets.

In primary markets, the total amount of capital raised across our equity markets, both through new and further issues, increased to £42.6 billion (CY2013: £30.4 billion), an increase of 40 per cent. This reflected a strong year in equity issuance for both domestic and international companies across our markets. In total there were 75 new issuances to our UK main market (CY2013: 51), 26 in Italy (CY2013: 18) and 118 to AIM (CY2013: 100). Looking ahead, the pipeline of companies looking to join our markets in the early part of the year remains encouraging.

In secondary markets, Italian equity trading activity increased on last year with average daily order book volume in Italy up 16 per cent to 264,000 trades per day (CY2013: 227,000). In the UK, average order book daily value traded was up 15 per cent to £4.6 billion (CY2013: £4.0 billion). Trading on Turquoise, our pan-European equities platform, delivered a 42 per cent rise in average daily equity value traded to €3.7 billion (CY2013: €2.6 billion). Derivatives revenues were broadly flat as a drop in Russian contracts, as a result of political and economic uncertainty, was offset by an increase in Italian derivative trading.

Financial review
continued

Fixed income revenue rose by 12 per cent. MOT volumes were down 18 per cent, while MTS grew strongly with MTS Repo volumes up 3 per cent and MTS Cash and BondVision value traded up 32 per cent. Other capital markets revenues of £9.3 million (CY2013: £9.7 million) primarily comprise fees, for membership of and connectivity to, our markets.

Operating expenses were up 4 per cent to £170.4 million (CY2013: £163.8 million) in line with increasing revenue and operating profit was up 22 per cent to £162.8 million (CY2013: £133.0 million).

Post Trade Services – CC&G and Monte Titoli

Revenue	9 months ended Dec 2014 £m	12 months ended Mar 2014 £m
Clearing (CC&G)	**27.8**	**40.0**
Settlement (Monte Titoli)	**13.0**	**16.4**
Custody & other	**30.7**	**42.0**
Total revenue	**71.5**	**98.4**
Net treasury income	**23.2**	**47.6**
Inter-segmental income	**0.9**	**0.9**
Total income	**95.6**	**146.9**
Operating expenses	**(48.5)**	**(63.4)**
Operating profit	**47.1**	**83.5**

Post Trade Services – CC&G and Monte Titoli

Revenue	12 months ended Dec 2014 (unaudited) £m	12 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency %
Clearing (CC&G)	**38.2**	**39.9**	(4)	1
Settlement (Monte Titoli)	**17.4**	**16.7**	4	9
Custody & other	**40.9**	**42.1**	(3)	2
Total revenue	**96.5**	**98.7**	(2)	3
Net treasury income	**32.6**	**59.2**	(45)	(42)
Inter-segmental income	**1.1**	**0.5**	114	86
Total income	**130.2**	**158.4**	(18)	(14)
Operating expenses	**(67.3)**	**(58.9)**	14	
Operating profit	**62.9**	**99.5**	(37)	

Post Trade Services 9 month income, which comprises of clearing (CC&G), settlement and custody (both Monte Titoli) activities, was £95.6 million (FY2014: £146.9 million).

On a twelve month calendar year comparative basis:
Clearing revenues were flat. Settlement revenues increased by 9 per cent with Monte Titoli processing 64.8 million settlement instructions, up 14 per cent on the previous year.

In the Monte Titoli CSD business, revenues increased by 2 per cent, in line with the increase in the average value of assets under custody.

CC&G generates net treasury income by investing the cash margin it holds, retaining any surplus after members are paid a return on their cash collateral contributions. The average daily initial margin fell 15 per cent to €9.9 billion for the period (CY2013: €11.6 billion). CC&G completed the move to a minimum 95 per cent secured investment level for cash margin, required to meet EMIR regulatory standards in September 2013, with a subsequent reduction in yields. Net treasury income, as a result of these changes and lower yields in Europe, decreased by £26.6 million to £32.6 million (CY2013: £59.2 million).

Operating expenses were up 14 per cent to £67.3 million mainly due to increased spend on globeSettle and Target2Securities projects, and combined with the decline in net treasury income, resulted in a 37 per cent decrease in operating profit to £62.9 million (CY2013: £99.5 million).

Post Trade Services – LCH.Clearnet

Revenue	9 months ended Dec 2014 £m	11 months ended Mar 2014 £m
OTC	105.1	109.6
Non-OTC	115.2	146.3
Other	18.4	7.1
Total revenue	238.7	263.0
Net treasury income	45.9	62.2
Other income	0.1	(3.5)
Total income	284.7	321.7
Operating expenses	(203.3)	(240.6)
Operating profit	81.4	81.1

Post Trade Services – LCH.Clearnet

Revenue	12 months ended Dec 2014 (unaudited) £m	8 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency[1] %
OTC	138.2	76.4	81	34
Non-OTC	159.8	101.8	57	8
Other	31.4	(5.9)	–	–
Total revenue	329.4	172.3	91	34
Net treasury income	60.0	48.1	25	(13)
Other income	(0.5)	(2.9)	–	–
Total income	388.9	217.5	79	24
Operating expenses	(275.0)	(168.3)	63	
Operating profit	113.9	49.2	132	

1. LCH organic and constant currency comparison include the published revenues for the period from January to April 2013 prior to acquisition May 2013.

Post Trade Services – LCH.Clearnet segment comprises the Group's majority owned global clearing business. Total 9 month income was £284.7 million (FY2014: £321.7 million).

On a twelve month calendar year comparative basis:

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

OTC revenues of £138.2 million grew by 34 per cent with strong growth in both SwapClear and CDSClear. SwapClear revenues were primarily driven by the removal of the surplus share arrangement and an increase in total member numbers to 114 (CY2013: 103) and higher client clearing. CDSClear revenue increases were primarily driven by fee changes.

Non-OTC revenue was up to £159.8 million. Fixed income and commodities revenues grew by 42 and 45 per cent respectively offsetting a fall in Derivatives of 24 per cent as a result of the termination of LIFFE's contract. Metals revenues (within commodities) included the 9 months to the end of September 2014 when the LME contract ceased. Fixed Income revenues were primarily driven by a change in fee structure resulting in increasing clearing fees but offset by lower spreads impacting net treasury income.

Net treasury income is earned by investing the cash margin held, retaining any surplus after members are paid a return on their cash collateral contributions. This income of £60.0 million was 13% down primarily as a result of the change in fee structure in fixed income. LCH.Clearnet investments remained at over 95 per cent secured throughout the period.

In May 2014, the cost synergies from the acquisition were increased from €23 million to €60 million, and were to be delivered a year early. By the end of 2014, the run-rate target of €60 million has been achieved with most of the savings occurring within LCH.

Financial review
continued

Information Services

Revenue	9 months ended Dec 2014 £m	12 months ended Mar 2014 £m
FTSE revenues	140.7	174.0
Russell Indexes	10.0	0.0
Real time data	61.0	90.8
Other information services	69.3	83.9
Total revenue	281.0	348.7
Operating Expenses	(135.9)	(179.0)
Operating Profit	145.1	169.7

Information Services

Revenue	12 months ended Dec 2014 (unaudited) £m	12 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency %
FTSE revenues	186.8	164.5	14	14
Russell Indexes	10.0	0.0	–	–
Real time data	84.3	94.4	(11)	(9)
Other information services	91.9	80.6	14	16
Total revenue	373.0	339.5	10	8
Operating Expenses	(182.9)	(178.1)	3	
Operating Profit	190.1	161.4	18	

Information Services provides fast, reliable market information including global indices products, trade processing operations, desktop and workflow products. Information Services 9 month revenue was £281.0 million (FY2014: £348.7 million).

On a twelve month calendar year comparative basis:
FTSE's revenue increased 14 per cent to £186.8 million (CY2013: £164.5 million). The three year aggregate target of £28 million set for FTSE global revenue and cost synergies has been achieved.

Real time data revenue declined 9 per cent year on year in line with continued headcount reductions and general cost cutting in the sector.

Russell Indexes contributed £10 million in revenues since acquisition date.

Other Information Services revenues rose 16 per cent to £91.9 million, driven by the continued strong growth of both UnaVista and SEDOL.

Operating expenses of £182.9 million (CY2013: £178.1 million) are up 3 per cent reflecting increased cost of sales, up 16 per cent due to strong revenue growth. Operating profit rose 18 per cent to £190.1 million (CY2013: £161.4 million).

Technology Services

Revenue	9 months ended Dec 2014 £m	12 months ended Mar 2014 £m
MillenniumIT	19.6	31.5
Technology	27.7	32.5
Total revenue	47.3	64.0
Intersegmental revenue	7.1	10.9
Total income	54.4	74.9
Operating expenses	(49.8)	(63.1)
Operating profit	4.6	11.8

Technology Services

Revenue	12 months ended Dec 2014 (unaudited) £m	12 months ended Dec 2013 (unaudited) £m	Variance %	Variance at organic and constant currency %
MillenniumIT	29.7	29.3	1	8
Technology	36.3	32.9	10	13
Total revenue	66.0	62.2	6	11
Intersegmental revenue	10.1	16.5	(39)	(35)
Total income	76.1	78.7	(3)	1
Operating expenses	(64.1)	(57.3)	12	
Operating profit	12.0	21.4	(44)	

Technology Services comprises technology connections and data centre services, along with the MillenniumIT business, based in Sri Lanka, which provides technology and enterprise services for the Group and third parties. Revenues for Technology Services for the 9 months were £47.3 million (FY2014: £64.0 million).

On a twelve month calendar year comparative basis:
MillenniumIT third party revenue increased to £29.7 million (CY2013: £29.3 million) mostly relating to growth in software operations. The business continued to perform well building new relationships with Casablanca Exchange, Argentina and Aeqitas Innovations Inc. amongst others.

Revenue from other technology services grew by 13 per cent to £36.3 million (CY2013: £32.9 million) with good growth in the co-location hosting area.

Operating expenses were up 12 per cent to £64.1 million (CY2013: £57.3 million) and operating profit was down 44 per cent to £12.0 million (CY2013: £21.4 million).

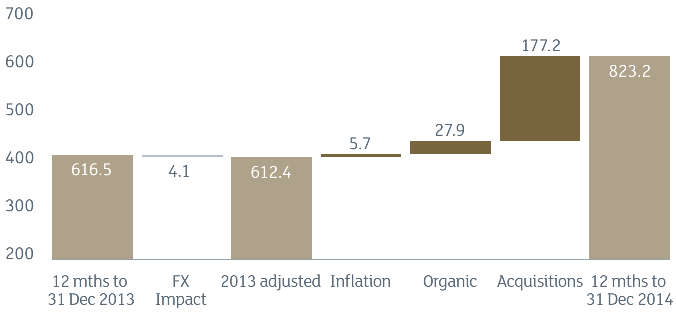
Group 9 month operating expenses before amortisation and impairment of purchased intangibles and goodwill were £626.5 million (FY2013: £698.4 million).

Operating expenses

12 month calendar year unaudited

£ million

● increase ● decrease



On a twelve month calendar year comparative basis:

Operating expenses before non-recurring and amortisation and impairment of purchased intangibles and goodwill were £823.2 million (CY2013: £616.5 million), the increase mainly reflecting the inclusion of £91.3 million of costs relating to an extra 4 months of LCH.Clearnet, £74.5 million from one month of Frank Russell company costs and £11.4 million from other acquired businesses (FTSE TMX, EuroTLX and Bonds.com).

Operating expenses were 5 per cent higher on an organic basis after removing currency variances of £4.1 million. Organic growth, including inflation, of £33.6 million included the impact of several one-off items and the amendment of OTC services' arrangements in LCH.Clearnet resulting in higher expenses (offset by higher revenues).

Non-Recurring Items

Non-recurring items include an impairment of £21.8 million relating to licenses recognised on the acquisition of the LCH.Clearnet Group, and £54.6 million in transaction costs primarily relating to the acquisition of Frank Russell Company, and £11.6 million of integration costs.

Impact of Frank Russell Company

Following the acquisition of Frank Russell Company in December 2014, £15.3 million adjusted operating profit has been consolidated into the Group. The Index business generated gross income of £10.0 million with a further £79.7 million from the Investment Management and other business. Total ETF assets under management benchmarked to Russell Indexes as at the end of December 2014 was $153 billion, with assets under management of $273 billion for the Investment Management business. On 5 February 2015, LSEG announced it was exploring the sale of the Russell Investment Management business. Gain on the sale of the business will be liable for tax.

Finance income and expense and taxation

On a twelve month calendar basis, net finance costs were £68.1 million, up £0.9 million on the prior year including £1.8 million of arrangement fees paid for £600 million of new, committed credit facilities arranged to underpin the financing of Frank Russell Company.

The Group's effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 25.6 per cent, lower than the last period (March 2014: 28.2 per cent). This reflects the ongoing reduction in the UK statutory corporation tax rate to 21 per cent (March 2014: 23 per cent) and the reversal of the temporary increase in Italian corporate tax of 8.5 per cent This is offset by the consolidation of Frank Russell Company effective 2 December 2014 which is taxed predominantly in the US where profits are subject to minimum combined federal tax and state tax rates of 35 per cent.

Cash flow and balance sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from operations of £413.4 million. Total investment in the year, net of dividends received, was £1,456.3 million principally due to the Group investing in the acquisitions of Frank Russell Company and Bonds.com and £59.2 million of capital expenditure offset by acquired cash from acquisitions of £290.8 million.

At 31 December 2014, the Group had net assets of £2,955.3 million (FY2014: £2,003.0 million), the increase in the period reflecting an equity base bolstered by the Rights Issue successfully undertaken in September 2014. Intangible assets increased by £1,822.3 million, mainly reflecting goodwill and purchased intangibles recognised from the purchase of Frank Russell Company. The central counterparty clearing business assets and liabilities within LCH.Clearnet and CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

Financial review continued

Net debt, facilities and credit rating

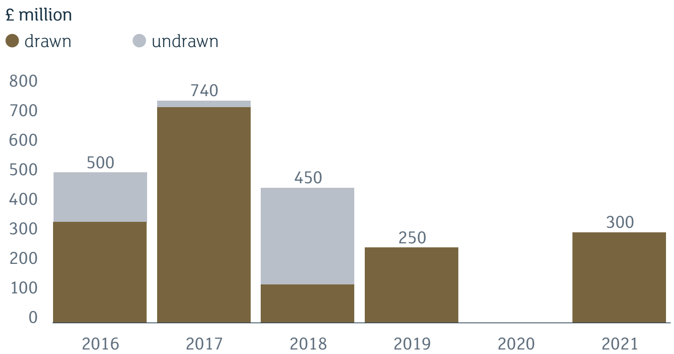
	31 Dec 2014 £m	31 Mar 2014 £m
Gross borrowings	**1,726.4**	1,223.7
Cash and cash equivalents	**(1,127.2)**	(919.2)
Net derivative financial liabilities/(assets)	**(23.1)**	0.7
Net debt	**576.1**	305.2
Regulatory and operational cash (unaudited)	**1,011.3**	803.6
Operating net debt (unaudited)	**1,587.4**	1,108.8

At 31 December 2014, the Group had operating net debt of £1,587.4 million after adjusting for £1,011.3 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents set aside by Frank Russell Company mainly to support its investment management activities and all cash and cash equivalents at LCH.Clearnet Group together with a further £200 million covering requirements at other LSEG companies.

The Group's gross borrowings increased by £502.7 million during the 9 months to 31 December 2014 reflecting the financing of the acquisitions of Frank Russell Company and Bonds.com which extend the Group's North American footprint.

In June 2014, the Group signed a new £600 million unsecured, revolving bank facility package, on improved terms, to provide additional debt headroom ahead of the Frank Russell Company acquisition and financial flexibility for the medium term. The new facility is committed for up to 3 years providing the Group with a degree of optionality over the shorter end of its debt maturity profile. At 31 December 2014, the Group had debt and drawn committed credit lines totalling £1,726.4 million, with maturities extending from July 2016 out to 2021. With over £500 million of undrawn bank lines currently available, together with continuing strong cash generation, the Group also remains well positioned to fund future growth.

Debt maturity profile



The Group's interest cover (the coverage of net finance expense by earnings before interest, taxation, depreciation and amortisation, both before non-recurring items) increased to 9.4 times (March 2014: 8.6 times) due to a favourable change in the mix of net finance costs during the 9 months to 31 December 2014 covered by improving EBITDA. Whilst the Group's organic cash generation remained strong, leverage had increased by the second half of the year following the partially debt funded acquisition of Frank Russell Company. Net adjusted leverage peaked below 2.4 times in early December 2014 with debt levels controlled through a successful Rights Issue which had raised over £960 million, before associated costs, two months earlier. As at 31 December 2014, operating net debt to adjusted EBITDA was 2.1 times (March 2014: 1.9 times) with the position expected to remain above Group's target range for leverage of one to two times for a temporary period.

The Group's long-term credit ratings remained a point of focus during the 9 months to 31 December 2014. Standard & Poor's resolved its credit watch linked to the Group's de-leveraging progress following the LCH.Clearnet majority acquisition in 2013 by affirming its A- long-term rating of LSEG and re-affirmed the rating again following the acquisition of Frank Russell Company later in 2014. However, as part of its work on LSEG, Standard & Poor's also concluded its 'rating above the sovereign' assessment of the Group, which focused on a stress to our Italian operations (deemed a material contributor to the Group's consolidated revenues) and concluded that, for the first time, a direct link to the rating of Italy should be established. Standard & Poor's downgraded Italy to BBB- in December 2014 and, therefore, LSEG's rating followed with a one notch downgrade to BBB+. Standard & Poor's simultaneously affirmed LCH.Clearnet's rating at A+ with a stable outlook. Moody's continues to rate LSEG at Baa2 and both Moody's and Standard & Poor's had assigned a negative outlook against their respective ratings as at 31 December 2014 pending progress on deleveraging following the implementation of the comprehensive review of the Frank Russell Company investment management business.

Foreign exchange

	2014	2013
Spot £/€ rate at 31 December	**1.28**	1.21
Average £/€ rate 12 months ending 31 December	**1.25**	1.19

The Group's principal foreign exchange exposure arises as a result of translating its foreign currency earnings, assets and liabilities into LSEG's reporting currency of sterling. For the 12 months to the 31 December 2014, the principal exposure for the Group remained its European based euro reporting businesses. A 10 euro cent movement in the average £/€ rate for the year would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £26 million.

Our two recent US-based acquisitions will re-balance the Group's operational currency mix, increasing the US dollar contribution to earnings and diversifying our FX exposure. The Group manages its translation risk exposure by matching the currency of its debt (including debt effectively swapped from sterling into currency) to the currency of its earnings, where possible, to ensure its key financial metrics are protected from material foreign exchange rate volatility. The debt funded element of the acquisition of the Frank Russell Company was US dollar denominated, appropriately sized to broadly balance against the Group's projected US dollar earnings component.

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation and impairment of purchased intangible assets and goodwill, non-recurring items and unrealisable gains/losses on investments, of 75.6 pence. On a twelve month comparative basis adjusted basic earning per share was 103.3 pence, a rise of 7 per cent. Basic earning per share were 37.9 pence. On a twelve month calendar year comparative basis basic earnings per share decreased by 12 per cent to 56.5 pence (CY2013: 64.2 pence) as a result of increased amortisation, transaction costs and interest payments following the acquisition of Frank Russell Company, and impairments to licences relating to the LCH.Clearnet acquisition.

Dividend

The Board is proposing a final dividend of 12.8 pence per share, an increase of 6.5 per cent on an equivalent basis. This results in a total dividend of 22.5 pence per share for the 9 month period, equivalent to 75 per cent of the dividend that would have been paid for a full 12 month period. The final dividend will be paid on 2 June 2015, to shareholders on the register as at 8 May 2015.

The Group remains committed to a progressive dividend policy, paying sustainable interim and final dividends split approximately on a one-third/two-thirds basis respectively.

Risk management oversight

The management of risk is fundamental to the successful execution of our Strategic Plan. As our Group has grown we have enhanced our risk management capabilities to maintain our trajectory while protecting the value of our business.

LSEG's Risk Culture

LSEG is a widely, and increasingly, diversified financial infrastructure Group. As the Group has grown and the regulatory environment has become more complex, we have changed to meet the challenges of the post-crisis markets. Whilst our formal risk framework codifies the set of objectives and practices that govern our processes, our risk culture underpins the manner in which we actually manage risks every day.

Our management culture embeds risk awareness, transparency and accountability; a strong emphasis is placed internally on reporting risk exposures in a timely manner. LSEG has an extensive suite of risk policies that employees are required to comply with, in addition to applicable legal and regulatory requirements. All LSEG employees are required to undergo mandatory training on key policies and all Group businesses are required to attest twice per year that the Group's policies and procedures have been complied with and that any exceptions have been escalated in accordance with the Group's risk framework.

Strategic Risk Objectives

LSEG's Strategic Risk Objectives derive from the strategy of the Group, which is defined annually by the Board. The risk objectives of the Group are as follows:

- Maintaining stable earnings growth: the strategic growth of the business is delivered in a controlled manner with long-term value enhancement and low volatility of underlying profitability
- Maintaining capital requirements: the Group has sufficient capital resources to meet regulatory requirements, to cover unexpected losses and to meet the Group's strategic ambitions
- Maintaining liquidity: the Group retains or has adequate access to funding to meet its obligations, taking into account the availability of funds
- Adhering to regulatory requirements: the Group conducts activities at all times in full compliance with its regulatory obligations
- Maintaining operational stability, facilitating orderly market operations: the Group's operations are delivered in a secure and efficient manner without disruption
- Maintaining stakeholder confidence: the Group's stakeholders have confidence in its ability to deliver its strategic objectives with robust and effective governance and operational controls
- Maintaining a risk aware culture throughout the Group: the risk management framework is embedded within divisions and functions

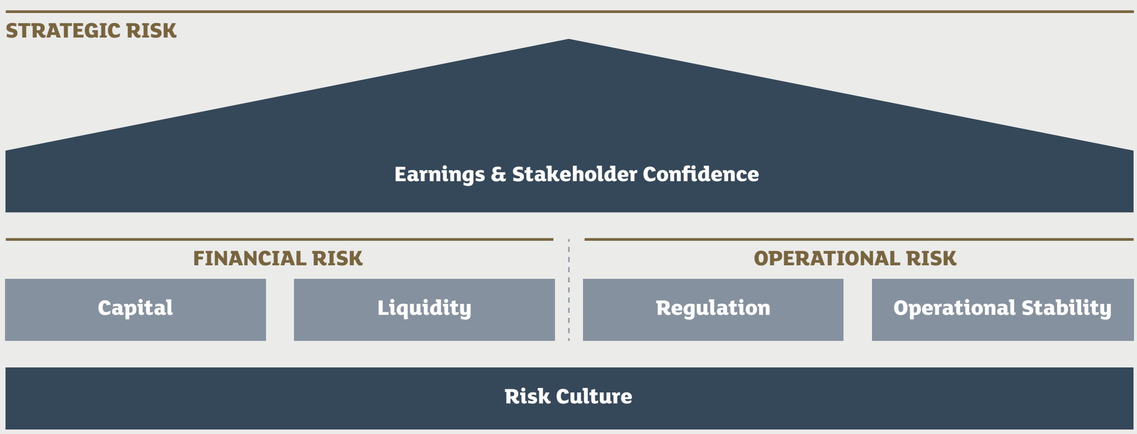
Group Risk Appetite

In 2014 LSEG formalised its Risk Appetite, defined as the level of risk that the Group is prepared to sustain in pursuit of its strategic objectives. The Group Risk Appetite Statement proposed by the Executive Committee, is approved by the Board on at least an annual basis and is determined in conjunction with the Group's Strategy. The components of Risk Appetite that relate to CCPs are also approved by the Boards of each CCP within the Group, in compliance with EMIR and other applicable regulations.

The Group Risk Appetite is cascaded down to each business unit so that operational limits can be derived; the business units' aggregate Risk Appetites cannot be greater than the Group Risk Appetite. Regular reporting at both Group and Business Unit (BU) levels uses Risk Appetite as a benchmark.

Risks that are outside Risk Appetite are escalated to the appropriate Risk Committee. The Risk Appetite status is also reported to the Risk Committee and to the Board for all aggregated Group risks.

LSEG Risk Pillars



Risk Appetite Statements

LSEG's risks are classified into the following three categories:

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

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

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

The Group Risk Appetite is broken into three pillars (see diagram on page 50):

— For each of the three categories of risk above the Board has defined a high-level, qualitative, Risk Appetite Statement

— For each individual risk within each category the Board has further defined a specific Group-level Risk Appetite, derived from the high level Appetite, and articulated with a combination of qualitative and quantitative measures

— Each business line (and division) defines its own Risk Appetite, derived from the Group Risk Appetite and approved through its own Governance process where appropriate

From each component of the business level Risk Appetites a set of subsidiary quantitative Key Risk Indicators (KRIs) and limits or thresholds is derived. These metrics directly relate to the day-to-day management of our businesses, and are the basis of the formal quarterly risk reporting.

Risk Management Cycle

Risk Governance

The LSEG Enterprise-wide Risk Management Framework (ERMF)

The ERMF is designed to allow management and the Board to identify and assess LSEG's risks and to ensure better decision taking in the execution of its strategy. It also enables the Board and executive management to maintain, and attest to the effectiveness of, the systems of internal control and risk management as set out in the UK Corporate Governance Code.

During 2014 the Group has further developed and embedded the ERMF by:

— Approving and rolling out the Group Risk Appetite, including measurable metrics (quantitative and qualitative)

— Developing Key Risk Indicators by which to monitor the risks against the Appetite

— Appointing a Head of US Risk, reporting to the Chief Risk Officer, to reflect the growing presence of the Group in North America

— Designing, building and implementing a Group-wide centralised CCP counterparty risk VaR model which produces daily risk analysis for the Executive and Board across the Group's key clearing services

— Integrating the newly-acquired Russell Investments business into our regular risk assessment and reporting processes

Three Lines of Defence

LSEG's risk control structure is based on the 'three lines of defence' model:

— The First line (Management), is responsible and accountable for identifying, assessing and managing risk

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

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

Risk Management Cycle

The Risk Management Cycle summarises the key steps of the ERMF, instrumental to balance the delivery of the Group's strategy in a controlled environment.

Business Strategy

The business strategy is reviewed at least once a year and is supported by risk analysis that indicates the risk level associated with each key strategic initiative. Sensitivity analysis together with scenario testing are used to define financial projections supporting the business strategy. It is management's responsibility to identify and assess the risks and opportunities related to the overall business strategy and to the Group's strategic initiatives. They also have the responsibility to identify actions that would ensure the successful delivery of the business strategy or identify trigger conditions that would necessitate a review of the strategy itself. Risk management activity supports the delivery of the Group's strategy by providing a framework which facilitates the identification of strategic risks and opportunities and areas for challenge in establishing risk mitigating actions across the whole spectrum of financial, operational and, more generally, enterprise-wide risks.

The Board reviews and approves the business strategy and associated risks and mitigation plans on a yearly basis and all substantial changes thereafter.

Risk management oversight continued

Risk Appetite
The Board approved Risk Appetite sets out acceptable risk levels to be taken in delivering the Group's strategy. Business strategy downside scenarios as well as strategic initiative risks are all supported by remedial management action plans and are used to define the risk appetite and tolerances at a macro level. The Risks Appetite Statements cover all significant risks of the Group; strategic, financial and operational with an implicit focus on reputational risk.

LSEG's Risk Appetite limits and tolerances are used as indicators to assess its risk culture.

The Group Risk Appetite is cascaded down to each business unit and in aggregate their risk appetites cannot be greater than the Group Risk Appetite.

Risk Policies
LSEG's Group-wide risk policies establish the principles, minimum standards and risk management activities LSEG requires the Group's businesses and functions to follow to manage their business within Risk Appetite. Each policy contains the following:

- The risk definition and KRIs where appropriate
- Risk Appetite and Tolerances in line with the Group Risk Appetite Statements
- Minimum Standards & Risk Management Activities
- The relevant Oversight Committee of the Policy and a Sponsor and Owner of the Policy

Risk Capture
The Group promotes a risk culture that encourages the management of risk at all levels. We set out clear roles and responsibilities for our people within our Risk Policies to ensure risks are consistently identified and captured across the Group.

Risks are identified at source and recorded by 'Risk Champions' who are responsible for facilitating the application of the Group risk management framework in each business unit and division. Risk identification is regularly reviewed and challenged by the risk function to ensure completeness. Key Risk Indicators are formally established to enable the businesses to monitor risk on an ongoing basis.

Risk Monitoring
The risk profile of the Group is reported to the Board via the quarterly Risk Committee.

- CCP financial risks are monitored both at the CCP level and centrally according to the specific quantitative metrics set out in the CCP Financial Risk Policy, including Group-level risk appetite and Key Risk Indicators for clearing related activities. CCP liquidity risk and counterparty disintermediation risk are consolidated daily at Group level and reported to the Executive Committee, including limits and Risk Appetite. An enhanced weekly report including market commentary and member health monitoring is distributed to the Executive Committee and to certain Board members. Extensive CCP financial risk reports are produced for the Financial Risk Committee each month
- Financial Risk Reporting – Accounting statements published by the Group are the result of a consolidation of the financial data of a number of businesses. Rigorous reviews of accounting methodologies take place as part of alignment plans for any business being acquired by the Group. These reviews are designed to enable consistency in the statement of accounts of each business, which are then consolidated into the Group's accounts. All financial statements need to be approved by the responsible business' executive and further validated by LSEG's Board of Directors
- Operational Risk Reporting – Business units produce a quarterly risk register. Group Risk consolidates and reports this information to the Group Operational Risk Committee
- Significant new products and proposed initiatives in new markets are reviewed by the New Product/Market Committee prior to approval by the Executive Committee
- The Group Risk Report is produced quarterly and presents the Group's aggregate risk profile to the Board via the Risk Committee. This report highlights the key residual risks facing the Group, aggregated across all the Group's subsidiaries
- Reporting requirements for capital sufficiency, capital commitments and various aspects of treasury management are set out in the Group Capital and Treasury Policies

CCP Risk Management
The Group's CCPs are managed in accordance with our ERMF, which includes a CCP Financial Risk Policy. In addition, the Board-mandated Group-wide Risk Appetite Statement contains a CCP specific Risk Appetite component. This promotes consistency in the oversight of our clearing risks whilst protecting the independence of the CCPs' risk management processes as required by relevant regulation.

The Principles for Financial Market Infrastructures (PFMI) produced by CPMI–IOSCO[1] provide the foundation for CCP risk management. Under the PFMI, LSEG CCPs must maintain financial resources sufficient to cover the simultaneous default of the two largest participants, and their affiliates (the so-called 'Cover 2' requirement), even in extreme but plausible circumstances.

The PFMI provide the minimum risk management standards that a CCP should apply; however, LSEG CCPs apply more stringent standards. For example, the methodology for calculating the initial margin that a CCP should collect from its members is set in the PFMI, which require a minimum 99 per cent confidence level (99.5 per cent under EMIR for OTC products). LSEG's policy is to apply a confidence level of at least 99.5 per cent across all clearing services.

There has been a very significant strengthening of CCP members' balance sheets over recent years, reducing the risk to LSEG CCPs of a member default. The banks' own recovery and resolution plans also provide a degree of protection to the CCP in the event of a bank becoming troubled. The financial risks associated with clearing operations are further mitigated by:

- Strict CCP membership rules including supervisory capital, technical and organisational criteria
- The maintenance of prudent levels of margin and default funds to cover exposures to participants. Each member deposits margins, computed at least daily, to cover the theoretical costs which the clearing service would incur in order to close out open positions in the event of the member's default. Clearing members also contribute to default funds

[1] Committee on Payment and Market Infrastructures and International Organisation of Securities Commissions.

In 2014 a centralised VaR model was implemented by LSEG, covering key clearing services. This model consolidates the underlying risk by members across the services in the engine, enabling LSEG to assess cumulative counterparty risks across the CCPs. This information is consolidated with CCP liquidity management balances and is available daily to the Executive Committee, including limits and ratings.

All of LSEG's CCPs are subject to the Group Risk Appetite (which includes components specifically developed for CCP risks), including operational limits and KRIs. As well as being managed by the CCP's own independent processes, CCPs risks are reported to and overseen by the Executive Committee and the Board Risk Committee.

LSEG Risk Governance structure

The Risk Governance of the Group is as follows:

— The Board is responsible for determining the Group Risk Appetite (see above). The Board Risk Committee and the Audit Committee receive regular reports presenting the aggregate risks of the whole Group measured against the Appetite

— The ERMF defines roles and responsibilities for risk management oversight and activities, including for the Board, the Executive Committee and sub-Committees thereof

— The Financial and Operational Risk Committees monitor and report on the risk profile of the Group; review and challenge the application of the Group risk framework; recommend Risk Appetite Statements to the Executive Committee and monitor compliance with the relevant risk policies

— The Group has a Business Continuity Management framework in place which is managed and maintained through a fully established Business Continuity Programme. The Business Continuity Programme is overseen by the Business Continuity Board, a sub-committee of the Operational Risk Committee. The Business Continuity Board receives the self-certification results of all the Group's Business areas

— The New Product (and Market) Committee reviews and recommends business cases to the Executive Committee ensuring product innovation and new market risks are appropriately identified and assessed

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

The Reports of the Audit and of the Risk Committees, on pages 74-79, provide details on the work carried out to assist the Board in fulfilling its oversight responsibilities for risk management and systems of internal control.

Risk Management Outlook

The year ahead will bring the twin challenges of a rapidly growing business and accelerated regulatory change against a backdrop of heightened volatility in the markets that we serve:

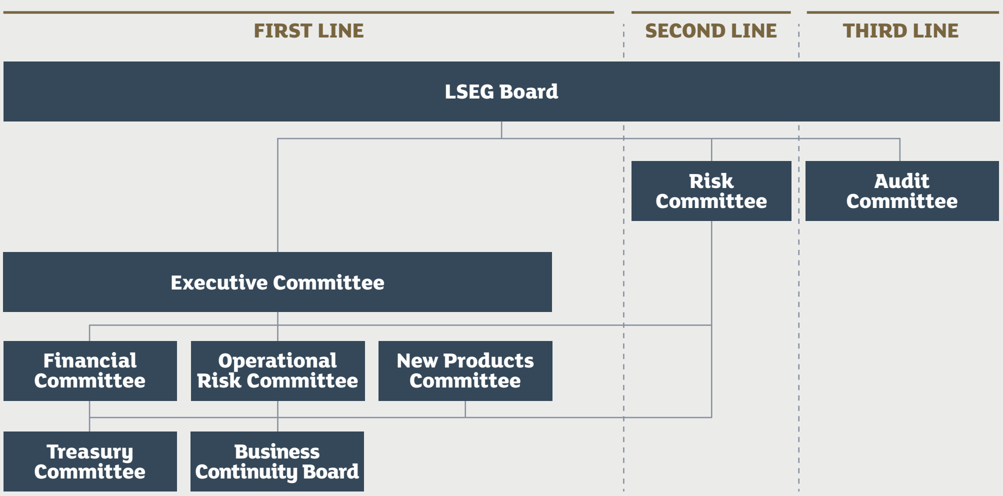
— Our acquisition of Frank Russell Company accelerates our geographic expansion in the US, the world's largest financial services market. This positions the Group for a long-term leading role in global market infrastructure

— There will be a sizeable implementation impact arising from MiFID and MiFIR, affecting most if not all of the Groups operations as well as those of our users and customers

— The outlook for the eurozone declined sharply in the second half of 2014; ongoing geopolitical tensions are introducing additional uncertainty in the markets and may impact investors' confidence

Going forward we will continue to strengthen our risk management by building on the frameworks we have put in place. Accordingly we believe the Group is well positioned to exploit new opportunities in the year ahead.

LSEG Risk Governance structure



Principal risks and uncertainties

Overview of Principal Risks:

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

Strategic Risks

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

RISK DESCRIPTION	MITIGATION
Global economy As a diversified international exchange group we operate in a broad range of global equity, bond and derivative markets. If the global economy underperforms, lower activity in our markets may lead to lower fee revenue. The widening geographical footprint of the Group, including the recently acquired Frank Russell Company, has increased the proportion of the Group's earnings that are in foreign currency, leading to greater foreign exchange risk. The amount and mix of Russell's assets under management are subject to fluctuations from market volatility, which may impact Russell's fee levels and operating results. Russell's ability to achieve investment returns for clients is a key driver of the growth of assets under management. The improving economic environment in the UK has had a positive impact on the Group's business, and has increased the activity on our primary markets. Recent economic data from the US has been generally positive, reflecting an improving 2015 outlook. This will benefit the Group's expanding US operations. The outlook for the Eurozone declined sharply in the second half of 2014, and there may be a return to the conditions that prevailed during the financial crisis of 2008-12. Ongoing geopolitical tensions are introducing additional uncertainty in the markets and may impact investors' confidence.	The widening geographical footprint of the Group, including the recently acquired Frank Russell Company, has improved the geographical diversification of the Group's income streams. The Group performs regular analyses to monitor the markets and the potential impacts on the business. Activities include Key Risk Indicator tracking, stress testing, and hedging. The Financial Risk Committee closely monitors and analyses multiple market scenarios and action plans in order to minimise any impacts stemming from a potential deterioration of the macroeconomic environment. The eurozone and geopolitical concerns are closely monitored by the Financial Risk Committee and the Board Risk Committee. Group Treasury risk is monitored daily, is managed within the constraints of a Board approved policy by the Group Treasury team, and is overseen by the Group Treasury Committee (a sub-Committee of the Financial Risk Committee chaired by the CFO). An update on Group Treasury risks and actions is provided monthly to the Financial Risk Committee and to each Board Risk Committee. The Group mitigates the FX translation exposure created by ownership of overseas businesses by matching, to the extent possible, the currency of Group's debt to the currency of its income streams. This is supplemented by a programme of active hedging using derivative instruments. Material foreign currency transactions relate mainly to M&A and dividend related payments and are hedged as required by Policy. The Group has appropriate contingency plans in place to ensure key technology operations are not dependent on a single geography. Business Continuity Management (BCM) and crisis management procedures would be invoked to manage the response to an unexpected event.

For more information, see Market Position and Outlook (on pages 8-13), and note 3 to the accounts: Financial Risk Management (on pages 127-131).

RISK DESCRIPTION	MITIGATION
Competition We operate in a highly competitive industry. Continued consolidation has fuelled competition including between groups in different geographical areas. In Post Trade Services the consolidation of clients has led to a concentration of revenues. Any future loss of liquidity or reduction in volumes on exchanges may impact clearing and settlement revenues. In Information Services, consolidation within the industry is expected over the next three to five years. Client migration to competitors could lead to a loss of revenue. In our Capital Markets operations there is a risk that competitors will improve their products, pricing and technology in a way that erodes our businesses. There is increasing competition for primary listings from other global exchanges and regional centres. In Technology Services, there is intense competition across all activities and there are strong incumbents in some of our growth areas.	Competitive markets are, by their very nature, dynamic, and the effects of competitor activity can never be fully mitigated. Senior management actively engages with clients and the Group undertakes constant market monitoring and period pricing revision to mitigate risks. Commercial initiatives are aligned with our major clients and this is complemented by an ongoing focus on new technology deployment and cost reduction. The Group's track record of innovation and diversification ensures the Group offers best in class services with a global capability. The Group is focused on integrating acquisitions and delivering tangible synergies from them, supported by robust governance and programme management structures. We maintain a dedicated international marketing team focused on key target markets who promote the benefits of listing on our markets to international issuers, the global advisory community and other stakeholders.
Regulatory change The Group and its exchanges, other trading venues, clearing houses, central securities depositories, trade repository and other regulated entities operate in areas that are highly regulated by governmental, competition and regulatory bodies at European and national levels. Delivery of the G20 agenda in the EU resulted in a range of measures which may impact our business directly or indirectly including MiFID/MiFIR, EMIR, CSDR and BRRD. In addition the European Commission has adopted proposals which are under negotiation in the European Parliament and Council of Ministers for the regulation of financial benchmarks, and to address potential issues in the system of credit intermediation (shadow banking) in relation to Money Market funds (MMFs) and securities financing transactions (SFTs). In 2015 it is planning to propose measures for a recovery and resolution framework for CCPs. Following political agreement of MiFID and MiFIR, the rule-making work will continue through much of 2015. Negotiations also continue on a possible Financial Transaction Tax (FTT). To date it has proved difficult for participating Member States to reach agreement on a number of areas, and the proposed implementation date has moved out to 2016. France and Italy have both implemented a domestic FTT. The CCPs have focused on the analysis of the potential impact of the new Basel III rules on capital requirements for banks' exposure to CCPs. In general, the ongoing development of prudential regulation (including Basel III) and the forthcoming CCP Recovery and Resolution legislative proposal could have an impact on our CCP clearing volumes, with implications for the Group's revenues.	Changes in the regulatory environment form a key input into our strategic planning, including the impact on our growth strategies, both organic and inorganic. We monitor regulatory developments continually and engage directly with regulatory and governmental authorities at national, EU and international levels. We continue to develop our relationships with key policymakers, particularly at EU and national level. Potential impacts from regulatory change are assessed and, depending on the impact, opportunities are developed and mitigating strategies and actions are planned. As the various regulatory initiatives progress, there will be greater certainty about their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment. The Group's CCPs are actively engaged in the public debate on CCP recovery and resolution and the implications of capital requirements on clearing members.
Compliance There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.	The Group continues to maintain systems and controls to mitigate compliance risk. Compliance Policies and procedures are regularly reviewed to ensure that Group entities and staff are compliant with applicable laws and regulations and uphold our corporate standards.

For more information on regulatory changes see Market Position and Outlook (on pages 8-13).

Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION
Transformation risk The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) given the current levels of change and alignment activity taking place across the Group. As part of the alignment processes the Group targets specific synergy deliveries. A failure to successfully align the businesses of the Group may lead to an increased cost base without a commensurate increase in revenue; a failure to capture future product and market opportunities; and risks in respect of capital requirements, regulatory relationships and management time. The additional work related to M&A and alignment activities could have an adverse impact on the Group's day-to-day performance and/or key strategic initiatives which could damage the Group's reputation. The scale and complexity of the recent acquisitions has increased the Group's change management and transformation risks.	The LSEG Enterprise-wide Risk Management Framework ensures appropriate risk management across the Group, and the governance of the enlarged Group is aligned and strengthened as appropriate. The Group performs regular reporting of change performance, including ongoing alignment activity. Each major initiative is overseen by a Steering Committee which monitors the associated risks closely and is typically chaired by the Chief Financial Officer or the Director of Corporate Strategy and includes Executive Committee members. Regular reports are submitted to the Executive Committee, the Board Risk Committee and the Board.

Financial Risks

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

RISK DESCRIPTION	MITIGATION
Liquidity risk (clearing) The Group's CCPs hold a significant amount of cash and securities deposited by clearing members as margin or default funds. To ensure optimum ongoing liquidity and access to funds, the CCPs deposit the cash received in highly liquid and secure investments, as mandated by the EMIR regulations. Potential liquidity risks faced by the Group CCPs include: — Margin payments: Margins are settled at least daily. The CCPs must ensure that sufficient funds are available to fulfil their obligations — Collateral switches and excess cash margin cover: Members have some flexibility to choose whether to post margin in cash or securities, and may choose to over-collateralise — Market disruptions: Such as unusual market volatility driving large margin movements; liquidity squeezes in the cash or securities markets and central bank actions — Failed settlements: Arising when a member fails to deliver securities, leaving the CCP short of these securities which may have been designated to meet the obligations of another trade	Group CCPs have put in place EMIR compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. Group CCPs have multiple layers of defence against liquidity shortfalls including intraday margin calls, minimum cash balances, access to contingent liquidity arrangements, and for certain CCPs, access to central bank liquidity. Under the ERMF, CCP investments must be made in compliance with the Group CCP Financial Risk Policy (as well as the Policies of the CCPs themselves). These policies stipulate a number of risk management standards including investment limits (secured and unsecured) and liquidity coverage ratios. Committees overseeing CCP investment risk meet regularly. Each CCP monitors its liquidity needs daily using stressed assumptions and reports to the Group Financial Risk Committee each month. CCP counterparty risk including liquidity management balances and counterparty disintermediation risk is consolidated daily at Group level and reported to the Executive Committee, including limits and status rating.

RISK DESCRIPTION	MITIGATION
Latent market risk (clearing) Our clearing services guarantee final settlement of trades and manage counterparty risk for a range of assets and instruments including cash equities, derivatives, energy products, agricultural derivatives, interbank collateralised money loans and Government bonds. Therefore the Group is exposed to country risk, credit risk, issuer risk, market risk, liquidity risk, interest rate risk and foreign exchange risk. There is a risk that one of the parties to a cleared transaction defaults on their obligation; in this circumstance the CCP is obliged to honour the contract on the defaulter's behalf and thus an unmatched risk position arises. The CCP may suffer a loss in the process of work-out (the 'Default Management Process') if the market moves against the CCP's positions.	All our CCPs have been EMIR certified, and are compliant with the EMIR requirements regarding margin calculations, capital and default rules. Under the ERMF, CCP latent market risk must be managed in compliance with the Group CCP Financial Risk Policy as well as policies of the CCPs themselves. There has been a very significant strengthening of CCP members' balance sheets over recent years, reducing the risk to LSEG CCPs of a member default. The banks' own recovery and resolution plans also provide a degree of protection to the CCP in the event of a bank becoming troubled. The financial risks associated with clearing operations are further mitigated by: — Strict CCP membership rules including supervisory capital, technical and organisational criteria. — The maintenance of prudent levels of margin and default funds to cover exposures to participants. Each member deposits margins, computed at least daily, to cover the theoretical costs which the clearing service would incur in order to close out open positions in the event of the member's default. Clearing members also contribute to default funds. — Regular 'Fire Drills' are carried out to test the operational soundness of the CCPs' default management processes. In 2014 a centralised VaR model was implemented by LSEG, covering key clearing services. This model consolidates the underlying risk by member across the services in the engine, enabling LSEG to assess cumulative counterparty risks across the CCPs. This information is consolidated with CCP liquidity management balances and is available daily to the Executive Committee and Board, including limits and RAGs. Committees overseeing latent market and member risks meet on a regular basis.
Settlement and custodial risks The Group offers post trade services and centralised administration of financial instruments through its Italian CSD subsidiary which offers pre-settlement, settlement and custody services. These activities carry operational risk and custody risk (including asset servicing risk). Settlement activities performed in the cross-border context carry counterparty risk. The CSD does not provide intra-day settlement financing to its members.	Counterparty risk is mitigated through pre-positioning (availability of security) and pre-funding (availability of cash). Operational risk is minimised via highly automated processes reducing administrative activities and formalised procedures for all services. The CSD mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers. Liquidity for the CSD operations of Monte Titoli is provided by the Bank of Italy.

For more information on these risks see the Post Trade Services section of the Segmental Review (on pages 29-33), and Note 3 to the accounts, Financial Risk Management (on pages 127-131).

Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION
Capital Management Principal risks to managing the Group's capital are: — In respect of regulated entities, capital adequacy compliance risk (the risk that regulated entities do not maintain and report sufficient qualifying capital to meet regulatory requirements) and capital reporting compliance risk (the risk that regulated entities fail to comply with capital reporting and regulatory obligations). If a regulated entity in the Group fails to ensure sufficient capital resources are maintained to meet regulatory requirements this could lead to loss of regulatory approvals — In respect of regulated and unregulated entities, commercial capital adequacy and quality risk (the risk that Group and individual subsidiaries do not maintain both sufficient quantity and quality of capital to meet commercial requirements) and investment return risk (the risk that capital is held in subsidiaries or invested in projects that generate a return that is below the Group's cost of capital) — Availability of debt or equity (whether specific to the Group or driven by general financial market conditions)	The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and individual subsidiaries levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources. The Risk Appetite approved by the Board includes components related to the Group's leverage ratios and capital risks; Key Risk Indicators are monitored regularly. The Group maintains an ongoing review of the capital positions of its regulated entities and operates within capital limits which are overseen by the Treasury Committee, the Financial Risk Committee, the Executive Committee and the Board. The Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. The Group regularly assesses debt and equity markets to maintain access to new capital at reasonable cost. The Group is mindful of potential impacts on its key metrics when considering changes to its capital structure.

For more information on this risk see Note 3 to the accounts, Financial Risk Management (on pages 127-131).

Operational Risk

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

RISK DESCRIPTION	MITIGATION
Technology Secure and stable technology performing to high levels of availability and throughput continues to be critical to the support of the Group's businesses. Technology failures may impact our clients, potentially leading to a loss of trading or clearing volumes, impact our information services activities, or the investment management process. The Group continues to consolidate its IT development and operations in the MillenniumIT infrastructure to provide greater control and efficiency. This focus of activity means there is a risk of resource over-stretch to meet both the requirements of the Group and those of third parties. Continued innovation and investment in new trading/ information systems can lead to further resource stretch in coping with increased volumes and new product development. The Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, clearing, settlement, data and other systems.	The performance and availability of the Group systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues. The Group's technology teams mitigate this risk by ensuring prioritisation of all development and operations activities, and resource utilisation and allocation are kept under constant review. The MillenniumIT systems are designed to be fault tolerant and alternative standby computer facilities are maintained to minimise the risk of system disruptions. The Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect the Group's businesses. Where possible the Group has identified alternative suppliers that could be engaged in the event of a third party failing to deliver on its contractual commitments.

For more information see the Technology Services section of the Segmental Review (on pages 38-39).

RISK DESCRIPTION	MITIGATION
Change Management The considerable change agenda is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation and consolidation. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes. There are a significant number of major, complex projects and strategic actions under way concurrently, that, if not delivered to sufficiently high standards and within agreed timescales, could have an adverse impact on the operation of core services, revenue growth and asset valuation, and damage the Group's reputation. The volume of simultaneous change could also lead to a loss of client goodwill if the execution is not managed appropriately. Further, synergies and cost benefits may not be delivered to anticipated levels.	The senior management team is focused on the implementation of the Group's strategy and the project pipeline in view of their importance to the Group's future success. Each major project is managed via a dedicated Programme Board or Steering Committee overseen by members of the Executive Committee. Software design methodologies, testing regimes and test environments are continuously being strengthened to minimise implementation risk.
For more information see the Chairman's statement (on pages 14 and 15), and the Chief Executive's statement (on pages 16 and 17).	
Investment Management business The Group recently acquired a US Investment Management (IM) business which operates in a heavily regulated segment of the financial services industry. The comprehensive review of the strategic fit of the Russell Investment Management business with the Group's long-term strategy has concluded with the decision to explore a sale. Risks associated with this include: retention of key clients and employees; risks from the process of separating the Russell Index and IM businesses and the ability of the Group to effectively oversee the Investment Management operations under the Russell pre-acquisition strategic plan. Rising global demand for multi-managers/single sub-advisor products has resulted in increasing competitive pressures for our Investment Management business. The generally increasing use of ETFs and other passive investment products also drives competition, which could impact the growth of assets under management and fees thereof. The IM business model is reliant on data and services provided by third-party suppliers in custody, and certain money managers and distributors. In North America, the IM business has established strong relationships with advisors at independent broker-dealers who distribute to individual retail clients and is reliant upon these third-party advisors to ensure that its products are being marketed properly and are well matched to the needs of the individual clients. In certain asset classes or investment strategies there exist investment manager concentrations, or situations where mandates represent a substantial portion of a manager's AUM. While the IM business faces little direct financial exposure to difficulties that a third-party supplier might experience, problems experienced by a supplier might expose the Group to reputational risk, regulatory risk, and potential litigation risk.	LSEG have commenced the sale process for the Russell IM business following the public announcement of the outcome of the comprehensive review on 5 February 2015. The Group has received a number of expressions of interest in a potential acquisition of the business from a wide range of parties, reflecting the high quality of this business and market-leading positions. Concurrently, a dedicated project team is focused on effecting a separation of the Russell Index and IM businesses to align with a sale of the IM business. We monitor key regulatory developments in each of the jurisdictions where the Investment Management and its advisory business are active. We also work closely with industry trade associations and State trade associations to promote the interests of our clients. There are in place a number of processes and governance practices that focus on the prudent management of third-party exposure. Russell's Operational Risk processes include a formalised review of third-party vendors. Contracting and negotiation are centralised to ensure all relationships are properly contracted. Service level agreements, key performance indicators and reviews of the independent control attestations of strategic vendors (SSAE16s) are important elements in the third-party supplier control framework. The third-party advisors who distribute our investment products to individual retail clients are subject to numerous, increasingly stringent regulations aimed at improving transparency and ensuring that clients are being well served, including applying the more demanding fiduciary standards to the relationship between financial advisors and their clients. Our IM business has dedicated compliance/risk-management personnel in each of its key operating regions to monitor third-party supplier compliance. In addition, there is monthly monitoring and reporting to senior management of investment manager concentrations, and regular reviews with third-party investment managers by both the business units and Russell's risk management team.

Principal risks and uncertainties continued

RISK DESCRIPTION	MITIGATION
Investment Management business (continued) The IM business includes a consulting business, the clients of which are generally very large and sophisticated institutional pension funds or Sovereign Wealth Funds, and also a business offering financial services directly to retail investors in the UK. Adverse investment experience for clients of either of these businesses could expose the Group to reputational risk or litigation risk.	The IM business has a number of policies and processes in place to manage the risks associated with its consultancy activities and the activities of the retail facing business. The consultancy business benefits from access to the same tools and expertise as the core IM business. Russell's Risk Management team has a programme in place to review the effectiveness of investment models utilised by the Investment Management group and by its consultants in developing investment strategy recommendations. The formal LSEG Risk plan to embed Russell into Governance and reporting includes all parts of the Russell business. Group Governance and Risk Management has already been enhanced to provide oversight of the Russell IM business including amendment to the membership of key Risk Oversight Committees both at Russell and LSEG. An LSEG Head of Risk for the US has been appointed who has oversight of all the US based subsidiaries' risks, including monitoring and reporting of key management information to the Group.
Security threats The Group is reliant upon secure premises to protect its employees and physical assets as well as appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure. The threat of cyber crime requires a high level of scrutiny as it may have an adverse impact on our business. Terrorist attacks and similar activities directed against our offices, operations, computer systems or networks could disrupt our markets, harm staff, tenants and visitors, and severely disrupt our business operations. Civil or political unrest could impact on companies within the Group. Long-term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage. Security risks have escalated in recent years due to the increasing sophistication of cyber crime.	Security threats are treated very seriously. The Group has robust physical security arrangements, and extensive IT measures to mitigate technical security risks. The Group is a member of the Centre for the Protection of National Infrastructure (CPNI), with both physical and IT security teams monitoring intelligence and liaising closely with police and global Government agencies. The Group has well established and regularly tested business continuity and crisis management procedures. The Group risk function assesses its dependencies on critical suppliers and ensures robust contingency measures are in place.

RISK DESCRIPTION	MITIGATION
Employees The calibre, quality and retention of employees are critical to the success of the Group. Failure to adequately manage and retain staff resulting in unacceptable levels of staff turnover leads to increased costs of attracting replacement staff and undue distraction of senior management time in recruiting replacements. The loss of key members of staff could have an adverse impact on the Group's operations and ability to deliver its strategy. The Group's ability to attract and retain high-quality individuals depends on the condition of recruitment markets and corresponding compensation packages of financial services, technology firms and regulators with which the Group competes for the same key staff.	The Group operates a performance management and appraisal system, and Executive development opportunities are provided with the Nomination Committee responsible for considering succession plans for key senior positions. In addition, a programme of succession planning is operated by the Group to minimise the impact of the loss of key staff critical to the operation of the business. A performance related annual bonus and pay review process is in place for all employees. Regular benchmarking of reward and incentive systems is performed to ensure they are competitive. The Group also offers Long Term Incentive Plans for high performers and critical staff and turnover is closely monitored. A centralised training budget allows a co-ordinated approach to development across the Group. We continue to enhance our talent management approach and maintain a rigorous recruitment and selection process. This process is managed by a new in-house team that reports to the Group Head of Talent.

For more information see Our wider responsibility (on pages 40-41), and Remuneration Report (on pages 80-109).

Board of Directors

Board structure

The Board comprised:

- Non-Executive Chairman, who was independent on appointment
- One Senior Independent Director
- Nine other independent Non-Executive Directors
- Three Executive Directors

Board and Committees

Meetings in	9 months to 31 December 2014	FY 2014
Board	**11**	9
Board Supporting committees		
– Audit and Risk[1]	**N/A**	1
– Audit	**5**	3
– Risk	**3**	2
– Remuneration	**4**	5
– Nomination	**2**	1

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

Chris Gibson-Smith
Chairman of the Company and of the Nomination Committee (age 69)
Appointed to the Board in May 2003

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

Xavier Rolet
Group Chief Executive Officer (age 55)
Appointed to the Board in March 2009 and appointed Chief Executive in May 2009

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

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

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

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

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

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

Committee membership: Audit
Skills and experience: Chairman of LCH.Clearnet Group Limited (2010 to 2015). He has been a director of Qatar Financial Centre Authority (2011 to 2015), and of Resolution Ltd (2010 to 2013). Previously, he was CEO of Swiss Re from 2006 to 2009, having joined in 2001 as Head of Financial Service. Prior to this, he spent 20 years, from 1981 to 2001, with J.P. Morgan Chase, working in the New York, London and Paris offices and holding a number of senior roles including , Co-Head of Global M&A and Co-Head, Client Management.
Other current appointments: Jacques is a Partner at Warburg Pincus LLP and a Supervisory Board Member of Deutsche Lufthansa and its subsidiary Swiss International Airlines. He is also a Supervisory Board Member of LyondellBasell NV and a Non-Executive Director of WPP plc.

Sherry Coutu CBE
Non-Executive Director (age 51)
Appointed to the Board in January 2014

Committee membership: Remuneration
Skills and experience: Sherry was an investor and a Director of New Energy Finance from 2006 to 2009, and was a Non-Executive Director and Senior Independent Director of RM Plc from 1998 to 2007, where she also served as Chairman of the Remuneration Committee and as a member of the Audit Committee. From 2006 to 2010, Sherry was a Trustee of the National Endowment for Science, Technology and Arts (NESTA). In 1995, Sherry founded Interactive Investor International and served as CEO and Chairman from 1995 to 2001.
Other current appointments: Sherry currently serves on the Advisory Boards of Linkedin.com, Care.com and is an external Non-Executive Director of the University of Cambridge and a member of the Finance Committee and Chairs the Financial Strategy Advisory Group. Sherry is also a Non-Executive Director of Zoopla, Cambridge Temperature Concepts, Cambridge Assessment, Cambridge University Press, Raspberry Pi, and Artfinder.

Paul Heiden
Non-Executive Director and Chairman of the Audit Committee (age 58)
Appointed to the Board in June 2010

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

Stephen O'Connor
Non-Executive Director and Chairman of the Risk Committee (age 53)
Appointed to the Board in June 2013

Committee membership: Risk (Chair), Audit (from March 2015), Nomination
Skills and experience: Chairman of the International Swaps and Derivatives Association from 2011 to 2014 having been appointed as a Non-Executive Director in 2009. Stephen also worked at Morgan Stanley in London and New York from 1988 to 2013, where he was a member of the Fixed Income Management Committee and held a number of senior roles including Global Head of Counterparty Portfolio Management and Global Head of OTC Client Clearing. Stephen was a member of the High Level Stakeholder Group for the UK Government's review of the Future of Computer Trading in Financial Markets. He was a Non-Executive Director of OTC DerivNet Ltd from 2001 to 2013 and was Chairman from 2001 to 2011.
Other current appointments: Stephen is a member of the US CFTC Global Markets Advisory Committee and Vice-Chairman of the Financial Stability Board's Market Participants Group on Financial Benchmark Reform.

Stuart Lewis
Non-Executive Director (age 49)
Appointed to the Board in June 2013

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

Andrea Munari
Non-Executive Director (age 52)
Appointed to the Board in October 2007

Committee membership: Risk
Skills and experience: CEO of Credito Fondiario S.p.A. Andrea was previously General Manager of Banca IMI, the investment arm of Intesa Sanpaolo Group from March 2006 to December 2013. He was also previously Managing Director of Morgan Stanley Fixed Income Division and CEO and General Manager of Banca Caboto (now Banca IMI). In addition, he was a Director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January to September 2007.
Other current appointments: Andrea is a Board Member of Tages Holding Asset Management.

Massimo Tononi
Non-Executive Director (age 50)
Appointed to the Board in September 2010

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

Baroness (Joanna) Shields OBE
Non-Executive Director (age 52)
Appointed to the Board in January 2014

Committee membership: None
Skills and experience: Leading technology industry executive, entrepreneur and public servant, currently serving as Prime Minister David Cameron's Advisor on the Digital Economy and Chairman of Tech City UK. She was awarded a life peerage to the House of Lords in September 2014 and began serving in October 2014. Spent over 25 years building some of the world's best-known technology companies, including Electronics for Imaging, RealNetworks, Google, Aol and Facebook, as well as leading several start-ups to successful acquisitions, including Bebo, Decru and Veon. Before taking up her current post she was VP and Managing Director of Facebook in Europe, Middle East and Africa. Prior to Facebook she served as President of People Networks at Aol, a position she assumed after leading acquisition of Bebo by Time Warner's Aol unit. Prior to Bebo, she served as a Managing Director for Google Europe, Russia, Middle East & Africa.
Other current appointments: None.

Robert Webb QC
Senior Independent Non-Executive Director and Chairman of the Remuneration Committee (age 66)
Appointed to the Board in February 2001

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

Sharon Bowles
Non-Executive Director (age 61)
Appointed to the Board in August 2014

Committee membership: Audit (since February 2015)
Skills and experience: Member of the European Parliament from 2005 to 2014 serving on the Economic and Monetary Affairs Committee, which she chaired from 2009 to 2014, and the legal affairs committee. She was a partner in Bowles Horton, a firm of European Patent and Trade Mark Attorneys which she founded in 1981.
Other current appointments: Sharon is a member of the Systemic Risk Council.

Corporate governance

The Corporate Governance Report which follows is intended to give shareholders an understanding of the Group's corporate governance arrangements and how they operated during the nine month period ended 31 December 2014 (the Period), including how the Group complied with the principles of the UK Corporate Governance Code.

Changes to the Board and succession planning
There have been a number of changes to the Board this year. Having served 12 years as Chairman, I have decided to step down and the Board has been engaged in identifying my successor. The Board aims to have completed the process by the end of 2015.

After seven years on the Board, including as Deputy Chairman and Senior Independent Director (SID), Paolo Scaroni stepped down from the Board. Robert Webb was appointed as SID and in that role was asked to oversee the process of identifying my successor.

Additionally, as the Group has grown and expanded geographically we have ensured that the balance of skills and experience on the Board remains appropriate.

Sharon Bowles was appointed to the Board on 15 August 2014. Ms Bowles has extensive knowledge of UK and European politics, economics and regulation impacting the market infrastructure sector. This experience and insight will be of great value to the Group at a time when the regulatory environment is evolving and becoming increasingly more complex. Ms Bowles' appointment further deepens the overall skills, experience and diversity of the Board. Confirmation of Ms Bowles' appointment will be sought at this year's AGM.

Board focus
The Board oversees the Group's strategy, risk framework and financial performance. In particular, it has spent much of its time considering the acquisition of the Frank Russell Company and the £938 million rights issue, the proceeds from which were used to part fund the acquisition. Further detail on matters considered by the Board can be found on page 66.

The programme of visiting its overseas businesses and meeting local management included a trip to Paris (the main office of LCH.Clearnet SA) in September 2014.

Diversity
The Board appointment made during the Period continues to reflect the Board's focus on ensuring the balance of its membership reflects a diversity of experiences, business backgrounds, nationalities and gender.

Board effectiveness
The Board has conducted an external review of its own effectiveness. An overview of this process is described on pages 68-69.

Investor engagement
Shareholder engagement and support remain central to the Board's planning and thinking. This was again particularly important in another year of corporate activity. We have a comprehensive investor relations programme, which is described in more detail on page 72. The Board receives regular updates on shareholder feedback at each of its meetings so that it is aware of shareholders' views and concerns. Shareholders are also offered the opportunity to meet with the Senior Independent Director, the Chairman of the Remuneration Committee and the Chairman, as appropriate.

Chris Gibson-Smith
Chairman

Corporate Governance Report

Complying with the provisions of the Code

The Group is committed to the highest standards of corporate governance and business integrity in all of its activities. In 2014, the UK Corporate Governance Code (the Code) was reviewed by the Financial Reporting Council and amendments were introduced that will apply to the financial periods commencing on or after 1 October 2014 (the New Code). Throughout the Period, the Company has complied with all provisions of the Code, and in the coming financial year, the Board will ensure that the Company complies with all provisions of the New Code.

The Code sets out guidance in the form of main principles and more specific provisions for good governance in relation to Board leadership, effectiveness, accountability, remuneration and relations with shareholders. Further information on the UK Corporate Governance Code, its applicability, the principles and their provisions can be found on the Financial Reporting Council's website, at www.frc.org.uk. This Corporate Governance Report forms part of the Corporate Governance Statement on page 110 of the Directors' Report.

Board of Directors

Role of the Board

The Board is the principal decision-making forum for the Group and is responsible to shareholders for achieving the Group's strategic objectives and delivering sustainable growth in shareholder value. Directors act in a way they consider will promote the long-term success of the Company, by constructively challenging and supporting the development of the Group's strategy, for the benefit of shareholders as a whole, with regard to the interests of the Group's employees, the impact of the business on the community and environment and the interests of other stakeholders. The Board manages the overall control of the Group's affairs with reference to the formal schedule of matters reserved for the Board. This schedule was reviewed during the course of the Period and is available on the Company's website at www.lseg.com.

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

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

Key responsibilities

Chairman

— Acts as an independent Non-Executive Director and chairs the Board of the Company;

— Forges an effective Board based on experience, diversity, skills and competencies;

— Ensures, in collaboration with the Chief Executive, that the Board considers the strategic issues facing the Group in a timely manner and is presented with sound information and analysis appropriate to the decisions that it is asked to make;

— Acts as a sounding board for the Chief Executive and provides general advice relating to the management and development of the Group's business; and

— Supports the commercial activities of the Group by, inter alia, maintaining contact with the Group's key stakeholders and other industry participants.

Chief Executive

— Formulates the strategic direction of the Group and periodically agrees this with the Board;

— Ensures proper financial and business control is exercised within the Group;

— Chairs the Group Executive Committee;

— Ensures there is a clear management structure with appropriately delegated responsibilities, staffed by suitably experienced and qualified staff;

— Ensures appropriate reporting and communication systems are established across the Group;

— Ensures key performance objectives are set for all operational departments, action plans and budgetary controls are established and, where necessary, corrective action is taken to maximise the performance of the Group;

— Ensures the Group's strategy and values are effectively understood and applied by management and staff; and

— Ensures an appropriate risk management framework is in operation.

Corporate governance continued

Matters considered by the Board in the Period

Standing items	Annually	Throughout the Period
Reports from the Chief Executive on performance in each of the business areas, together with Risk, Regulation, Legal, Human Resources and Strategy	Health and Safety	Frank Russell Company acquisition
Reports from the Chief Financial Officer on the financial performance and position of the Group, investor relations activity and Treasury matters	Three Year Business Plan and annual Budget	Rights Issue, including approval of prospectus
Updates from the Board committees	Strategic Review (off-site strategy day)	Approval of Debt Facility
	FCA's risk mitigation programme together with a presentation by the FCA	Chairman's succession
	Evaluation of Board Effectiveness	Monitoring the progress of integrating LCH.Clearnet into the Group
	Review of independence of Directors pursuant to the UK Corporate Governance Code	Discussion and approval of Group strategy
	Review of key governance and corporate policies	Investor Relations reports
	Approval of the Group Risk Register and Risk Appetite	Review of quarterly financial forecasts and funding of acquisitions
		Executive and Non-Executive succession planning, including the appointment of a new Non-Executive Director and a new Senior Independent Director
		Presentation on Central Counterparty financial risk
		Review and approval of full year and interim results and quarterly Interim Management Statements prior to market release

Board and Committee meetings in the Period
The Board held four scheduled meetings and seven additional meetings at short notice. On a number of occasions throughout the Period, the Chairman met Non-Executive Directors without Executive Directors present, including at the beginning of each scheduled Board meeting, to discuss the business of that meeting and other issues. Throughout the Period, the Chairman also met with Non-Executive Directors individually to discuss other business-related matters. Comprehensive Board and committee papers, comprising an agenda and formal reports and briefing papers, are sent to Directors in advance of each meeting. Directors are continually updated with written and oral reports, from senior executives and external advisors.

Board meeting attendance in the Period

	Scheduled	Ad hoc	Total
Chris Gibson-Smith	4/4	7/7	11/11
Xavier Rolet	4/4	7/7	11/11
Jacques Aigrain	4/4	5/7	9/11
Sharon Bowles[1]	2/2	3/3	5/5
Sherry Coutu CBE	4/4	5/7	9/11
Paul Heiden	4/4	6/7	10/11
Raffaele Jerusalmi	4/4	7/7	11/11
Stuart Lewis	3/4	5/7	8/11
Andrea Munari	4/4	6/7	10/11
Stephen O'Connor	4/4	7/7	11/11
Baroness (Joanna) Shields OBE	3/4	4/7	7/11
Massimo Tononi	4/4	6/7	10/11
David Warren	3/4	6/7	9/11
Robert Webb	3/4	4/7	7/11
Directors who have left during the Period			
Paolo Scaroni[2]	1/1	1/3	2/4

1. Joined the Board on 15 August 2014.
2. Left the Board on 16 July 2014.

When arranging meetings at short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors are able to attend all such meetings. The majority of meetings where Directors have been unable to attend were the seven additional meetings called at short notice which related to the acquisition of Frank Russell Company and associated rights issue.

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

The Directors have full access to the advice and services of the Group Company Secretary, who is responsible for advising the Board on corporate governance matters.

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

Corporate governance continued

Board balance and independence

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

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

Non-Executive Director Changes

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

- the resignation of Paolo Scaroni (Non-Executive Director) on 16 July 2014; and
- the appointment of Sharon Bowles (Non-Executive Director) on 15 August 2014.

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

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

Jacques Aigrain was Chairman of LCH.Clearnet Group during the Period. LCH.Clearnet Group is a non-wholly owned subsidiary of the Company with which the Company has a material business relationship. Mr Aigrain brings vast experience in the area of post trade which greatly assists the Board. Mr Aigrain was appointed as Executive Chairman of LCH.Clearnet Group from October 2013 to 3 February 2014, following the departure of Ian Axe, LCH.Clearnet Group CEO. During this period Mr Aigrain did not participate in LCH.Clearnet Group's Executive Committee. It was felt that Mr Aigrain's appointment to this role on a temporary basis was the best way to manage any risks following Mr Axe's departure. Any potential conflicts of interest arising as a result of Mr Aigrain's appointment to the Board have been governed by the terms of a conflicts memorandum of understanding between LCH.Clearnet Group and the Company. It was announced on 24 February 2015 that Mr Aigrain would step down as Chairman and a director of LCH.Clearnet Group with effect from 5 March 2015.

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

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

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

In particular, in the case of Mr Lewis and Mr O'Connor, given the presence of LCH.Clearnet Group within the Group, the Board believes it is important to have members who have current or recent experience in credit and market risk.

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

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

Board effectiveness and leadership

Since 2005 it has been the Board's policy to conduct an effectiveness review on an annual basis and, where appropriate, to act on the results of the review. The Code recommends that an externally facilitated evaluation should take place at least every three years.

During the Period, the Board engaged Dr Tracy Long of Boardroom Review to facilitate an external review of its effectiveness. Boardroom Review was appointed following a review of providers in the market and is not currently engaged in other work on behalf of the Company. The evaluation process is described opposite.

Evaluation process

The in-depth process involved one to one interviews with Board members covering key aspects associated with the effectiveness of the Board including:
- Strategy & Planning, Governance, Risk & Control, Performance Management & Monitoring, Board Composition and Succession Planning, Board & Committee working/efficiencies;
- External facilitator attendance at a Board meeting;
- Review of papers and documentation provided to the Board; and
- Summary results of observations and recommendations presented to the Board.

Recommendations

The Review found that the Board was operating effectively. The main areas identified by the Board in the review for continued focus related to:
- Effective management of the process for appointing a successor for the Chairman;
- Succession planning for the Senior Independent Director and Remuneration Committee Chairman roles;
- Refreshment of membership of committees; and
- Appointing the Chair of the Risk Committee to sit on the Audit Committee.

The results of the review will be used to assist the future development and performance of the Board, its committees and its individual Directors. They will also assist the Nomination Committee and Board in the process of identifying a successor to Chris Gibson-Smith and wider succession planning.

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

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

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

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

Corporate governance continued

Nomination Committee
Details of the committee's remit and activities are set out in a separate Nomination Committee Report on page 73.

Audit Committee
Details of the committee's remit and activities are set out in a separate Audit Committee Report on pages 74-77.

Risk Committee
Details of the committee's remit and activities are set out in a separate Risk Committee Report on pages 78-79.

Remuneration Committee
Details of the committee's remit and activities are set out in a separate Remuneration Committee Report on pages 80-109.

Risk Management and Internal Control
The Board has overall responsibility for the sponsorship of a strong risk culture across the Group. It approves the Risk Appetite each year as part of the strategic business objectives, and ensures that executive management maintain a system of internal controls that is appropriate for the Group's risk exposure, and which seeks to maintain the Group's risks within the appetite set by the Board. The Audit Committee and the Risk Committee assist the Board in discharging this responsibility by reviewing and assessing the Group's risk framework, systems of internal controls and risk management process on a regular basis. The system of internal controls is designed to facilitate the management of the business within the Board's risk appetite rather than eliminate risks, and can only provide reasonable, but not absolute, assurance against material misstatement or loss, fraud or breaches of laws and regulations.

The Group's risk management process is defined by a Board-approved Enterprise-wide Risk Management Framework which is updated on a regular basis to take into account the size, footprint and diversification of the Group. Executive management is accountable for risk identification, analysis, evaluation, mitigation, monitoring and reporting within the framework approved by the Board. A combined bottom-up and top-down risk management approach is adopted, with risks identified at business unit level. Divisional and legal entity risk profiles are reviewed by the Risk sub-committees of the Executive Committee, and the Group's consolidated risk profile is reviewed by the Executive Committee and reported to the Board Risk Committee at least three times a year and to the Board at least every six months. During the Period, the Risk Committee reviewed the risk profile three times and discussed the Group Risk Appetite before making a recommendation to the Board for its approval. The Audit Committee and the Risk Committee also held a special combined meeting during the period to review, in detail, the proposal to acquire Frank Russell Company and to make recommendations to the Board. The Board held formal discussions on the Group risk profile twice during the Period. In addition the Chairman had regular meetings with the CRO, who is a member of the Executive Committee, to discuss the Group's key and emerging risks.

Further detail on the Group's risk management oversight can be found on page 50.

During the Period, the Group introduced a mandatory online training programme for all employees covering ethical conduct, risk and control management and regulatory requirements. In addition, the Board re-confirmed its commitment to the maintenance of a strong ethical risk culture through the approval of the Group Risk Appetite including the risk culture framework. A divisional internal control and risk management self-certification process is also performed semi-annually. Each business unit is required to confirm that it is in compliance with the Group's policies and governance procedures and is managing its risk within appetite: exceptions are reported to the Audit Committee and to the Risk Committee. Internal Audit provides regular reports to the Audit Committee on the adequacy and effectiveness of the Group's system of internal controls and the Group's risk framework.

An overview of the principal risks and uncertainties of the Group is provided on pages 54-61.

Internal Controls

The Group has in place internal control and risk management systems in relation to the financial reporting process. These include:

- The application of Group accounting policies;
- A comprehensive budgeting process, with an annual budget approved by the Board, and financial and key performance indicators reviewed against budget on a monthly basis at a group, divisional and business unit level. Revised forecasts for the year are prepared on a quarterly basis;
- A system of delegation of authority including the approval of expenditure up to set financial limits;
- The Chief Financial Officer's (CFO) management reports, used by the Executive Committee and which contain key financial information and performance indicators, are shared with the Group Board and any key issues are reviewed at each Board meeting;
- The Financial Risk Committee and New Products (and Market) Committee oversee risks related to capital, investments, tax and counterparties;
- As part of its remit, the Financial Risk Committee oversees the activities of the Group's Treasury function through its Treasury Committee, which is chaired by the CFO; and
- The Treasury Committee operates within Board approved policy and meets regularly to review the management of the Group's credit, market and liquidity risks.

Internal Audit

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

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

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

Further details on the internal audit function can be found in the internal audit charter which is reviewed annually and available from the Group Company Secretary or in the corporate governance section of the Group's website at www.lseg.com/investor-relations.

Corporate governance continued

Conclusion

The Board confirms that, through the Audit Committee and the Risk Committee, it has reviewed the operation and effectiveness of the Group's system of internal controls throughout the Period and up to the date of approval of this Annual Report. Necessary actions have been or are being taken to remedy any significant failings or weaknesses identified during these reviews. The Board is satisfied that the risk management process and system of internal controls conform with the 2005 FRC's Internal Control Revised Guidance for Directors on the Combined Code (formerly known as the Turnbull guidance).

Relations with shareholders

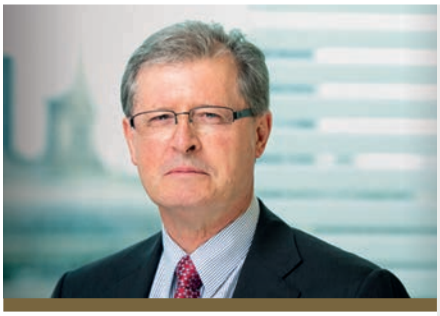
The Company engages with shareholders through an active Investor Relations (IR) programme, providing regular opportunity for contact with existing and potential shareholders, together with sell-side analysts that produce investment research relating to the Group. The IR programme includes meetings, calls, presentations and information releases on a regular basis throughout the Period, based around the Group's financial reporting calendar and following major corporate events and news flow. In addition to information on financial and operational performance, the Group engages with shareholders and relevant shareholder advisory agencies on environmental, social and governance (ESG) matters.

The IR function, reporting to the CFO, is responsible for planning and executing the IR programme and day-to-day contact with the market. The CEO and CFO typically engage with investors through meetings and presentations to discuss strategy, performance and other matters. The Chairman, Senior Independent Director and Chairman of the Remuneration Committee are also available to meet major investors, particularly to discuss corporate governance and remuneration, as required. During the period, senior management and the IR team held more than 254 meetings and calls with shareholders and potential investors from around the world.

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

The Investor Relations section of the Group's website, www.lseg.com, is the primary source of regularly updated information about the Group. Annual and interim reports and accounts, interim management statements, news releases, presentations and other documents are available on the website together with a list of analysts producing research on the Company and a summary of analysts' forecasts of performance. Presentations of preliminary and interim results are accessible to all shareholders via webcasts in real time and also for a period after the event. The Group also produces an annual Corporate Responsibility report that details its approach to ESG matters: www.lseg.com/about-london-stock-exchange-group/corporate-responsibility.

Report of the Nomination Committee



Chris Gibson-Smith
Chairman of the Nomination Committee

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

Nomination Committee meeting attendance in the 9 month period ended 31 December 2014 (the 'Period')

	Total
Chris Gibson-Smith	2/2
Massimo Tononi	2/2
Robert Webb	2/2
Paul Heiden[1]	2/2
Stephen O' Connor[1]	2/2
Paolo Scaroni[2]	0/0

1. Paul Heiden and Stephen O'Connor were appointed to the Nomination Committee on 2 July 2014.
2. Paolo Scaroni stepped down from the Board and the Nomination Committee on 16 July 2014.

Chairman's Succession

During the Period, the Committee was asked by the Board to oversee the process for the appointment of a new Chairman. The Committee was chaired for these purposes by Robert Webb. The Committee has appointed headhunters, Spencer Stuart, to help identify potential candidates. Prior to being engaged by the Company to carry out the search, Spencer Stuart carried out the Board Effectiveness Review in FY2012. The Committee discussed the process for succession, the role specification and candidate lists. Spencer Stuart were asked to seek views from the wider Board on the role of the Chairman in future years and to gather suggestions for possible candidates.

The Committee also discussed wider Board succession issues and the Board appointed Sharon Bowles as a Non-Executive Director following the engagement of external recruitment consultants. A shortlist of candidates met with the Chairman, Chief Executive and members of the Nomination Committee.

Gender Diversity

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

The Committee and the Board have sought to ensure that appointments are of the best candidates to promote the success of the Company and Group and that appointments are based on merit, with due regard for the benefits of diversity on the Board, including gender (while also meeting the requirements of the Equality Act). Subject to these requirements, the Board made a commitment in 2013 to further strengthening female representation on the Board. At Board level, this has included requesting headhunters to ensure that as far as practicable, a significant proportion of the long list of candidates is female. Further to the appointments of Baroness Shields and Sherry Coutu in January 2014 the Board also appointed Sharon Bowles in August 2014. The Board's diversity policy can be found at http://www.lseg.com/about-london-stock-exchange-group/corporate-responsibility/ethics-and-governance.

Chris Gibson-Smith
Chairman
17 March 2015

Report of the Audit Committee

Paul Heiden
Chairman of the Audit Committee

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

During the Period, in addition to its normal agenda, the Committee focused on the key following activities:

— The Group changed external auditors in 2014 following a tender process. The Audit Committee reviewed and approved the tender process, governance and selection criteria and was also directly involved in the selection process. As a result of the exercise, the Audit Committee recommended to the Board that Ernst & Young LLP (EY) be appointed as the Group's external auditor. Such appointment of EY took place shortly after the completion of the audit of LSEG's consolidated accounts for the year ended 31 March 2014 by PricewaterhouseCoopers LLP (PwC), and the appointment of EY was recommended to shareholders for approval at the Annual General Meeting in July 2014. The Committee discussed and agreed the EY audit plan and the transition arrangements between PwC and EY. Since the appointment, the Committee has established a productive working relationship with the new auditors.

— The Committee closely monitored the acquisition process of the Frank Russell Company, including the review of: the establishment of the financing structure, the financial analysis of the transaction, and the cash flow forecasts. The Audit Committee also examined and discussed the risks of the transaction to the Group and the risk mitigation actions. The Committee actively challenged the assumptions made by the Group Executive management, Finance, Treasury and the external consultants and banks involved in the transaction.

— The Committee continued to monitor the alignment of the control environment of recent acquisitions with the Group internal control framework.

— The Committee reviewed reports on Cyber-security and Business Continuity Management.

— The Committee discussed the status of the project for the implementation of a new Group-wide financial system and the selection process for the third-party system integrator.

— The Committee discussed in detail a review of the Group's Weighted Average Cost of Capital (WACC).

— An annual review of the effectiveness of the Committee was performed during the year. Input for this came from the Audit Committee members, the Board Chairman, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group Head of Internal Audit and the previous external auditors (PwC). The review concluded that the Committee is fulfilling its duties adequately and highlighted areas for further discussion by the Committee such as:

  - Frequency of the Audit Committee meetings
  - Duration of meetings and time allocated to various issues

Priorities in the forthcoming year will include:

— Receiving assurance that the control environment remains robust to support the continued growth and diversification of the Group's activities.

— Monitoring the implementation of the actions resulting from the comprehensive review of the investment business of the Frank Russell Company including the sale of the investment management business and the integration of the index business with the existing FTSE platform.

— Monitoring the controls over the major projects of the Group including the implementation of the new global finance system and the development of new businesses.

— Continuing to monitor the progress of the control synergies between LSEG and LCH.Clearnet.

— Monitoring the impact of the Group's acquisitions on financial and tax accounting.

— Monitoring the management of the pension schemes of London Stock Exchange plc and LCH.Clearnet.

— Reviewing the results of an independent external quality assessment of the Internal Audit function.

Paul Heiden
Chairman of the Audit Committee
17 March 2015

Role and responsibilities of the Audit Committee

1. Financial reporting

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

2. Internal controls and risk management systems

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

The Committee also monitors and reviews the effectiveness of the Group's internal audit function, ensuring that it has adequate resources and appropriate access to information to perform its function independently from executive management.

3. External auditors

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

4. Other matters

Treasury

The Committee approves the taking of any actions which fall outside the Group Treasury Policy and considers material financing and treasury transactions reserved for the Board ahead of review by the Board.

Whistleblowing and fraud

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

Composition and meetings

The Committee meets the requirements of the UK Code. It is comprised of five independent Non-Executive Directors who all bring recent and relevant financial experience. It is chaired by Paul Heiden who is a qualified chartered accountant with a career in a variety of senior finance roles. The other members are Jacques Aigrain, Massimo Tononi, Sharon Bowles and Stephen O'Connor. Sharon was appointed to the Committee on 26 February 2015 and Stephen was appointed on 4 March 2014. Jacques, Massimo and Stephen have each previously held various executive management roles in financial institutions. The skills and experience of each Committee member are provided in the Board of Directors section on pages 62 and 63.

The Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Chief Risk Officer and the external auditors are standing invitees to all Audit Committee meetings. In addition, various other members of management are invited from time to time to present specific matters relevant to the Committee's remit.

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

Attendance at Audit Committee meetings in the period April to December 2014:

	Scheduled	Ad hoc	Total
Paul Heiden	3/3	2/2	5/5
Jacques Aigrain	3/3	2/2	5/5
Massimo Tononi	3/3	2/2	5/5

(Sharon Bowles and Stephen O'Connor joined the Audit Committee after the end of the Period).

In addition to the meetings listed above, there was a combined Audit and Risk Committee session in which the members of the committees considered in detail the results of due diligence on the Frank Russell Company including receiving presentations from external advisers.

Further details on the functioning of the Audit Committee can be found in the Committee's terms of reference which are reviewed annually and available from the Group Company Secretary or in the corporate governance section of the Group's website at www.lseg.com/investor-relations.

Activities in the period April – December 2014

The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. The agenda for each meeting was determined by the key events of the annual financial reporting cycle, the risks identified by the Committee and the standing items under its terms of reference. During the period, the Committee discharged its responsibilities as set in its terms of reference by performing the following:

Financial matters:

- Reviewed and approved key accounting judgements
- Reviewed and approved the half-year and full period financial results
- Discussed and approved the annual review for goodwill impairment
- Reviewed and discussed management's view of commitments and contingencies and the adequacy of the proposed disclosures
- Reviewed and discussed the shareholder documentation for the acquisition of the Frank Russell Company

Internal controls:
- Reviewed compliance with the UK governance code – internal controls (including whistleblowing) at half year and year end
- Reviewed updates on internal audit plans
- Approved the 3 year internal audit plan (2014-2017)
- Reviewed reports on the performance of internal audit
- Reviewed and approved the updated internal audit charter
- Reviewed the audit manual

External auditors:
- Reviewed the effectiveness of the external auditor (PwC)
- Reviewed the reports from the external auditor (PwC and EY)
- Approved the services provided by the external auditor (PwC and EY)
- Reviewed and approved the audit and non-audit fees (PwC and EY)
- Reviewed and approved the external audit plan (EY)
- Reviewed the interim report from the external auditor (EY)

Other matters:
- Assessed its own effectiveness
- Reviewed and updated its own terms of reference
- Reviewed and discussed an update to the Group's business continuity and crisis management plans
- Reviewed and discussed a cyber security research report
- Reviewed a report on whistleblowing incidents
- Reviewed and discussed the Annual Report and the procedures implemented to ensure it is fair, balanced and understandable
- Reviewed an update on the implementation of the new financial system

Significant judgements in the Annual Report

Significant judgements for April – December 2014	How the Committee reviewed these matters
Goodwill and intangibles impairment assessment	The Audit Committee considered the approach and methodology applied to performing the annual goodwill impairment assessment as well as the assessment for indications of impairment of other intangible assets as required under IAS 36, including the key assumptions for short and long-term growth rates, cash flow expectations and the discount rate used for the Group's cost of capital. The Audit Committee considered various scenarios to evaluate the impact of changes in assumptions on the models' results. The impairment review was also an area of focus for the external auditors, who reported their findings to the Committee. Following a review of some licenses recognised on the acquisition of the LCH.Clearnet Group, it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently it was considered appropriate to impair the asset resulting in a £21.8 million write-off. Details can be found in note 8 to the financial statements on page 134.

Significant judgements for April – December 2014	How the Committee reviewed these matters
Deferred Tax Liabilities	The Audit Committee discussed correction entries to be made for the current and prior comparative years relating to the adjustment of deferred tax liabilities on some of the Group's previous acquisitions. These corrections were agreed with EY. The overall result was to increase goodwill by £190 million, increase the deferred tax liability by £158 million and increase retained earnings by £31 million (see note 2 on page 126).
Calculation of Weighted Average Cost of Capital (WACC)	The Committee requested that corporate finance undertake a full review of the WACC calculation used across the Group. The review was performed in conjunction with external valuation specialists. The results of the review were discussed and the Committee agreed to maintain the current model with modified inputs for: the risk free rate, the pre-tax cost of debt, the size premium and the country risk premium. This resulted in a new WACC of 8.5 percent for the Group as of 30 September 2014 vs the previous 7.3 percent as of June 2014.
Acquisition of the Frank Russell Company	For financial reporting purposes, the acquisition of the Frank Russell Company was accounted for under the purchase accounting method. The Audit Committee considered the allocation of purchase consideration between the Index and the Investment Management divisions of Russell based on detailed discussions with management, the external auditor and the advice of an independent third party. The report by the third party provided a full analysis of the value of the Russell intangibles to be recognised and their remaining useful lives. The Committee satisfied itself that the allocation was undertaken on a basis that reflected the true underlying value of each business. The Committee also discussed the accounting treatment of the Russell investment business and agreed that full consolidation in the financial statements from the date of acquisition (2 December 2014) was in line with IAS criteria for the period. For more details please see note 31 on page 157.

Other topics of discussion in respect to the financial statements:

Going concern:
The Audit Committee satisfied itself that the Group has adequate financial resources for the future by reviewing and challenging the Group's committed funding and liquidity positions, its ability to generate cash from its various activities, the quality of its risk management and its ability to raise external funding. The Committee relied on the detailed working capital process, the FY2015 Budget and the three year business plan and longer-term strategic objectives of the Group. The Committee considered the assumptions made by management in its evaluation of future cash flows under stress including an accelerated downside scenario. The Committee also considered and challenged the possible mitigating actions under the control of management.

The Committee subsequently recommended to the Board the adoption of the going concern statement for inclusion in the Annual Report and financial statements.

Commitments and contingencies:
The Audit Committee considered the facts and circumstances surrounding commitments and contingencies, in particular with respect to LCH.Clearnet and Frank Russell Company. The Committee considered the nature of the correspondence and discussions which had taken place and, after due consideration, agreed that no provision should be recorded in the financial statements.

Non-recurring items:
The Committee discussed and agreed on non-recurring items in the financial statements for the 9 month period. These are presented in note 8 on page 134 of the financial statements.

Report on external auditors and safeguards on non-audit services

A breakdown of audit and non-audit service fees paid and payable to the external auditor for the period ended 31 December 2014 and prior year is provided below and in note 35 to the financial statements on page 163. On 12 June 2014, the Group appointed Ernst & Young LLP (EY) as its external auditor, replacing PricewaterhouseCoopers LLP (PwC).

Auditor's remuneration payable to EY and its associates for the period ended 31 December 2014 and to PwC and its associates for the prior year comprise the following:

Audit services:	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Audit of parent company and consolidated accounts	**0.7**	0.5
Audit of subsidiary companies	**1.0**	1.1
Audit related assurance services	**0.3**	0.4
Other non-audit services:		
– Taxation	**0.1**	0.6
– Corporate finance	**–**	0.2
– Other assurance services	**0.1**	–
Total expenses	**2.2**	2.8

In the nine months ended 31 December 2014, the majority of other non-audit services provided by PwC and EY were mostly in relation to tax advisory, acquisition support services and other assurance services.

The Chair of the Committee reviewed each of these individual appointments on their merits, prior to PwC or EY being engaged. The review process involved considering management's assessment of:

- which accounting firms had the appropriate experience and expertise to undertake the work;
- whether there were any conflicts of interest for PwC or EY;
- whether the conflicts of interest that existed for other potential firms, who were either advising other parties to the transactions or were auditors of the other company, could be appropriately managed; and
- the quantum of non-audit fees in the context of the overall audit fee and relative significance to PwC or EY in the context of its total client fees.

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

The Committee's responsibility to monitor and review the objectivity and independence of the external auditors is supported by a policy on audit and non audit services supplied by the auditors of the Group and of its subsidiaries. This policy is available from the Group Company Secretary or in the corporate governance section of the Group's website at www.lseg.com/investor-relations.

Fair balanced and understandable annual report

The Audit Committee satisfied itself that the annual report is fair, balanced and understandable and has presented its conclusions to the Board of the Group. In order to reach its conclusions, the Audit Committee examined the following criteria:

- Fair:
  - The annual report does not omit important or sensitive elements necessary to understand the strategy, performance and business model of the Group
  - Segmental reporting accurately describes the various activities of the Group and their relative contributions to the strategy, performance and business model of the Group
  - The messages in the strategic report and the CEO's and Chairman's reports are consistent with the financial reporting section
- Balanced:
  - There is an appropriate balance between the required statutory accounting metrics and Group-specific adjusted measures
  - The messages in all sections appropriately balance the favourable and less favourable events and trends affecting the strategy and performance of the Group
  - The principal risks presented on pages 54-61 accurately reflect the risk registers of the Group which are used to set the risk appetite and the strategy of the Group
- Understandable:
  - There is a clear and comprehensive framework for the annual report
  - The key messages are adequately highlighted in simple language avoiding specialised terms and acronyms wherever possible
  - There is a glossary of technical terms and acronyms used frequently throughout the report
  - The relevant information for shareholders is easy to find and appropriately cross-referenced where necessary without additional clutter
  - The various sections taken together present a consistent and easy to comprehend overview of the strategy, performance and business model of the Group

Report of the Risk Committee

Stephen O'Connor
Chairman of the Risk Committee

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

During the 9 month period ended 31 December 2014 the Committee met three times and oversaw the risk assessments and mitigating actions related to the acquisition of the Frank Russell Company. It also focused on the embedding of the frameworks, systems and tools to manage the risks of the enlarged Group, on the development of a fit for purpose Group Risk Appetite Statements and the development and delivery of a new Group-wide counterparty risk reporting system.

In order to avoid potential duplication of coverage and, more importantly, to reduce the potential for non coverage of important risk matters, by either the Audit or the Risk Committees, the Committee membership includes the Chairman of the Audit Committee. To this effect, a combined Audit and Risk Committee meeting took place to ensure proper governance, risks and controls coverage of the Frank Russell Company acquisition proposal before the Committee members made their recommendation to the Board.

Priorities in the forthcoming year will be to oversee the embedding of the same risk management standards across all the Group's entities, with a focus on the recently acquired or created entities. The Committee will maintain its focus on the monitoring of the risk culture of the Group. The Committee will review, on a rotational basis, the risk profile of each of its main lines of business and key legal entities.

Stephen O'Connor
Chairman of the Risk Committee
17 March 2015

Risk Committee meeting attendance in the period ended 31 December 2014

	Scheduled	Ad hoc	Total
Stephen O'Connor	2/2	1/1	3/3
Paul Heiden	2/2	1/1	3/3
Stuart Lewis	0/2	1/1	1/3
Andrea Munari	2/2	1/1	3/3

Composition and responsibilities
The Committee is chaired by Stephen O'Connor who provides recent and relevant financial and risk management experience through his career in a variety of senior executive roles in the financial industry. In addition, the Board is satisfied that each member of the Committee has the skills and experience necessary to enable the Committee to discharge its responsibilities effectively. The names, skill and experience of the members of the Risk Committee are provided on pages 62-63.

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

Activities
The Committee maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at the appropriate meeting. During the Period the Committee discharged its responsibilities as set out in its terms of reference by reviewing the following:
- The reports on risk exposures of the Company and on emerging risks;
- Review and recommendation to the Board of the Group Risk Appetite;
- The development and implementation of the Company's Group-wide counterparty risk aggregation and monitoring tool;
- The adequacy of proposed actions to mitigate certain risk exposures;
- The effectiveness programme in place to further align the risk management framework of the Group and its subsidiaries;
- Regulatory compliance reports and the actions in place to ensure ongoing compliance;
- The effectiveness of the Group's Risk function;
- The programme in place to consolidate Group risks including the risks from the newly acquired Frank Russell Company business;
- Review of the pension plan management strategy;
- The adequacy of the treasury limits in the area of financial risk management and approved changes to the treasury policy;
- Papers on the potential impact of the regulatory requirements on the CCPs of the Group and related mitigating plans including a white paper on recovery and resolution;

— Compliance with the Group risk management procedures as described in the section on internal controls on pages 70-72;
— The adequacy of the Business Continuity Management plans and management programme;
— Recommendation by the Chairman to the Remuneration Committee on Executive performance related to risk culture (awareness, transparency and accountability); and
— Review of the risk profile of two largest business areas, of LCH.Clearnet and of FTSE.

In addition to the three scheduled meetings, the Risk Committee held a special joint meeting with the Audit Committee to review the proposal to acquire Frank Russell Company before making its recommendation to the Board. The meeting reviewed and commented on the due diligence process and findings, the strategic risks, the execution risks and the associated mitigating management actions plans. During the course of the year, the Committee monitored the risks and the execution of the management action plans.

As part of its mandate, the Committee reviews, at least three times a year, the risk profile of the Group and comments on the adequacy of the processes in place to identify and report on key risks. It also reviews the risk profile of the Group's subsidiaries and divisions on a rotational basis. During the period it reviewed the LCH.Clearnet and the FTSE risk profiles. It also received reports on compliance with relevant regulatory requirements for each regulated entity of the Group. The Board as a whole reviews the Group risk profile at least twice a year.

Risk Management function
During the period, the Risk Management function continued embedding the Group Enterprise-wide Risk Management Framework across all the Group subsidiaries and divisions through the monitoring of key risk indicators. It also launched a programme of mandatory training for all the Group's employees.

The function is centralised at Group level with the exception of the CCPs where each clearing house has its own risk team in compliance with the EMIR requirements. The Risk function's main role is to monitor the risk profile of the Group and of its subsidiaries and ensure it remains within risk appetite. The function supports the Risk Committee members by providing reports on the Group's risk profile and timely escalation of exceptions. It also monitors compliance with rules and regulations and develops and maintains frameworks to facilitate the identification, assessment, reporting and monitoring of all the key risks that could materially impact the reputation, financial position or operations of the Group. Information provided by the Risk function informs the Committee on the risk culture of the Group.

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

Directors' Remuneration Report

Statement by the Chairman of the Remuneration Committee

Robert Webb
Chairman of the Remuneration Committee

Last year we consulted extensively with shareholders on our Remuneration Policy, the Annual Report on Remuneration and our new long-term incentive plan, and are grateful for the high level of support received for these at our July 2014 AGM.

On behalf of the Board, I now present the Directors' Remuneration Report for the 9-month financial period ended 31 December 2014. We intend to continue to operate under our shareholder-approved policy and therefore only the Annual Report on Remuneration is subject to a shareholder vote at our upcoming AGM. However, for ease of reference we have republished our Remuneration Policy Report in full on the following pages.

Notes:
CY2013: 1 January to 31 December 2013 (unaudited)
CY2014: 1 January to 31 December 2014 (unaudited)
FY2014: 1 April 2013 to 31 March 2014 (audited)
9 month period to December 2014: 1 April to 31 December 2014 (audited)
CY2015: 1 January to 31 December 2015

Performance and pay outcomes in the year

It has been a successful 9 months for the Group. The acquisition of Frank Russell Company significantly enhances our international presence and global footprint. In particular, the combination of FTSE with Russell Indexes creates a truly global indices provider and establishes an excellent platform for attractive financial returns through cost and revenue synergies as well as growth from the expected increase in passive investment strategies. We have also made further progress on the integration of LCH.Clearnet into the Group while continuing to grow organically through our existing businesses around the world.

The Group delivered a strong financial performance, with adjusted operating profit of £417.5 million for the period or £558 million for CY 2014, which is up 16 per cent versus CY2013. The execution of our strategy of delivering growth while expanding our global presence has been reflected in the Group's share price performance over the period with a 22 per cent Total Shareholder Return (TSR), significantly in excess of the FTSE 100 index. A Rights Issue to partially fund the purchase of Frank Russell Company was successfully completed in September 2014, raising a total of US$1,600 million.

The Long Term Incentive Plan (LTIP) awards made in 2011 vested in full during 2014, due to ongoing, strong Earnings Per Share (EPS) and TSR growth in the period. EPS increased by c. 45 per cent over the three years to the end of March 2014 and TSR more than doubled over the period to June 2014. As shown in our 'Single total figure of remuneration' table, the TSR element of the LTIP awards made in 2012 is currently expected to vest in full, while the EPS element is expected to be below threshold.

The Committee continues to place great importance on ensuring that there is a clear link between pay and performance, including adherence to the Group's Risk framework, and that our remuneration outcomes are reflective of this wider context.

As a result of the Group's performance and strong individual performance, the Committee determined that the Executive Directors will be awarded bonuses of between 83 per cent and 89 per cent of their maximum opportunity which has been prorated for the 9 month financial period ended 31 December 2014.

LTIP awards to be granted in 2015 will be awarded under the 2014 LTIP described in the Policy section from page 86.

During the year, the Committee conducted its annual review of the base salary levels of our Executive Directors. In recognition of the significant change in the scale, scope and responsibilities of the Chief Financial Officer's role, the Committee has decided to increase David Warren's salary from £425,000 to £465,000. This is the first salary increase awarded to Mr Warren since he joined the Group in July 2012. Over this period, the Group has evolved from a predominantly European-focused exchange operator to a diversified international market infrastructure and capital markets business. This is in part due to the successful acquisition of LCH.Clearnet and Frank Russell Company, in which Mr Warren played a critical role. Taking the above factors into account, the Committee felt that the adjustment to salary was appropriate and reflects the significant change in Mr Warren's role.

Increases for the other Directors are in line with the average employee increases, being 2 per cent for Mr Rolet, the Chief Executive Officer and 4 per cent for Mr Jerusalmi, Chief Executive Officer of Borsa Italiana and Director of Capital Markets.

Summary of key Executive remuneration decisions

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
Name		Xavier Rolet	David Warren	Raffaele Jerusalmi
Previous salary (with effect from 1 April 2014)		£733,000	£425,000	€480,000
Annual salary (with effect from 1 April 2015)		£750,000 (+2%)	£465,000 (+9%)	€500,000 (+4%)
Bonus for 9-month period to December 2014	**% of salary**	150% of annual salary (200% of 9/12 of salary)	129% of salary (173% of 9/12 of salary)	125% of salary (167% of 9/12 of salary)
	% of maximum[1]	89%	86%	83%
	£ total amount	**£1,100,000**	**£550,000**	**€600,000**
	Of which 50% is deferred	**£550,000**	**£275,000**	**€300,000**
	Deferral vehicle	**100% into LSEG shares**	**100% into LSEG shares**	**100% into cash**
Max. bonus opportunity		225%	200%	200%
LTIP award (subject to performance)		300% of salary (£2,250,000)	274% of salary (£1,275,000)	Sterling equivalent of 275% of salary (€1,375,000) at prevailing fx rate at time of grant

Note:
1. Refers to maximum for nine months.

Concluding remarks

The Committee continues to ensure the Group's approach to remuneration takes into account best practice developments and market trends in the financial services sector and wider market while continuing to support the commercial needs of the Group, the interests of shareholders and of all other stakeholders. We look forward to your support for these proposals at the forthcoming AGM.

Robert Webb
Chairman of the Remuneration Committee
17 March 2015

Directors' Remuneration Report continued

Introduction

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

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

Remuneration Policy Report (pages 84-94)
This section contains the remuneration policy that we intend to apply for 2015. The Remuneration Policy Report was subject to a binding shareholder vote at the 2014 AGM and was passed with 95 per cent support. There have been no changes to the policy during the financial period and the Policy Report (as approved by shareholders) has been reproduced on pages 84-94 for ease of reference.

Annual Report on Remuneration (pages 95-109)
This section sets out how remuneration arrangements have been operated during the past financial period (9 months from April to December 2014), and also provides details on how we intend to operate our policy during the coming year (CY2015). This report will be put to an advisory vote at the 2015 AGM.

There are a number of contextual points to acknowledge when considering both these reports and our approach to executive remuneration, including:
- change in financial year;
- impact of the Rights Issue;
- timing of LTIP awards made in CY2014; and
- the introduction of compulsory deferral for the 9-month period to December 2014 bonus.

These are discussed below, prior to the presentation of the two reports.

Change in financial year
The Group has now migrated its financial year to align with the calendar year from 1 January 2015. This change resulted in a truncated financial year of 9 months in 2014 (i.e. from 1 April 2014 to 31 December 2014). As previously disclosed, the Committee has taken this change into account when making remuneration decisions.

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

Bonus
- For the financial period ended 31 December 2014, the maximum bonus opportunities were prorated to reflect the shortened period with performance measured over the truncated 9-month financial period;
- 50 per cent of any award to Executive Directors will be deferred in cash and/or shares for a period of two years.

LTIP
- The 36-month vesting period for outstanding long-term share awards will remain unaffected by the change, with no acceleration of vesting. In addition, after careful review of their continued appropriateness by the Remuneration Committee, no changes to the existing performance metrics are proposed (including the annualised growth targets).
- The TSR conditions for outstanding awards continue to be measured over three calendar years from the date of grant. In line with the performance schedule, EPS is measured over three financial years while seeking to ensure performance is assessed on a like-for-like basis. Long-term Performance and Matching awards granted in 2012 will vest in June 2015 using CY2014 as the closing year for EPS performance measure. Similarly for awards to be granted in 2015, the Committee will use CY2014 as the baseline year for the EPS measure.
- Notwithstanding the above, the Committee will assess the performance period and vesting for the relevant LTIP grants to ensure no participant is materially advantaged or disadvantaged from the change in year end.

Impact of the Rights Issue

The following sets out the impact of the Rights Issue on share awards from a remuneration perspective:

Number of shares under award

For all outstanding share awards under Group plans and for awards with an option exercise price (e.g. CSOP and SAYE), the number of shares under award and the option price were adjusted using the accepted standard methodology (theoretical ex-rights price or TERP) for adjusting awards in the event of a Rights Issue. This ensures that participants are not disadvantaged by the effect of the Rights Issue.

LTIP performance measures (50 per cent TSR and 50 per cent EPS)

No explicit adjustment is necessary for the TSR performance condition as it is already taken into account under the current TSR calculation methodology. The Committee does not intend to make any adjustments to the EPS performance condition but will assess performance at the time of vesting to ensure that participants are neither materially advantaged nor disadvantaged.

Timing of LTIP awards made in CY2014

CY2014 LTIP awards were made to the Executive Directors in August 2014 under the new LTIP, approved at the July 2014 AGM. Ordinarily, these awards would have been made in June 2014 under the previous LTIP prior to the AGM. However, the Group was unable to make awards at that time given restrictions due to the potential Frank Russell Company acquisition. Under the previous arrangements, there was the opportunity to receive a Matching Award provided individuals voluntarily invested up to 50 per cent of their net salary into shares, which could be matched on a 2:1 basis subject to performance. Under the new 2014 LTIP, there is no longer the opportunity for a Matching award for Executive Directors. This has been simplified and the Committee can award up to 300 per cent of salary at grant under the new LTIP.

Compulsory deferral of bonus for the 9-month period to December 2014

Following approval of our Policy Report by shareholders at the July 2014 AGM, Executive Directors must now compulsorily defer 50 per cent of their bonus for a period of two years. This provision comes into effect for the 9-month period to December 2014 bonus and operates as follows:

- Until the minimum shareholding requirement of 2x base salary is reached, bonus deferral is 100 per cent into shares; and
- Once the level of minimum shareholding has been reached, individuals are able to elect to defer with three different approaches: 100 per cent of the deferral amount into shares; 50 per cent into shares and 50 per cent into cash; or 100 per cent into cash.

Directors' Remuneration Report continued

Remuneration Policy Report

This Remuneration Policy Report was subject to a binding shareholder vote at the 2014 AGM and was approved with 95 per cent of the votes. Accordingly, it had binding effect on the Company from that date. There have been no changes to the Remuneration Policy since its approval by shareholders.

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

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

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

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

ELEMENT	PURPOSE AND LINK TO STRATEGY
Salary	Provides a core element of remuneration which reflects the responsibilities of the role. Enables the recruitment and retention of individuals of the calibre required to execute the Group's strategy.
Benefits	Provide local market competitive benefits and support the well-being of employees.
Retirement benefits	Provide Executives with retirement benefits. Support recruitment and retention of high-calibre people.

OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Base salaries are normally reviewed annually by taking into account a range of factors, including: — size and scope of the role; — skills and experience of the individual; — market competitiveness/relative positioning; — performance of the Group and of the individual; — wider market and economic conditions; and — level of increases being made across the Group. Any changes are normally effective from 1 April each year.	There is no defined maximum salary. Increases are determined based on the factors described in the Operation column. The Committee's normal approach is to initially consider increases within the range awarded to other employees. More significant increases may be awarded in certain circumstances, such as where there is a significant change in the scale, scope or responsibility of a role, development within a role and/or significant market movement. The annual base salaries in the 9-month period to December 2014 and CY2015 for each Executive Director are set out in the Annual Report on Remuneration.	n/a
A flexible benefits plan is offered, in which individuals have certain core benefits (such as private medical, life assurance, income protection and, additionally in Italy only, disability, accident, car, fuel allowance and luncheon vouchers) together with (in the UK) a taxable cash allowance which can be spent on elective benefits (such as additional medical, life or dental cover). A chauffeur-driven motor car may also be provided for Executive Directors where appropriate. Due to the high profile of the Group, the Committee reserves the right to provide our Executives with the appropriate level of security arrangements to allow them to perform their duties in the safest possible conditions. Benefits are reviewed periodically to ensure they remain affordable and competitive. The Committee retains the discretion to provide reasonable additional benefits as appropriate – for example, relocation and other allowances including expatriate assistance, housing and school fees for a finite period, tax preparation and filing assistance and flights back to the home country for the Executive and his family. Repatriation costs are met by the Company if employment is terminated by the Company, other than for just cause. Where necessary any benefits may be grossed up for taxes. Executives are eligible to participate in the Group's HMRC-approved Save As You Earn Option Scheme (or international equivalent) on the same basis as other employees. Executive Directors are covered by the Directors' and Officers' insurance and indemnification.	There is no defined maximum. Benefits plans are set at (what are in the Committee's opinion) reasonable levels in order to be market competitive for their local jurisdiction and are dependent on individual circumstances. Participation in the Save As You Earn Option Scheme (or international equivalent) is capped at the same level as all other participants, which is determined by the Company within the parameters of applicable legislation.	n/a
Provision of annual pension allowance, invested in the Company's defined contribution plan or taken as a cash allowance. In certain jurisdictions, more bespoke pension arrangements may be provided. In such circumstances, the Committee will give appropriate consideration to local employment legislation, market practices and the cost of the arrangement.	The maximum annual pension contribution/cash allowance is 25 per cent of salary (except where determined by local market practice). In Italy, Mr Jerusalmi accrues mandatory state pension (INPS) benefits which are calculated on salary, benefits and annual bonus. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Group at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. TFR is calculated on salary, capped benefits, annual bonus and LTIP.	n/a

Directors' Remuneration Report continued

Remuneration Policy Report continued

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION
Annual bonus	Rewards annual performance against challenging financial, strategic and individual targets linked to Group strategy. Deferral reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and sustainable performance.	The Group operates a Group-wide bonus pool which is funded based on the achievement of financial and strategic goals of the Group. Allocations to individual Executive Directors are made from this pool based on the Committee's assessment of their individual performance, taking into account the Group's financial and strategic performance and the achievement of any individual objectives related to their role. Performance targets are reviewed and set by the Committee at the beginning of each performance year. Awards are determined by the Committee after the year end based upon the actual performance against these targets. The Committee applies judgement where necessary to ensure approved pay-out levels are reflective of actual, overall performance. — 50 per cent of the annual bonus will be subject to mandatory deferral, normally for a period of two years. — Until the minimum shareholding requirement (see below) is reached, bonus deferral will be 100 per cent into shares. Once the level of minimum shareholding has been reached, individuals will be able to defer 100 per cent into shares, 50 per cent into shares/50 per cent into cash or 100 per cent into cash. — Dividends (or equivalents) may be paid in respect of deferred shares on vesting. — Deferred awards are subject to malus provisions as described below. Paid bonuses and vested awards are subject to clawback as described below.
LTIP (Long Term Incentive Plan) 2014	Incentivises performance over the longer term through the award of performance related shares. Aligns reward with long-term, sustainable Group performance and a focus on shareholder value.	— Under the LTIP 2014, which was approved by shareholders at the 2014 AGM, awards of shares (or equivalent) are granted annually subject to performance conditions. — Awards normally vest subject to performance targets assessed over a performance period, normally of at least three financial years. The Committee has discretion to set different performance periods if it considers them to be appropriate. — The Committee shall determine the extent to which the performance measures have been met. The Committee may make adjustments to performance targets if an event occurs that the Committee determines that an adjustment is appropriate. The performance targets will be at least as challenging as the ones originally set. — Dividends (or equivalents) may be paid on vesting. Unvested awards are subject to a malus provision and vested awards are subject to clawback, as described on the following page. — Details on the impact of the financial year end change on the proposed LTIP can be found on page 82.
Share ownership	Ensures alignment with shareholders' interests.	Executive Directors are expected to build up share ownership over a period of five years and maintain holdings of at least 2x base salary.

MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
Maximum annual bonus opportunity of 225 per cent of salary for CEO and 200 per cent of salary for other Executive Directors for maximum performance.	Based on a combination of financial (e.g. adjusted operating profit), strategic and individual performance targets. Strategic objectives include key targets under the strategic pillars of building best in class capabilities, creating a global business and developing opportunities. These strategic objectives also impact financial results in the medium term. The Committee will set the detail and mix of performance measures, targets and weighting based on the strategic objectives at the start of each year. At least 50 per cent of the targets relating to the annual bonus pool in any year will be subject to financial measures. No bonuses are paid for below threshold performance. The Committee may award any amount between zero and 100 per cent of the maximum opportunity. The performance measures are applied in the performance year only. Due to the financial year end change, FY2014 will be based on a nine-month performance period from 1 April 2014 to 31 December 2014, followed by a calendar year from 1 January to 31 December from 2015 onwards. Further details about the impact of the financial year end change can be found on page 82.
Although there is a facility for maximum awards of up to 400 per cent of salary under the plan rules in exceptional cases, it is expected that awards under this plan will normally be up to 300 per cent of salary.	The Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. Vesting of awards is subject to achievement of total shareholder return and financial performance targets. For initial grants under this new LTIP, awards are subject to absolute TSR and adjusted EPS measures. Measures will normally be equally weighted but in any event, any total shareholder return element will represent at least 50 per cent of the award. For each performance element, achievement of the threshold performance level will result in no more than 25 per cent of the maximum award paying out. For achievement of the maximum performance level, 100 per cent of the maximum pays out. Normally, there is straight-line vesting between these points.

Directors' Remuneration Report continued

Remuneration Policy Report continued

Notes to the Policy Table

Selection of performance measures

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

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

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

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

Malus and clawback provisions

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

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

Recruitment policy

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

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre required by the Group. Consistent with the UK Corporate Governance Code, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- The ongoing remuneration package would normally include the key elements on the same terms as those set out in the policy table for Executive Directors.
- The maximum level of variable remuneration which may be awarded on recruitment (excluding any buy-outs referred to below) is 625 per cent of salary. Incentive awards made in the first year of appointment may be subject to different performance measures and targets appropriate to the newly recruited Executive Director.
- Recognising that the Group competes for talent in the international financial services sector, on an exceptional basis, the Committee has the ability to include other elements of pay which it feels are appropriate taking into account the specific commercial circumstances (e.g. for an interim appointment). However, this would remain subject to the limit on variable remuneration set out above. The rationale for any such component would be appropriately disclosed.
- In addition, where an individual forfeits arrangements as a result of appointment, the Committee may offer a buy-out, in such form as the Committee considers appropriate taking into account all relevant factors which may include the vehicle, expected value and timing of forfeited opportunities. Any such buy-out will be limited to the commercial value of payments and awards forfeited by the individual.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable relocation assistance and other allowances including expatriate assistance. Global relocation support (normally for up to five years) and any associated costs or benefits (including but not limited to housing, school fees, tax preparation and filing assistance and flights back to the home country) may also be provided if business needs require it. Should the Executive's employment be terminated without cause by the Group, repatriation costs will be met by the Group.
- In the event that an internal candidate was promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.
- The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors (see page 92).

Service contracts and payments for departing Directors

Policy in respect of new appointments

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

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

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

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

Treatment of variable incentives

Annual bonus	Individuals may be considered for an annual bonus in respect of the period prior to cessation. Any award would be at the discretion of the Committee, subject to the Executive Director's performance and period of employment.
Deferred Bonus Plan 2014	For good leavers, awards vest at the normal vesting date, although the Committee may determine that awards vest on cessation of employment. The award will usually vest in full or on a prorated basis at the Committee's discretion. Good leavers are those who cease to be an employee of a member of the Group by reason of death, injury, disability, ill-health, redundancy, the sale of the individual's employing business or the transfer of the Company out of the Group, or any other reason which the Committee decides in its discretion, having regard to a range of relevant factors including the Executive Director's performance, length of service and circumstances of their departure. Where an individual is not considered to be a good leaver, unvested awards will lapse. Where an individual is summarily dismissed, all his awards will lapse. Deferred awards are subject to malus and vested awards are subject to clawback as detailed under page 88.
Long-Term Incentive Plan 2014	For good leavers, awards will normally vest at the normal vesting date and following the end of the performance period, unless the Committee determines that awards should vest following cessation of employment. Vesting will be subject to performance and unless the Committee determines otherwise (or that another basis of reduction is appropriate) prorated for time in employment. Good leavers are those who cease to be an employee of a member of the Group by reason of death, injury, disability, ill-health, redundancy, and the sale of the individual's employing business or transfer of the Company out of the Group, or any other reason which the Committee decides in its discretion, having regard to a range of relevant factors including the Executive Director's performance, length of service and circumstances of their departure. Where an individual is not considered to be a good leaver, unvested awards will lapse. Unvested awards are subject to malus and vested awards are subject to clawback as detailed under page 88.

Directors' Remuneration Report continued

Remuneration Policy Report continued

Detailed share plan provisions

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

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

Individual terms

Xavier Rolet entered into a service agreement with the Group[1] on 25 February 2009 and was appointed with effect from 16 March 2009. Xavier Rolet's service agreement can be terminated by either party giving not less than 12 months' notice. Alternatively, the Group may terminate the contract by making a payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and private medical insurance (but excluding bonus and share incentives) paid in a lump sum or, at the Committee's absolute discretion, paid in 12 equal monthly instalments from the date of termination of the employment. Alternatively, the Group may in its discretion continue to provide pension, life and private medical insurance for the 12 months following termination. If the payment is made in instalments and Mr Rolet commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement in the relevant period (of 12 months) following his departure from the Group, the instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. On termination (other than by reason of summary dismissal) Mr Rolet will be eligible to receive a pro-rata bonus for the year in which his employment is terminated subject to company and individual performance.

David Warren entered into a service agreement with the Group[1] on 11 June 2012 and was appointed with effect from 2 July 2012. David Warren's service agreement may be terminated by either party giving at least 12 months' notice. Alternatively, the Group may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and private medical insurance (but excluding bonus and share incentives). Any payment in lieu of notice will be paid in 12 equal monthly instalments from the date of termination of the employment. Alternatively, the Group may in its discretion continue to provide pension and life and private medical insurance for the 12 months following termination. Should Mr Warren commence alternative employment, be appointed as a Non-Executive Director or provide services pursuant to a consultancy agreement in the relevant period (of 12 months) following his departure from the Group, the instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. Payments of the instalments may be required to be deferred until six months after termination by US tax rules applying to Mr Warren. To the extent that any payment or benefits payable to Mr Warren under his service agreement or under any bonus or share incentive plan would be subject to US excise tax, the payments and benefits may be reduced if this would result in Mr Warren receiving a greater after tax amount than if the benefits were not reduced. On termination (other than by reason of summary dismissal) Mr Warren will be eligible to receive a pro-rata bonus for the year in which his employment is terminated subject to company and individual performance.

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

1. On 1 January 2015, Xavier Rolet and David Warren transferred their contracts of employment to a newly created entity called LSEG Employment Services Ltd. No Changes were made to their employment terms and conditions.

Remuneration policy for other employees and consideration of wider employee remuneration

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

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

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

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

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

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

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

Consideration of shareholders' views

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

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

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

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

Directors' Remuneration Report continued

Remuneration Policy Report continued

Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary experience and ability to make an important contribution to the Group's affairs. The Chairman's fee is determined by the Remuneration Committee, and the Board is responsible for determining all other Non-Executive Director fees. Fees are reviewed periodically to ensure they remain appropriate. The Committee retains the flexibility to increase, adjust and make one-off payments to Non-Executive Directors based on their remit. Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director and fees at other companies of a similar size and complexity. The aggregate fees payable to all Non-Executives combined (excluding the Chairman and excluding fees paid for any appointments on subsidiary boards) are capped as set out in the Group's Articles of Association as they may be amended by a resolution of shareholders from time to time. The current limit on the aggregate fees that are payable is £1,500,000 per financial year. Details of current fees are set out on page 101.	Non-Executive Directors receive a basic annual fee with additional fees payable for further Board and Group responsibilities such as committee chairmanship or membership, subsidiary board or committee membership and Senior Independent Director. The Non-Executive Chairman of the Group receives an all-inclusive fee for the role. Fees are neither performance-related nor pensionable. Non-Executive Directors are not eligible to participate in the annual bonus or LTIP plans.	Non-Executive Directors do not receive any benefits or entitlements other than their fees and reasonable expenses. The Chairman receives the use of a chauffeur-driven motor car for travel to the Group's offices and business purposes. Travel and other appropriate expenses with associated taxes (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors. Non-Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

Non-Executive Directors have letters of appointment with no notice period except for the Group Chairman who has a notice period of six months unless he is not re-elected by shareholders in which case his appointment will terminate immediately. The Non-Executive Directors' appointments are for an initial period of three years from the date of appointment and are also subject to re-election by shareholders. See page 102 for a description of arrangements that have been put in place for Chris Gibson-Smith during 2015.

Amendments to the Remuneration Policy Report

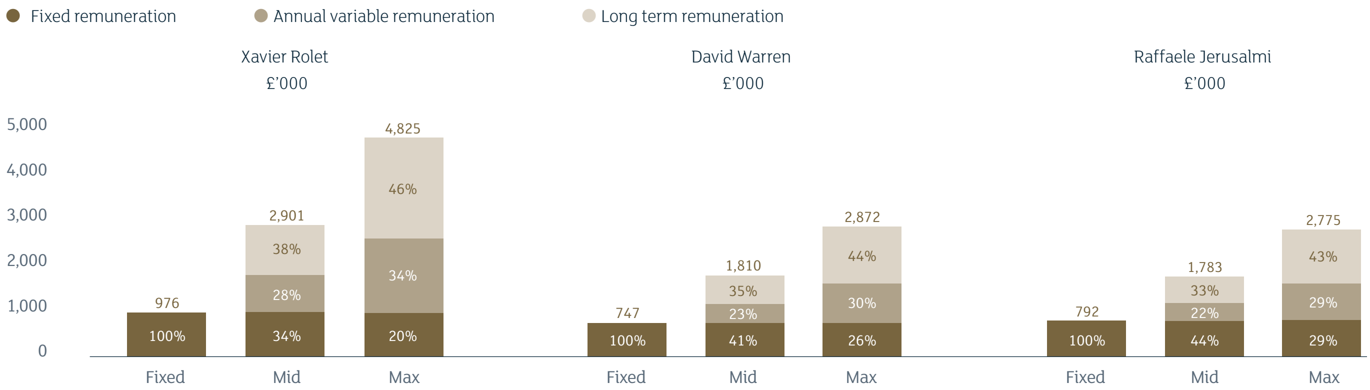
The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

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

Illustration of the application of the remuneration policy for Executive Directors

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

Element of remuneration	Detail of assumptions
Fixed remuneration	This comprises: — Base salary with effect from 1 April 2014 — Benefits paid in FY2014 as shown in the single figure table in the Annual Remuneration Report — Pension
Annual Bonus	Assumes maximum opportunity of 225 per cent of salary for CEO and 200 per cent of salary for other Executive Directors For mid-range scenario: assumes payment of 50 per cent of the maximum opportunity For maximum: assumes payment of 100 per cent of the maximum opportunity
Long Term Incentive Plan	Assumes maximum opportunity of 300 per cent of salary in conditional shares For mid-range scenario: assumes 50 per cent of the maximum opportunity For maximum: assumes vesting of 100 per cent of the maximum opportunity



Directors' Remuneration Report continued

Remuneration Policy Report continued

Legacy arrangements

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

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

Element	Summary
Long Term Incentive Plan 2004	The 2004 LTIP plan has two elements: a conditional award of Performance Shares and an award of Matching Shares linked to investment by Executive Directors of up to 50 per cent of net salary funded from their bonus payment. The pre-tax value of the amount deferred is matched on a 2:1 basis subject to the standard LTIP performance targets as specified below ('Matching Shares'). Performance Shares and Matching Shares are subject to the Group's absolute TSR (50 per cent) and adjusted EPS (50 per cent) performance over a single three-year period ('the performance period'). For absolute TSR, the performance period started on the date of grant and for adjusted EPS on the first day of the financial year in which the award is granted. For absolute TSR, performance is calculated using a two-month average share price at the start and at the end of the performance period to ensure any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period. The Committee considers the use of both of these measures will best align the interests of the Executive Directors with those of shareholders. Both absolute TSR and adjusted EPS measures are independently verified by Deloitte LLP. The performance conditions and vesting schedule for awards granted in 2010, 2011, 2012 and 2013 are set out below. The same targets also apply to awards granted prior to the date that the new LTIP Plan was approved at the July 2014 AGM.

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

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

Details of how the Committee intends to measure performance for these awards to reflect the change in the financial year are set out on page 82. The Committee may adjust or amend awards only in accordance with the provisions of the plan rules. This includes making adjustments to awards to reflect certain one-off events, including a variation in the Company's share capital, a demerger or a special dividend. In accordance with the plan rules, awards may be settled in cash rather than shares where the Committee considers this appropriate.

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

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

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

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

Directors' Remuneration Report continued

Annual Report on Remuneration

This section sets out how remuneration arrangements have been operated during the past 9-month financial period, and also provides details on how we intend to operate our policy during the coming year (CY2015). This report will be put to an advisory vote at the 2015 AGM. The information from this page to page 109 has been audited where required under the regulations and is indicated as audited where applicable.

Single total figure of remuneration for Executive Directors (Audited)

Single total figure of remuneration	Xavier Rolet				David Warren				Raffaele Jerusalmi[12]			
	9 months to December 2014 £000	% of total	FY2014 £000	% of total	9 months to December 2014 £000	% of total	FY2014 £000	% of total	9 months to December 2014 £000	% of total	FY2014 £000	% of total
Fixed pay												
Salary	550[1]		705		319[1]		425		302[1]		360	
Flexible benefits allowance	15[2]		20		15[2]		20					
Benefits	24[5]		40		124[8]		196		20[9]		26	
Pension	137[3]		176[3]		80[3]		106[3]		182[10]		219	
Other									128[11]		150	
	726	18%	941	15%	538	27%	747	55%	632	35%	755	32%
Pay for performance												
Annual bonus	1,100		1,481		550		600		480		579	
Long term incentives[4]:												
Performance shares	1,543		2,719[6]		942		–		686		1,007[13]	
Matching shares	746		1,242[7]		–		–		–		–	
	3,389	82%	5,442	85%	1,492	73%	600	45%	1,166	65%	1,586	68%
Total remuneration	4,115		6,383		2,030		1,347		1,798		2,341	

Notes:
1. Salary as at April 2014 prorated for the 9-month period.
2. Flexible benefits allowance of £20,000 prorated for 9 months.
3. Annual pension allowance of 25 per cent of salary.
4. Value for Long Term Incentives shown for 9 months to December 2014 represents estimated value of share awards granted in 2012 that are expected to vest in June 2015. The estimate assumes 100 per cent vesting of the TSR element and nil per cent vesting of the EPS element. The value is based on a three-month average share price from 1 October 2014 to 31 December 2014, being £20.49. Value shown for FY2014 represents the actual vesting of LTIP awards granted in 2011 that vested on 3 June 2014 at £19.56 (Performance awards) and on 8 July 2014 at £19.60 (Matching Awards).

Xavier Rolet
5. Benefits include the cash value of private medical and life assurance, Save As You Earn (SAYE) and commuting expenses with associated taxes (including a chauffeur-driven motor car where appropriate). Mr Rolet contributed £250 per month to the SAYE plan between April and December 2014. SAYE has been valued based on the monthly savings amount (£250) and the discount provided (20 per cent) between 1 April 2014 and 31 December 2014 – i.e. £250 x 9 months x 20 per cent.
6. 139,031 Performance shares vested on 3 June 2014 at £19.56 per share. This equates to £2,719,446.
7. 63,380 Matching shares vested on 8 July 2014 at £19.60 per share. This equates to £1,242,248.

David Warren
8. Benefits include the cash value of private medical and life assurance and expatriate allowances with associated taxes. This includes a 50 per cent reduction in housing allowance with effect from November 2014.

Raffaele Jerusalmi
9. Benefits represent the cash value of private medical, disability and life insurance cover, luncheon vouchers, car and fuel benefit for the 9-month financial period.
10. Pension: mandatory INPS contributions calculated on salary, benefits and bonus for the 9-month period.
11. Trattamento di Fine Rapporto mandatory arrangements calculated on salary, capped benefits, bonus and shares and paid into Mr Jerusalmi's pension plan for the 9-month period.
12. 9-month period to December 2014 rate of £1 = €1.25, and FY2014 rate of £1 = €1.21
13. 51,493 Performance shares vested on 3 June 2014 at £19.56 per share. This equates to £1,007,203.

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

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

Benefits
A flexible benefits plan is offered, in which individuals have certain core benefits (such as private medical, life assurance, income protection and, additionally in Italy only, disability, illness, accident, car, fuel allowance and luncheon vouchers) together with (in the UK) a taxable cash allowance which can be spent on elective benefits (such as additional medical, life or dental cover).

Directors' Remuneration Report continued

Where received as a cash supplement, this allowance is not used to calculate bonus payments or pension contributions. Benefits are reviewed periodically to ensure they remain affordable and competitive. Executives are eligible to participate in the Group's HMRC-approved Save as You Earn Option (SAYE) Scheme (or international equivalent).

Xavier Rolet and David Warren each receive a flexible benefit allowance of £20,000 per annum which was prorated to £15,000 for the 9-month financial period. These values have not been increased since last year. Both of them also receive benefits in kind which principally include private health care and life assurance arrangements.

Xavier Rolet contributes £250 per month into the Save As You Earn (SAYE) scheme which will mature in March 2017 with a six-month exercise window.

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

- Each year he is entitled to tax preparation and filing assistance in the US and the UK.
- The Group will meet the costs of repatriating Mr Warren's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination.
- An allowance to cover the cost of renting accommodation in the UK during the first four years of his appointment. Mr Warren received £60,000 net per annum prorated between 1 April 2014 and 31 October 2014 and £30,000 net per annum prorated for November and December 2014. He will continue to receive £30,000 net per annum until October 2016.
- An annual allowance of £30,000 net per annum to cover flights between London and New York for Mr Warren and his family.

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

There are no contractual malus or clawback provisions in place in relation to benefits.

Executive Directors are covered by the Directors' and Officers' insurance and indemnification.

Retirement Benefits

In the UK, pension provision for our Executive Directors takes the form of a non-consolidated cash allowance.

Xavier Rolet and David Warren each receive an allowance equivalent to 25 per cent of base salary as a taxable cash supplement. Only base salary is used to calculate pension entitlement and no other pension supplements apply. During the financial period 1 April 2014 to 31 December 2014, Xavier Rolet contributed £30,000 into the company Group Pension Plan with Scottish Widows.

Raffaele Jerusalmi accrues mandatory state pension (INPS) benefits in Italy. Actual benefit due at retirement is set out by the applicable Italian legislation in force from time to time. Under the Italian Trattamento di Fine Rapporto (TFR), he receives contributions which are funded by the Company at a rate fixed by local law and which are paid to Mr Jerusalmi's private pension plan. Both INPS and TFR contributions are included in the single total figure of remuneration table on page 95.

Pay for Performance

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

The Committee takes into account input from the Risk Committee with regard to performance related to risk culture (awareness, transparency and accountability) when assessing remuneration decisions.

Bonus awarded for the 9-month period to December 2014

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

For the 9-month period to December 2014, the Committee determined that the sole annual financial target should again be adjusted operating profit. The Committee considers adjusted operating profit to be of particular significance for the Group and believes it should continue to be the main financial measure for annual bonus plan purposes. At least 50 per cent of the annual bonus pool is subject to achieving this financial target. Other measures include the achievement of strategic and individual targets. The maximum bonus opportunity is 225 per cent of salary for the Chief Executive Officer and 200 per cent of salary for other Executive Directors. Bonus awards were calculated on the basis of salaries prorated for nine months (April to December 2014).

Determination of Bonus for the 9-month period to December 2014

The Committee determined the overall Group bonus pool with reference to the 9-month performance period to 31 December 2014. The performance measures and targets are set out below:

		Actual performance	Target	Performance relative to target	Maximum percentage of bonus	Actual percentage of bonus
9-month period to December 2014 Group Bonus Pool	**Group AOP**[1]	9-month period to December 2014 Adjusted operating profit[2] of £417.5 million AOP.	9-month period to December 2014 Adjusted operating profit of £364 million	Above Target	50	34
	Strategic Deliverables	— Acquisition of Frank Russell Company. — Identification of €60 million cost synergies in LCH.Clearnet and implementation of revenue synergies and delivery of cost savings targets. — Launch of globeSettle to attract international assets under management — AUMs above $200 billion, FTSE now 3rd largest Exchange Traded Fund (ETF) Index provider. — Leadership positioning of Exchange Traded Products (ETP) market in Europe with new development in US and Asia and grew ETF market share.		Significantly above Target	50	46
	Total				**100**	**80**

Note:
1. AOP excludes amortisation of purchased intangibles, non-recurring items and unrealised net investment gains/losses at LCH.Clearnet.
2. For the purposes of determining the bonus pool, Group AOP for the 9-month period to December 2014 does not include any Frank Russell Company contribution for the relevant part of December 2014 as this was not foreseen when the targets were set at the start of the performance period.

Chief Executive Officer

Under Xavier Rolet's leadership, LSEG has had yet another strong year in 2014. Our adjusted income rose 17.7 per cent to £1,291 million and AOP increased 13.1 per cent to £543 million (both on a full 12-month calendar year basis and excluding contribution from Frank Russell Company), despite loss of revenues from LME at LCH.Clearnet.

On a cost base of £749 million, the cost/income ratio of 58 per cent reflected ongoing strong control of the cost base. The principal strategic achievement was the US$2.7 billion acquisition of Frank Russell Company, while the ongoing management of LCH.Clearnet, leading to its increased contribution, was another key feature of the year's performance.

The Group's share price continues to outperform the FTSE 100 comparator group. In 2014 LSEG was the third-highest climber in the FTSE 100 with a 64 per cent increase in market capitalisation touching £8 billion for the first time and LSEG ranked number 55 in the FTSE 100. The share price was the highest performing in the major international exchanges sector in 2014. This performance reflected investors' growing trust in the strategy and management's track record of delivering on promises.

Chief Financial Officer

The Committee noted that David Warren had continued to deliver towards the Group's overall growth and success. In particular he made a significant contribution to the Frank Russell Company acquisition (including the completion of the Rights Issue) alongside his other, ongoing responsibilities.

In addition to the strong financial results noted for Xavier Rolet above, the Committee also recognised the identification of €60 million cost synergies in LCH.Clearnet and the implementation of revenue synergies and delivery of cost savings targets across the Group.

Executive Director, CEO of Borsa Italiana & Director of Capital Markets

In addition to his responsibilities as an Executive Director for the Group, Raffaele Jerusalmi has led our Capital Markets and Post Trade divisions – representing some 33 per cent of the Group's Total Income: a 12 per cent increase in revenues for Capital Markets. Primary Markets saw a seven-year high in new issues activity with 219 new companies admitted. Cash equity average daily values increased 15 per cent in UK and there was a 16 per cent increase in average number of daily trades in Italy.

The Committee also wished to recognise continued innovation in these divisions such as Monte Titoli's successful testing with the European Central Bank, the establishment of globeSettle the new Central Securities Depository (CSD) in Luxembourg and the continued expansion of the Elite initiative.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

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

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
Bonus for 9-month period to December 2014	**% of salary**[1]	150% of annual salary (200% of 9/12 of salary)	129% of annual salary (173% of 9/12 of salary)	125% of annual salary 167% of 9/12 of salary)
	% of maximum[2]	89%	86%	83%
	£ total amount	£1,100,000	£550,000	€600,000
	Of which 50% is deferred	£550,000	£275,000	€300,000
	Deferred vehicle	100% into LSEG shares	100% into LSEG shares	100% into cash

Notes:
1. Refers to 1 April 2014 to 31 December 2014.
2. Refers to maximum for 9-month period.

Compulsory deferral of bonus for 9-month period to December 2014

Executives must now compulsorily defer 50 per cent of their bonus for a period of two years. This provision applies to the bonus amount for the 9-month period to December 2014 above and operates as follows:

— Until the minimum shareholding requirement of 2x base salary is reached, the percentage of bonus that is deferred will be deferred 100 per cent into shares; and

— Once the level of minimum shareholding has been reached, individuals are able to elect to defer under three different approaches: 100 per cent of the deferral amount into shares; 50 per cent into shares and 50 per cent into cash; or 100 per cent into cash.

Long term incentive plan (LTIP)

Executive Directors have awards outstanding under the 2004 Long Term Incentive Plan which expired in July 2014 (see page 94 for details of plan).

Awards granted in June and July 2011 with a performance period ended in CY2014

The performance period for the absolute TSR element of the Performance Share and Matching Share awards ended in June and July 2014 respectively. The awards granted in 2011 were based on absolute TSR performance in the three years from grant, and adjusted EPS performance in the three year period to March 2014. Over the period the Company delivered adjusted EPS growth of 13.3 per cent per annum for performance and matching shares. Subsequently the adjusted EPS element for both these awards delivered 100 per cent vesting. Annualised Absolute TSR performance between 3 June 2011 and 2 June 2014 was 31 per cent per annum and therefore vested at the full 100 per cent for this element. Vesting price as at 3 June 2014 for Performance shares was £19.56. Vesting price as at 8 July 2014 for Matching shares was £19.60.

Awards granted in June 2012 with a performance period ending in CY2015

The value shown in the single figure table on page 95 for the 9-month period to December 2014 represents the estimated value of the 2012 awards which will vest in June 2015. The estimate assumes 100 per cent vesting of the TSR element and nil per cent vesting of the EPS element and is based on a three-month average share price from 1 October 2014 to 31 December 2014. The final vesting outcome (including the actual share price at vesting) following the end of the performance period will be disclosed in the next Annual Report on Remuneration covering CY2015.

The same performance conditions described above apply to all awards granted between 2011 and 2013, namely:

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

Due to the financial year-end change, EPS will be measured over three complete financial periods over 33 months for 2012, 2013 and 2014 grants. From CY2015 onwards, grants will return to being measured over 36 months, on a calendar year basis. The financial year-end change does not affect the TSR measurement period which remains three calendar years from grant. Vesting remains over 36 months. The Committee will determine final outcomes to ensure there is no material advantage or disadvantage to participants due to either the year-end change or the impact of the Rights Issue.

LTIP Awards Granted in CY2014 (Audited)

LTIP awards during CY2014 were made in August 2014 under the new LTIP, approved at the July 2014 AGM. It was originally intended that these awards would have been made in June 2014 under the previous LTIP prior to the AGM. However, the Group was unable to make awards at that time given restrictions due to the potential Frank Russell Company acquisition. Under the previous LTIP, there was the opportunity to receive a Matching Award provided individuals voluntarily invested up to 50 per cent of their net salary into shares, which could be matched on a 2:1 basis subject to performance. Under the new 2014 LTIP, there is no longer a matching option. This has been simplified and the Committee can award up to 300 per cent of salary at grant.

Therefore, for the financial period ended 31 December 2014, awards of Performance Shares were made with a value of 300 per cent of salary for Xavier Rolet, 176 per cent of salary for David Warren, and 281 per cent of salary for Raffaele Jerusalmi (at rate of £1 = €1.23).

		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
CY2014 LTIP (Nil-cost performance options) granted on 27 August 2014[2]	**% of salary**	300% of salary	176% of salary	281% of salary
	face value	£2,199,000	£750,000	Sterling equivalent of €1,349,000
	share price[1]	£20.36	£20.36	£20.36
	Number of LTIP shares granted (pre Rights issue)	108,005	36,836	54,015
	Equivalent number of LTIP shares granted (as adjusted post Rights issue)	117,250	39,989	58,638

Notes:

1. The share price of £20.36 was determined using the closing price (MMQ) on 26 August 2014 and approved by the Share Scheme Committee (a sub-committee of the Remuneration Committee).
2. TSR is measured over a 60 day trailing average at the start and end of the 3-year performance period which will end on 26 August 2017. EPS is measured over three financial years. Due to the change in financial year-end, EPS performance will be measured over a period of 33 months ending 31 December 2016 and compared to the EPS for FY2014.

Other share plans (SAYE)

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

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

During the 9-month period to December 2014, an interim grant was made in July 2014 under the UK and international schemes. From CY2015 onwards, annual SAYE grants will normally take place in May. Other than the post Rights Issue adjustment, no awards under the SAYE were made to Executive Directors during the 9-month period to December 2014.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Implementation of the remuneration policy during CY2015 (1 January 2015 to 31 December 2015)

Base salary operation:

During the year the Committee conducted its annual review of the base salary levels of our Executive Directors. In recognition of the significant change in the scale and scope of the Chief Financial Officer's role, the Committee has decided to increase David Warren's annual base salary from £425,000 to £465,000.

This is the first salary increase awarded to Mr Warren since he joined the Group in July 2012. At that time the Group was a FTSE 250 constituent with a market capitalisation of £2.7 billion, while as at 31 December 2014 the Group was ranked 55th in the FTSE 100 with a market capitalisation of £7.7 billion. Over the period, the Group has evolved from a predominantly European-focused exchange operator to a diversified international market infrastructure and capital markets business. This is in part due to the successful acquisition of LCH.Clearnet and Frank Russell Company, in which Mr Warren played a critical role. The growth in the Group's global footprint, diversification and size has resulted in a significant change in the scale, scope and responsibilities of the Chief Financial Officer. Subsequently, the Committee felt that an adjustment to salary was required to reflect this change in Mr Warren's role.

Increases for the other Directors are in line with the average employee increases, being 2 per cent for the Chief Executive and 4 per cent for Mr Jerusalmi, Chief Executive Officer of Borsa Italiana and Director of Capital Markets.

Base salaries effective from 1 April 2015, are set out in the table below:

Annual salary	With effect from 1 April 2014	With effect from 1 April 2015
Xavier Rolet	£733,000	£750,000 (+2%)
David Warren	£425,000	£465,000 (+9%)
Raffaele Jerusalmi	€480,000	€500,000 (+4%)

Annual bonus operation:

- For CY2015, targets will revert to a 12-month performance period. Performance measures and weighting remain unaffected;
- Any bonus payment will be paid out in March 2016, with mandatory deferral of 50 per cent of bonus for a period of two years;
- Until the minimum shareholding requirement of 2x base salary is reached, the percentage of bonus that is deferred will be deferred 100 per cent into shares. Once the level of minimum shareholding has been reached, individuals are able to elect to defer under three different approaches: 100 per cent of the deferral amount into shares; 50 per cent into shares and 50 per cent into cash; or 100 per cent into cash.
- Deferred awards are subject to malus provisions. Bonuses already paid out under the Deferred Bonus Plan and vested awards are subject to clawback (e.g. in cases of material misstatement or gross misconduct) with judgement applied by the Committee.
- For good leavers, awards will usually vest at the normal vesting date and in full, unless the Committee determines to scale back the award based on any factors deemed relevant. Where an individual is not considered to be a good leaver, unvested awards will lapse.

Long Term Incentive Plan:

Awards will be made in 2015 under the 2014 LTIP, as described in our Remuneration Policy on pages 86-87.

- Malus and clawback provisions will apply to these awards, allowing the Committee to reduce subsisting awards or request the refund of already paid or vested awards in certain circumstances (e.g. material misstatement or gross misconduct);
- The 2015 awards will vest three years after the grant date subject to absolute TSR and adjusted EPS performance measures as follows:

EPS element (50%) – average adjusted EPS growth	TSR element (50%) – absolute TSR growth	Proportion of relevant element which vests
Less than 6% p.a.	Less than 8% p.a.	0%
6% p.a.	8% p.a.	25% for awards granted in CY2014 and CY2015
12% p.a. or more	16% p.a. or more	100%
	Straight-line pro-rating applies between these points	

Awards to be made during CY2015

Based on the context as previously stated and an assessment of individual performance, the Remuneration Committee has approved grants to each of the Executive Directors under the 2014 LTIP as follows:

Role		Chief Executive Officer	Chief Financial Officer	Executive Director, CEO of Borsa Italiana & Director of Capital Markets
CY2015 LTIP award (subject to performance)	% of salary[1]	300% of salary	274% of annual salary	275% of salary
	amount	**£2,250,000**	**£1,275,000**	**Sterling equivalent of €1,375,000 at prevailing FX rate at time of grant**

Notes:
1. Salary refers to annual salary with effect from 1 April 2015.

Non-Executive Directors' fees for CY2015

With effect from 1 April 2015, it was determined that there would be no proposed changes to the Chairman's and Non-Executive Directors' fee levels in respect of LSEG Board membership which would be as follows:

Fees	With effect from 1 April 2014	With effect from 1 April 2015
Group Chairman	£370,000	£370,000
Senior Independent Director	£120,000	£120,000
Non-Executive Director base fee	£60,000	£60,000
Audit Committee Chairman	£20,000	£20,000
Risk Committee Chairman	£20,000	£20,000
Remuneration Committee Chairman	£20,000	£20,000
Audit Committee, Risk Committee or Remuneration Committee membership	£10,000	£10,000
Nomination Committee	nil	nil

Non-Executive Directors' Remuneration

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

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

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

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

Directors' Remuneration Report continued

Annual Report on Remuneration continued

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

Name	Date Appointed[5]	Date of letter of appointment	Time to expiry	Notice period	Date of resignation	LSEG Committee membership/ chairmanship	Other subsidiaries membership/ chairmanship
Robert Webb QC[1]	01/02/2001	01/02/2013	31/01/2016	None		Nomination, Remuneration Chair, SID	LSE plc LCH.Clearnet
Chris Gibson-Smith	01/05/2003	04/03/2015	31/12/2015	1 month		Group Chairman, Nomination Chair, Remuneration	
Andrea Munari[3]	01/10/2007	01/10/2013	30/09/2016	None		Risk	Borsa Italiana
Paul Heiden	04/06/2010	04/06/2013	03/06/2016	None		Audit Chair, Nomination, Risk	LSE plc
Massimo Tononi	27/09/2010	27/09/2013	26/09/2016	None		Audit, Nomination	Borsa Italiana, LSEGH Italia, CC&G and Euro TLX
Jacques Aigrain[4]	01/05/2013	01/05/2013	30/04/2016	None		Audit	LCH.Clearnet Chairman
Stuart Lewis[5]	12/06/2013	12/06/2013	11/06/2016	None		Remuneration, Risk	
Stephen O'Connor	12/06/2013	12/06/2013	11/06/2016	None		Nomination, Risk Chair	LSE plc
Sherry Coutu[6]	17/01/2014	17/01/2014	16/01/2017	None		Remuneration	
Baroness Shields	17/01/2014	17/01/2014	16/01/2017	None			LSE plc
Sharon Bowles[7]	15/08/2014	15/08/2014	14/08/2017	None		Audit	LSE plc
Directors who stood down from the Board during the Year:							
Paolo Scaroni[2]	01/10/2007	01/10/2013	30/09/2016	None	16/07/2014	Nomination, Remuneration	

Notes:
1. Robert Webb was appointed Senior Independent Director on 16 July 2014.
2. Paolo Scaroni stepped down from the Board on 16 July 2014.
3. Andrea Munari was appointed as Vice Chairman of Borsa Italiana S.p.A on 4 July 2014.
4. Jacques Aigrain tendered his resignation as Chairman of LCH.Clearnet effective 5 March 2015.
5. Stuart Lewis was appointed to the Remuneration Committee on 15 July 2014.
6. Sherry Coutu was appointed to the Remuneration Committee on 15 May 2014.
7. Sharon Bowles was appointed as a Non-Executive Director on 15 August 2014, to the Board of London Stock Exchange plc on 17 September 2014 and to the Audit Committee on 26 February 2015.
8. All LSEG non-executive director appointments other than the Chairman are expected to continue for a period of three years subject to earlier termination in accordance with the provisions of the Articles.

Amendment of Chairman's letter of appointment

The Chairman had a letter of appointment dated 18 July 2012 under which his appointment as Director and Chairman would expire at the date of the 2015 Annual General Meeting. On 16 July 2014 it was announced that the Chairman would be stepping down by the end of 31 December 2015. On 4 March 2015 the Chairman entered into an extension to his letter of appointment (the 'extension letter') to reflect these arrangements. Under the extension letter, if a successor has been identified and any required handover has been completed prior to the 2015 AGM, his appointment will end on 29 April 2015. If a successor has not been identified prior to the 2015 AGM, or if a handover period with any identified successor is required after that date, his appointment would continue until: (i) 31 December 2015; or (ii) such earlier date as the Company elects to terminate his appointment. If the Company elects to terminate his appointment prior to 31 December 2015 he will receive no less than one month's notice in writing. The continuation of his appointment after 29 April 2015 is subject to his re-election by shareholders at the 2015 AGM and the Company's Articles of Association.

Non-Executive Directors' Remuneration Table (Audited)

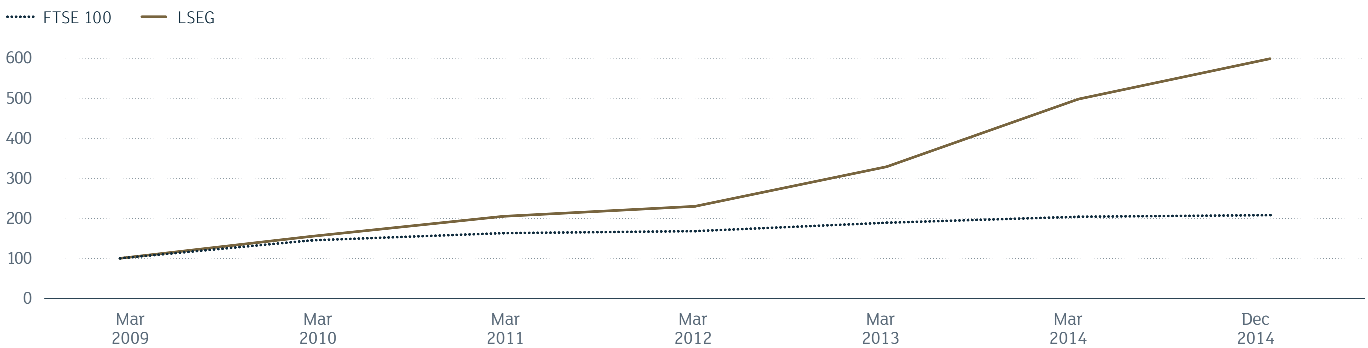
	9 months to December 2014 LSEG Fees	9 months to December 2014 Subsidiary Fees	9 months to December 2014 Total Fees	9 months to December 2014 Taxable benefits[1]	9 months to December 2014 Total	FY2014 LSEG Fees	FY2014 Subsidiary Fees	FY2014 Total Fees	FY2014 Taxable benefits[1]	FY2014 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Robert Webb QC[2]	**74**	**8**	**81**	**–**	**81**	80	10	90	–	90
Chris Gibson-Smith	**277**	**–**	**277**	**59**	**336**	370	–	370	83	453
Andrea Munari[3]	**53**	**10**	**63**	**2**	**65**	70	–	70	3	73
Paul Heiden	**68**	**4**	**71**	**11**	**83**	87	5	92	7	99
Massimo Tononi[4]	**53**	**142**	**195**	**2**	**196**	70	176	246	2	248
Jacques Aigrain[5]	**52**	**285**	**338**	**5**	**343**	64	586	650	8	658
Stuart Lewis	**57**	**–**	**57**	**–**	**57**	57	–	57	–	57
Stephen O'Connor	**60**	**4**	**64**	**10**	**74**	60	1	61	39	100
Sherry Coutu	**51**	**–**	**51**	**–**	**51**	13	–	13	–	13
Baroness Shields	**45**	**4**	**49**	**–**	**49**	12	1	13	–	13
Sharon Bowles	**23**	**1**	**24**	**–**	**24**	–	–	–	–	–
Directors who stood down from the Board during the Year:										
Paolo Scaroni	**38**	**–**	**38**	**3**	**41**	130	–	130	–	130
Total Non-Executive Directors' fees	**851**	**458**	**1,308**	**92**	**1,400**	1,013	779	1,792	142	1,934

Notes:
1. Benefits in kind relate to travelling expenses, including taxes where applicable.
2. Mr Webb's fees increased to £120,000 per annum effective from 16 July 2014 when he took up the role of Senior Independent Director.
3. Mr Munari received a combined fee of €13,000 (£10,400) for his roles as Vice Chairman and Director of Borsa Italiana S.p.A. 9-month period to December 2014 rate of £1 = €1.25. FY2014 historic rate was £1 = €1.21.
4. Mr Tononi received a combined fee of €177,625 (£142,100) for his roles as Chairman and Director of Borsa Italiana S.p.A., Chairman of CC&G, Chairman of EuroTLX and Chairman and Director of London Stock Exchange Group Holdings (Italia). Mr Tononi renounced his fees for the 9-month period to December 2014 as Director of Borsa Italiana S.p.A. and Director of London Stock Exchange Holdings (Italia). 9-month period to December 2014 rate of £1 = €1.25, FY2014 historic rate was £1 = €1.21.
5. Mr Aigrain received an annualised fee of £380,000 as Chairman of LCH.Clearnet.

Alignment between pay and performance
Total Shareholder Return (TSR) performance

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

TSR chart vs FTSE 100 over six financial periods



Directors' Remuneration Report continued

Annual Report on Remuneration continued

Historic levels of CEO pay

Period ended:	CEO	CEO single total figure of remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
9 months ending 31 December 2014	Xavier Rolet	4,115	89%[4]	50%[5]
31 March 2014	Xavier Rolet	6,383[3]	93%	100%
31 March 2013	Xavier Rolet	6,015	89%	100%
31 March 2012	Xavier Rolet	5,245	100%	65%
31 March 2011	Xavier Rolet	2,134	89%	–
31 March 2010	Xavier Rolet[1]	1,873	71%	–
	Clara Furse[2]	400	49%	0%

Notes:
1. Xavier Rolet in the role of CEO from 20 May 2009, appointed to the Board 16 March 2009.
2. Clara Furse in the role of CEO until 20 May 2009. She resigned from the Board on 15 July 2009.
3. Value shown for the period ended 31 March 2014 represents the actual vesting of LTIP awards granted in 2011 that vested on 3 June 2014 at £19.56 (Performance awards) and on 8 July 2014 at £19.60 (Matching Awards).
4. 89 per cent of maximum for the 9-month period to December 2014 – equivalent to 67 per cent of annualised maximum
5. Forecast for LTIPs to vest in June 2015. The estimate assumes 100 per cent vesting of the TSR element and nil per cent vesting of the EPS element.

Percentage change in remuneration of CEO

The table below shows the percentage year-on-year change in salary, benefits and annual bonus for the CEO compared to the average of the representative sample of UK employees (all LSEG UK employees excluding Frank Russell Company). Where appropriate, amounts have been annualised to provide a like-for-like comparison.

	Salary	Benefits	Annual Bonus[3]
CEO	+2%	+3%	-1%
Average pay of Group UK employees[1]	+3%	+15%[2]	+13%

Notes:
1. This group has been selected to reflect the jurisdiction in which the CEO is based. Frank Russell Company are not included for this year.
2. The increase primarily reflects the commencement of the next tranche of pension auto-enrolment and benefits harmonisation with effect from 1 April 2014.
3. 9-month period to December 2014 bonus annualised to facilitate the comparison with the previous financial year on a 12-month basis.

Relative importance of spend on pay

The table below shows the relative 9-month period to December 2014 vs. FY2014 (1 April 2013 to 31 March 2014) expenditure of the Group on Dividends versus Total Employee Costs. These figures are underpinned by amounts from the Notes to the Financial Statements at the back of this report. We are also showing CY2014 vs. CY2013 amounts to provide a like-for-like comparison.

Year-on-year increases (%)	9 month period to December 2014	FY2014	CY2014	CY2013	Annual Increase
Dividends Paid In Financial Period	£56.2m	£80.8m	£83.5m	£79.7m	+5%
Total Employee Costs[1]	£261.7m	£303.9m	£354.4m	£254.5m	+39%

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

Statement of Directors' shareholdings and share interests as at 31 December 2014 (Audited)

Xavier Rolet and Raffaele Jerusalmi currently own shares outright and at a level exceeding their minimum required shareholding of 2x base salary based on a share price of £22.21 (being the closing share price on 31 December 2014). Current shareholdings are summarised in the following table:

	Shares held	Options held[1]					
	Owned Outright[3]	Unvested and subject to performance conditions	Unvested and subject to continued employment[2]	Vested but not exercised	Requirement (% salary)	Shareholding as at 31 December 2014 (% salary)	Requirement met
Executive Directors							
Xavier Rolet	459,904	506,056	772	–	200	1,394	Yes
David Warren	–	190,556	–	–	200	–	No
Raffaele Jerusalmi	52,130	181,077	–	–	200	289	Yes
Non-Executive Directors							
Robert Webb	1,527	–	–	–	–	–	N/A
Chris Gibson-Smith	81,142	–	–	–	–	–	N/A
Andrea Munari	–	–	–	–	–	–	N/A
Paul Heiden	3,818	–	–	–	–	–	N/A
Massimo Tononi	–	–	–	–	–	–	N/A
Jacques Aigrain	–	–	–	–	–	–	N/A
Stuart Lewis	–	–	–	–	–	–	N/A
Stephen O'Connor	–	–	–	–	–	–	N/A
Sherry Coutu	–	–	–	–	–	–	N/A
Baroness Shields	–	–	–	–	–	–	N/A
Sharon Bowles	–	–	–	–	–	–	N/A
Directors who stood down from the Board during the Year:							
Paolo Scaroni	–	–	–	–	–	–	N/A

Notes:
1. No options were exercised by the Directors during the 9-month financial period to 31 December 2014.
2. Refers to SAYE.
3. Shareholdings as at 31 December 2014 include adjustments that have been made to options and shares to take account of the Company's Rights Issue announced on 22 August 2014.

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

	Ordinary Shares Held		LTIP Options[2]		SAYE options		Total Interests	
	31 December 2014[1]	31 March 2014	31 December 2014[1]	31 March 2014	31 December 2014[1]	31 March 2014	31 December 2014[1]	31 March 2014
Executive Directors								
Xavier Rolet	459,904	329,598	506,056	560,559	772	712	966,732	890,869
David Warren	–	–	190,556	138,695	–	–	190,556	138,695
Raffaele Jerusalmi	52,130	41,721	181,077	164,278	–	–	233,207	205,999
Non-Executive Directors								
Robert Webb	1,527	1,200	–	–	–	–	1,527	1,200
Chris Gibson-Smith	81,142	63,757	–	–	–	–	81,142	63,757
Andrea Munari	–	–	–	–	–	–	–	–
Paul Heiden	3,818	3,000	–	–	–	–	3,818	3,000
Massimo Tononi	–	–	–	–	–	–	–	–
Jacques Aigrain	–	–	–	–	–	–	–	–
Stuart Lewis	–	–	–	–	–	–	–	–
Stephen O'Connor	–	–	–	–	–	–	–	–
Sherry Coutu	–	–	–	–	–	–	–	–
Baroness Shields	–	–	–	–	–	–	–	–
Sharon Bowles	–	–	–	–	–	–	–	–
Directors who stood down from the Board during the Year:								
Paolo Scaroni	–	–	–	–	–	–	–	–

Notes:
1. Shareholdings as at 31 December 2014 include adjustments that have been made to options and shares to take account of the Company's Rights Issue announced on 22 August 2014.
2. LTIP performance shares are structured as nil-cost options.
3. There have been no further changes in these interests between 31 December 2014 and 3 March 2015.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Long Term Incentive Plan Table

The 2004 Long Term Incentive Plan had two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the Executive in the Company's shares.

The awards are dependent on Absolute TSR performance for 50 per cent of the award, with the other 50 per cent dependent on an Adjusted EPS growth target. Details of performance conditions are set out on pages 98 and 100.

The table below sets out the Executive Directors' Long Term Incentive Plan awards (including the exercise of vested shares in CY2014), as at 31 December 2014:

			Number of shares												
	Date of award	Price at award date £	At start of year	Award during the year	Vested during year	Lapsed during year	Rights issue adjustment during year	At end of year	Vesting date	Price at vesting date £	Value at vesting date £	Exercise date	Prices at exercise date £	Value at exercise date £	Comment
Xavier Rolet	03/06/2011	9.71	139,031	–	139,031	–	–	–	03/06/2014[3]	19.56	2,719,446	26/08/2014	20.34	2,828,056	CY2014 Actual
	08/07/2011	10.65	63,380	–	63,380	–	–	–	08/07/2014[4]	19.60	1,242,248	26/08/2014	20.34	1,289,225	CY2014 Actual
	19/06/2012	9.74	138,674	–	–	–	11,871	150,545	19/06/2015	**20.49**	**1,542,675**	**–**	**–**	**–**	**CY2015 Estimate[1]**
	21/06/2012	10.06	67,097	–	–	–	5,743	72,840	21/06/2015	**20.49**	**746,411**	**–**	**–**	**–**	**CY2015 Estimate[1]**
	12/06/2013	13.88	101,585	–	–	–	8,696	110,281	13/06/2016	–	–	–	–	–	
	12/06/2013	13.88	50,792	–	–	–	4,348	55,140	13/06/2016	–	–	–	–	–	
	27/08/2014	20.36		108,005	–	–	9,245	117,250	29/08/2017	–	–	–	–	–	
			560,559	108,005	202,411	–	–	506,056	–	–	3,961,694	–	–	4,117,281	CY2014 Actual
											2,289,086				**CY2015 Estimate[1]**
David Warren	02/07/2012[2]	10.04	84,661	–	–	–	7,247	91,908	02/07/2015	**20.49**	**941,806**	**–**	**–**	**–**	**CY2015 Estimate[1]**
	12/06/2013	13.88	54,034				4,625	58,659	13/06/2016	–		–			
	27/08/2014	20.36		36,836	–	–	3,153	39,989	–	–	–	–	–	–	–
			138,695	36,836	–	–		190,556	–	–	–	–	–	–	CY2014 Actual
											941,806				**CY2015 Estimate[1]**
Raffaele Jerusalmi	03/06/2011	9.71	51,493	–	51,493	–	–	–	03/06/2014[3]	19.56	1,007,203	26/08/2014	20.34	1,047,429	CY2014 Actual
	19/06/2012	9.74	61,633	–	–	–	5,276	66,909	19/06/2015	**20.49**	**685,634**	**–**	**–**	**–**	**CY2015 Estimate[1]**
	12/06/2013	13.88	51,152	–	–	–	4,378	55,530	13/06/2016	–	–	–	–	–	–
	27/08/2014	20.36		54,015	–	–	4,623	58,638	29/08/2017	–	–	–	–	–	–
			164,278	54,015	51,493	–	–	181,077	–	–	1,007,203	–	–	1,047,429	CY2014 Actual
											685,634				**CY2015 Estimate[1]**

Notes:
1. CY2015 Estimate: Average share price over the period from 1 October 2014 to 31 December 2014 price with vesting forecast at 50 per cent.
2. David Warren was awarded £850,000 in nil-cost options on joining LSEG.
3. Vesting of Performance shares granted on 3 June 2011 at actual vesting price of £19.56.
4. Vesting of Matching shares granted on 8 July 2011 at actual vesting price of £19.60.
All estimates are shown separately in bold. They will be fully disclosed in next year's Annual Report on Remuneration.

Remuneration Committee – Governance

The Remuneration Committee is appointed by the Board and comprises only independent Non-Executive Directors. The Committee's remit includes the remuneration (including the awards made under the performance-related incentive schemes where applicable) of the Chairman of the Group, Executive Directors, the Executive Committee as well as other regulated staff. Please see pages 20-21 for details of the Group's Executive Committee.

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

During the financial period ending 31 December 2014, the Committee met on four occasions.

Remuneration Committee composition and meeting attendance in the 9 month period ended December 2014

	Total
Robert Webb (Chairman)	4/4
Chris Gibson-Smith	3/4
Sherry Coutu[1]	2/3
Stuart Lewis[2]	2/3
Paolo Scaroni[3]	1/1

Notes:
1. Sherry Coutu was appointed to the Remuneration Committee on 15 May 2014.
2. Stuart Lewis was appointed to the Remuneration Committee on 15 July 2014.
3. Paolo Scaroni stepped down from the Board on 16 July 2014.

The Committee met four times between April and December 2014 plus a further meeting in February 2015 to close out the remuneration decisions for the period. Here is a summary of the items they discussed:

	Routine	Non-Routine
April 2014	— Approval of Directors' Remuneration Report — Approval of FY2014 bonus pool — Performance assessment and determination of CEO and Executive Committee members' remuneration — Assessment of performance of LSEG LTIP — Review and update of Remuneration Committee Terms of Reference — Review of LSEG Non-Executive Directors' fees — Approval of Individual Restricted Stock awards	— Approval of rules for new 2014 LTIP — Approval of key subsidiary LTIPs — Approval of rules of Deferred Bonus Plan
August 2014:	— Review and approval of the FCA Remuneration disclosure — Consideration of Shareholder feedback post AGM — Approval of Individual Restricted Stock awards	— Determination of impact of Rights Issue on previous unvested awards — Review of Senior Independent Director fee
October 2014:		— Frank Russell Company potential acquisition — Approval of new appointment to the Executive Committee
December 2014:	— Review of market analysis — Consideration of 9-month period to December 2014 Performance and bonus update — LTIP update and CY2015 considerations — Salary review CY2015 — Reviewed draft Directors' Remuneration Report — CY2015 bonus design — Reviewed Terms of Reference — Individual Restricted Stock awards	— Approval of transfers of senior Executives to LSEG Employment Services Ltd.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

	Routine	Non-Routine
February 2015: This meeting took place during CY2015 and will be repeated in next year's report.	— Review of Non-Executive Directors' fees — 9-month period to December 2014 performance and bonus approval — CY2015 LTIP grants and anticipated vesting of previous LTIP schemes — ShareSave vesting and CY2015 grants — CY2015 bonus design — Performance and determination of CEO and Executive Committee members' remuneration — 9-month period to December 2014 Directors' Remuneration Report — LCH.Clearnet Remuneration Committee proposals — Frank Russell Company CY2014 bonus and Executive Committee awards	

To assist the Committee, the results of market surveys are made available. Where appropriate, the Committee invites the views of the Chief Executive Officer, Chief Financial Officer, Group Head of Human Resources and the Chief Risk Officer via the Risk Committee. None of these individuals nor the Chairman participated in any discussion relating to their own remuneration.

Statement of shareholder voting

The table below sets out the results of the vote on the Directors' Remuneration Report at the 2014 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%		
Remuneration Policy Report	**207,082,981**	**94.94**	**11,040,635**	**5.06**	**218,123,616**	**206,951**
Annual Report on Remuneration	**190,423,053**	**96.93**	**6,028,230**	**3.07**	**196,451,283**	**21,879,284**
2014 LTIP	**205,623,217**	**94.26**	**12,533,029**	**5.74**	**218,156,246**	**174,321**

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

Deloitte LLP is the principal advisor appointed by the Committee to provide independent advice on executive remuneration policy and practice, and reviews the implementation of our approved policy against current and emerging corporate governance best practice. During the year, Deloitte LLP received £176,250 (excluding VAT) based on actual time spent for these services. This included remuneration advice provided by the Deloitte US team in relation to the Frank Russell Company acquisition. Separately, other parts of Deloitte LLP also advised the Company during the 9-month period to December 2014 in relation to tax, internal audit, consulting and transaction support services.

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

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

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

Signed on behalf of the Board of Directors

Robert Webb

Robert Webb
Chairman of the Remuneration Committee
17 March 2015

Directors' report

The Directors of the Company are pleased to present their Annual Report to shareholders, together with the financial statements for the nine month period ended 31 December 2014 (the 'Period').

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

- The information that fulfils the requirements of the Strategic Report (including the Financial Review) can be found on pages 2-61; and
- Board of Directors on pages 62-63.

Results

The Group made a profit before taxation, before amortisation of purchased intangible assets and non-recurring items for the Period, of £368.3 million (2014: £442.4 million). After taking into account amortisation of purchased intangible assets and non-recurring items, the profit of the Group before taxation for the Period was £191.0 million (2014: £284.3 million). Profit after taxation for the Period was £137.4 million (2014: £198.0 million).

Dividends

The Directors are recommending a final dividend for the Period of 12.8 pence (2014: 20.7 pence) per share which is expected to be paid on 2 June 2015 to shareholders on the register on 8 May 2015. Together with the interim dividend of 9.7 pence (2014: 10.1 pence) per share paid in January 2015, this produces a total dividend for the period of 22.5 pence (2014: 30.8 pence) per share estimated to amount to £78.0 million (2014: £83.5 million).

Share capital

As at 31 December 2014, the Company had 347 million ordinary shares in issue with a nominal value of 6 $^{79}/_{86}$ pence each, representing 100 per cent of the total issued share capital. During the Period, the Company issued 75,847,813 new ordinary shares, of which 74,347,813 shares were by way of a rights issue in connection with the acquisition of Frank Russell Company, while the remaining 1,500,000 shares were issued to settle employee share scheme awards.

Share rights

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

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

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

Corporate Governance Statement

The Company's Corporate Governance Report and the reports of the Nomination, Audit and Risk Committees are set out on pages 64-79 and are, together with the information on share rights set out above, incorporated into this Corporate Governance Statement by reference.

Articles of Association

The Company's Articles of Association (adopted by special resolution passed on 14 July 2010) may only be amended by special resolution at a general meeting of the shareholders. The Company's Articles of Association contain provisions relating to the appointment and removal of directors.

Substantial Shareholding

As at 17 March 2015 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with DTR 5 of the FCA Disclosure and Transparency Rules:

Borse Dubai Limited	17.4%
Qatar Investment Authority	10.3%
Invesco Limited	6.0%
Veritas Asset Management LLP	3.0%

Authority to Purchase Shares

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

Authority to Issue Shares

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued by with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Authority to Allot Shares

The authority conferred on the Directors at last year's AGM to allot the unissued share capital of the Company up to a maximum nominal amount of £6,280,000 (representing approximately 33.3 per cent of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) or, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, up to a maximum nominal amount of £12,560,000 (representing approximately 66.6 per cent of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM), expires on the date of the forthcoming AGM. During the Period the Company allotted shares in connection with the Rights Issue. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

Directors' interests

Directors' interests in the shares of the Company as at 31 December 2014, according to the register maintained under the Companies Act 2006, are set out in the Directors' Remuneration Report on pages 80-109. No company in the Group was, during or at the end of the period, party to any contract of significance in which any Director was materially interested.

Directors' indemnity

Details of qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) in force during the course of the 9 months ended 31 December 2014 can be found on page 67.

Employees

Information on the Company's employment policies is given on pages 40-41 and information on the Group's share schemes is provided in the Directors' Remuneration Report on pages 80-109. The Company provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirement's of the job. The Group encourages and assists disabled employees with training, career development and promotion opportunities. 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.

Environment

As a Group, we are committed to utilising resources in ways that ensure the long-term sustainability and profitability of the business and have a positive impact on the environment. The Group's primary GHG emissions arise from energy, waste and water in our offices and data centres around the world, from staff travel, and indirectly from our supply chain (please see the Environment section of our CR report for details on emissions and targets).

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

Global FY14 GHG Emissions (1 April 2014 to 31 December 2014) (tCO_2e)

	Apr-Dec 2013	Apr-Dec 2014	% Change
Total Scope 1 & 2 Emissions (as per below)	17,550	16,497	-6.00%
per m²[2 1]	0.23	0.21	-6.39%
per FTE[2]	4.60	4.16	-9.51%
per £m Revenue	22.61	16.95	-25.03%
Combustion of fuel and operation of facilities[3]	814	635	-21.93%
Purchase of electricity, heat, steam and cooling by the Group for its own use[4]	16,736	15,862	-5.22%

1. Total Group emissions and floor space, including data centres and tenanted space.
2. Total Group emissions excluding tenanted space
3. Scope 1 including Natural Gas, Diesel, LPG, Fugitive Emissions and Fleet Vehicles.
4. Scope 2 (The Group does not purchase heat, steam or cooling).
Note: Frank Russell Company sites were acquired by LSEG in December 2014 and are not included in this year's reporting. This data will be included in Group reporting from 2015 onwards.

In addition to monitoring our environmental impact, we have set environmental targets for the next financial year that include energy, water, waste and travel. More information on these as well as full details of emissions including scope 3 and reporting methodology can be found in our Corporate Responsibility report www.lseg.com/corporate-responsibility/corporate-responsibility.htm.

Political Donations and Expenditure

During the Period the Group did not make any political donations to EU or non-EU organisations, or incur any political expenditure.

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

— make political donations to political parties and independent election candidates not exceeding £100,000 in total;

— make political donations to political organisations other than political parties not exceeding £100,000 in total; and

— incur political expenditure not exceeding £100,000 in total; and in aggregate not exceeding £100,000, until the Company's AGM in 2016.

Notwithstanding the Company's policy not to make political donations, following the acquisition of Frank Russell Company, the Company will continue to support an employee-operated Political Action Committee (PAC) that facilitates voluntary political donations by eligible Frank Russell Company employees. PACs are a common feature of the US political system and are governed by the Federal Election Campaign Act.

The PAC is not controlled by the Company or Frank Russell Company. Decisions on the amounts and recipients of contributions are made by participating employees exercising their legal right to pool their resources and make political contributions. During the period, a total of US$129,000 was donated to political organisations by the Frank Russell Company employee operated PAC.

Events since the balance sheet date

On 5 February 2015, the Group announced the completion of the comprehensive review focused principally on assessing the strategic fit of Russell Investment Management with the Group's long term strategy. After careful consideration the conclusion of the comprehensive review is to explore a sale of the business in its entirety.

The Group has already received a number of expressions of interest in a potential acquisition of Russell Investment Management, reflecting the high quality of its business and market-leading positions. A sale process of the business has now commenced.

On 4 March 2015, the Board allotment committee approved the allotment and issue of 225,476 ordinary shares of 6 79/86p each in the Company to satisfy options granted under the Company's Save-As-You-Earn and International Share Save Plan.

Directors' report continued

Significant agreements
The following are significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

— Russell US Investment Management business
Pursuant to applicable US legislation and contractual terms reflecting such legislation, a change of control of the Company would constitute a deemed 'assignment' of certain investment advisory contracts of the Russell US investment advisor entities. Consent from the applicable investment advisory clients would be required in order for such contracts to continue in effect (or, in the case of the Russell US mutual funds, for replacement contracts to take effect).

— SwapClear
LCH.Clearnet, along with a number of investment banks, is party to an agreement for the clearing of OTC interest rate swaps in relation to the SwapClear business. Such arrangements contain certain provisions that entitle the banks to terminate the agreement on a change of control of the Company.

— Facility Agreement
The Company (as borrower) has entered into two syndicated, committed, revolving facility agreements dated 18 July 2013 and 25 June 2014 respectively which provide an aggregate £1.3 billion of flexible financing capacity. The facilities are partially drawn but provide comfortable headroom to the Group following the acquisition of Frank Russell Company. The terms of the above agreements are consistent and appropriate for an investment grade borrower including change of control provisions which, if triggered, allow the Facility Agent, upon instructions from the majority lenders, to cancel the facility and declare all outstanding loans under the agreement, together with accrued interest and all other amounts accrued, due and payable.

— Notes
The Company has issued two sterling Notes to the wholesale fixed income market due in 2016 and 2019. Both Notes contain a 'redemption upon change of control' provision which, if triggered by the combination of a change of control and, within 120 days thereafter, a credit rating downgrade to non-investment grade, allows Note holders to exercise their option to require the Issuer to redeem the Notes and pay any accrued and unpaid interest due.

— Retail Bond Issue
The Company has issued sterling denominated retail bonds, under its £1,000 million Euro Medium Term Note Programme, which are due 2021. The retail bonds contain change of control provisions which, if triggered, allow the holder of these bonds to have the option to require the Issuer to repay early or to purchase the bonds of that holder at their face value together with accrued interest.

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

Employee Benefit Trust
As at 31 December 2014, the trustee of the London Stock Exchange Employee Benefit Trust, which is an independent trustee, held 0.6 million shares (2014: 0.6 million) under the terms of the trust for the benefit of employees and former employees of the Company and its subsidiaries. The trust is a discretionary trust and the shares are held to meet employees' entitlements under the Company's share plans. Employees have no voting rights in relation to the shares while they are held in trust. The trustee has full discretion to exercise the voting rights attaching to the shares or to abstain from voting. Shares acquired by employees through the Company's employee share plans rank equally with the ordinary shares in issue and have no special rights.

Branches outside the UK
Certain of the Company's subsidiaries have established branches in a number of different countries in which they operate.

Financial risk management
The use of financial instruments by the Group and the Group's financial risk management have been specifically considered by the Directors, and relevant disclosures appear in Principal Risks and Uncertainties, on pages 54-61 of this Annual Report, and in the notes to the Financial Statements, on pages 118-163 of this Annual Report, and in each case are incorporated by reference into this Directors' Report.

Directors' statement as to disclosure of information to auditors
In accordance with Section 418(2) of the Companies Act 2006, the Directors confirm, in the case of each Director in office at the date the Directors' Report is approved as listed on page 62-63, that:

— so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

— he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position and its objectives and policies in managing the financial risks to which it is exposed and its capital are set out in the Strategic Report on pages 2-61. The Directors' statement in relation to going concern are set out in the Statement of Directors' Responsibilities on page 113.

Auditors
A resolution to reappoint Ernst & Young LLP as the Company's auditors will be proposed at the AGM.

Strategic Report
The Strategic Report (pages 2-61) was approved by the Board on 17 March 2015 and signed on their behalf.

By Order of the Board

Lisa Condron
Group Company Secretary
17 March 2015

Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss for that period.

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

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006, other applicable laws and regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules, and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Overview and Strategic Report sections of the Annual Report on pages 2-61. In particular, the current economic conditions continue to pose a number of risks and uncertainties for the Group and these are set out in Principal Risks and Uncertainties on pages 54-61.

The financial risk management objectives and policies of the Group and the exposure of the Group to capital risk, credit risk, market risk and liquidity risk are discussed on pages 127-131. The Group continues to meet Group and individual entity capital requirements and day-to-day liquidity needs through the Group's cash resources and available credit facilities. Committed term funding at 31 December 2014 was £2,240 million which is committed until July 2016 or beyond (2014: £1,649 million), described further in the Financial Review on pages 42-49.

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

Each of the Directors, whose names and functions are set out on pages 62-63 of this Annual Report confirm that, to the best of their knowledge and belief:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole;
- the report of the Directors' contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider that the Annual Report and Accounts 2014, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

Lisa Condron
Group Company Secretary
17 March 2015

Independent Auditor's Report to the members of London Stock Exchange Group plc

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the nine months then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of London Stock Exchange Group plc for the nine months ended 31 December 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Company Cash Flow Statement, Group Statement of Changes in Equity and Company Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 113, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement and responses to those risks

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to the risk.

Risk	Response
The risk that goodwill and other intangible assets may be impaired The Group holds significant intangible assets on its balance sheet, including goodwill, customer and supplier relationships, brands, software licences, intellectual property, and internally capitalised software. On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of other intangible assets. Where indicators of impairment of other intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgment in the application of valuation models and assumptions. As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management. This risk is also described in the Report of the Audit Committee on page 76 of the Annual Report, as well as in Note 4 to the financial statements.	**Audit procedures over the risk that goodwill may be impaired** We examined the cash flow forecasts which support management's goodwill impairment review. We assessed the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations. We tested the weighted-average cost of capital discount rates assigned to the cash generating units, as well as the long-term growth rate, with reference to our understanding of the business, comparisons to other similar companies and broader market considerations. We engaged EY valuation experts to support us with this analysis, and also assessed the work of management's third-party expert in reaching our own conclusion. We performed sensitivity analysis on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value. **Audit procedures over the risk that other intangible assets may be impaired** For other intangible assets, we tested management's assessment as to whether indicators of impairment exist, by reference to factors specific to each class of assets (no such indicators were identified). Examples included customer retention rates within specific business lines, future plans in respect of the use of developed software and the current returns made on intellectual property. We also assessed the appropriateness of the amortisation period, and compared management's forecasts against historic data, to understand whether the periods remained appropriate. **Error identified** As described in Note 2 to the financial statements, during the course of the interim review of the six months to 30 September 2014, errors were identified in respect of the accounting for acquisitions that had occurred in prior periods, relating to goodwill and deferred tax. We performed audit procedures to substantiate the adjustment made, including validating the inputs to management's calculations, assessing the reasonableness of tax rates used and testing the accounting impact on brought forward balances.
Risk of fraud in recognition of revenue in secondary capital markets trading and fees or revenue shares for clearing arrangements Compensation tied to the performance of the entity may create an incentive for management to manipulate results. We have identified two revenue streams as having heightened risk of misstatement, being capital markets' trading, and fees or revenue sharing in respect of clearing arrangements. They were selected for the following reasons: — Secondary capital markets' revenue involves complex pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud or error. — Contracts relating to fee or revenue sharing in respect of revised clearing arrangements, between LCH.Clearnet and third-party participants, in some cases involve complex calculations to determine the correct level of revenue to recognise within the Group.	**Secondary capital markets trading** For secondary capital markets trading, we increased our sample sizes by 75% for transactional testing, whereby we agreed a random selection of transactions back to supporting audit evidence, such as receipt of cash or the underlying contractual agreements; where appropriate, we also recalculated the fee charged. We also used analytical tools to identify outliers in high volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded, and investigating any particularly high values which were outliers to the overall population. **Clearing arrangements** In respect of fee and revenue sharing arrangements, we critically assessed the accounting treatment adopted by management, and performed testing to gain assurance that the specific contracts had been accounted for in accordance with this policy. We also tested the associated invoicing process for consistency with the agreements in place.

Independent Auditor's Report to the members of London Stock Exchange Group plc continued

Risk	Response
Risk of error in accounting for the acquisition of Frank Russell Company The Group undertook a significant acquisition on 2 December 2014, in close proximity to the period end. The acquired business includes activities that are not core to the Group's existing operations, and which are currently accounted for under a non-IFRS financial reporting framework. The acquired entity was consolidated into the Group's results from the date of acquisition. There is a risk of error in the: — Appropriate accounting for the acquisition, including the significant judgement involved in the determination of goodwill and other intangible assets. — Completeness and accuracy of disclosures relating specifically to the transaction, but also in respect of the impact of new business lines on pre-existing disclosures. — The conversion of the financial performance of the component from US GAAP to IFRS. — Compressed reporting timetable, compared to requirements prior to the acquisition. This risk is also described in the Report of the Audit Committee on page 76 of the Annual Report, as well as in Note 4 to the financial statements.	We visited the principal accounting location of the acquired subsidiary at the planning and completion stages of the audit, to meet with the component auditor and local management, to understand their approach to the period end reporting, key areas of judgement and their assessment of risk. In addition to procedures over the period end results of the new component, we instructed the auditor of the acquired subsidiary to perform an audit of the financial position as at the acquisition date. Alongside the Group audit team in performing the review of work undertaken by the component auditor, we involved specialists in the audit of asset management companies with experience in the differences between IFRS and US GAAP, as well as individuals knowledgeable of local taxation rules. Management engaged a third-party firm to perform the intangible asset fair value calculations and associated purchase-price allocation. We assessed the competency of the firm and examined and challenged key inputs into their analysis, including the deal model, deal value and allocation between the index and investment management divisions, the discount rates used, performance forecasts and the remaining useful lives of the intangible assets identified. We performed benchmarking of the above factors, where appropriate, to similar market participants, and undertook sensitivity analyses over these inputs to assess the impact of reasonable alternative assumptions on the results reached. We note that there is a 12 month period to finalise the allocation of intangible assets from the overall goodwill balance, accordingly, management's assessment is provisional at this time. **Post-balance sheet announcement** We considered the announcement made after the year end, to dispose of the investment management division of the acquired entity, in the context of IFRS 5 Non-current assets held for sale and discontinued operations. We obtained evidence of management's intentions and plans, through the review of Board minutes and market announcements, to gain assurance that the accounting and disclosure treatment adopted was appropriate.

Our application of materiality

We determined materiality for the group to be £12 million, which is 5% of pre-tax profit, adjusted to reverse non-recurring transaction costs of £54 million disclosed in note 8 to the financial statements. In comparison to the prior year, the level of materiality was, in part, impacted by the shorter accounting period.

This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of planning materiality, namely £6 million. Our objective in adopting this approach was to gain reasonable assurance that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

Audit work at individual components is undertaken based on a percentage of our total performance materiality; this is with the exception of the audit work conducted at the Group holding company, and the acquisition date audit of Frank Russell Company, which was performed to overall Group materiality level due to the nature of the Group balances and disclosures affected this financial information.

The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £1.2 million to £3.0 million.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £500k.

An overview of the scope of our audit
In establishing the scope of our audit, we considered the risk of material misstatement to the financial statements, as well as the internal organisation of the Group. We identified eight audit components, which cover the principal locations and businesses of the Group's domestic and overseas operations. These were:

— London Stock Exchange Group plc (full-scope)
— London Stock Exchange plc (full-scope)
— LCH.Clearnet Group Limited (full-scope)
— FTSE International Limited (full-scope)
— London Stock Exchange Group Holdings Italia Limited (full-scope)
— Turquoise Global Holdings Limited (specific-scope)
— MillenniumIT Software Private Limited (specific-scope)
— LSEG US Holdco, Inc., which contains the business of Frank Russell Company (full-scope for the acquisition audit and limited scope at the period end)

Components subject to a full scope audit account for over 90% of the Group's revenue, profit before tax and profit before tax before and after the reversal of the transaction costs noted above.

As detailed above, some components were subject to a full scope audit, and others were subject to audit procedures over specific accounts, with these components being designated as specific scope. All components, and where relevant, the specific accounts in scope, were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Having considered the timing and risks associated with its acquisition by the Group, we instructed the component auditor of LSEG US Holdco, Inc. (Frank Russell Company), to perform a full scope audit as at the date of acquisition (2 December 2014), and limited procedures for the period between the acquisition and period end dates. Limited procedures were also performed for all other components (four in total) not covered above, to confirm that there were no significant risks of material misstatement in the Group financial statements. In both cases, the limited procedures consisted primarily of analytical procedures, and enquiries of management.

Oversight of component auditors
A programme of planned visits was undertaken to ensure that the Group audit team visited each of the locations where the Group audit scope was focused. These visits included meetings with management and component auditors, to enable further understanding of business activities and the associated risks as well as any local audit considerations.

Whilst we oversaw the work of all components, there were two components audited by a different firm. In these cases, local EY teams, supported the Group team in performing enhanced review procedures over the working papers of the other firm. This was with the objective of gaining assurance over the quality of work performed, and the completeness and accuracy of deliverables to the Group audit team.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

— materially inconsistent with the information in the audited financial statements; or
— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
— is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
— the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
— certain disclosures of directors' remuneration specified by law are not made; or
— we have not received all the information and explanations we require for our audit; or

Under the Listing Rules we are required to review:

— the directors' statement, set out on page 112, in relation to going concern; and
— the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Codes specified for our review.

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 March 2015

Notes:
1. The maintenance and integrity of the London Stock Exchange Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

Period ended 31 December 2014	Notes	Period ended 31 December 2014 Before acquisition amortisation and non-recurring items £m	Period ended 31 December 2014 Acquisition amortisation and non-recurring items £m	Period ended 31 December 2014 Total £m	Year ended 31 March 2014 Before acquisition amortisation and non-recurring items £m Restated	Year ended 31 March 2014 Acquisition amortisation and non-recurring items £m Restated	Year ended 31 March 2014 Total £m Restated
Continuing operations							
Revenue	5	**971.4**	**–**	**971.4**	1,088.3	–	1,088.3
Net treasury income through CCP business	5	**69.1**	**–**	**69.1**	109.8	–	109.8
Other income	5	**3.5**	**–**	**3.5**	11.5	–	11.5
Total income		**1,044.0**	**–**	**1,044.0**	1,209.6	–	1,209.6
Expenses							
Operating expenses	6	**(626.5)**	**(153.5)**	**(780.0)**	(698.4)	(158.1)	(856.5)
Impairment of purchased intangibles and goodwill	8	**–**	**(22.0)**	**(22.0)**	–	–	–
Share of profit after tax of associates	15	**0.1**	**–**	**0.1**	–	–	–
Operating profit/(loss)	8	**417.6**	**(175.5)**	**242.1**	511.2	(158.1)	353.1
Finance income		**2.3**	**–**	**2.3**	5.5	–	5.5
Finance expense		**(51.6)**	**(1.8)**	**(53.4)**	(74.3)	–	(74.3)
Net finance expense	9	**(49.3)**	**(1.8)**	**(51.1)**	(68.8)	–	(68.8)
Profit/(loss) before tax from continuing operations		**368.3**	**(177.3)**	**191.0**	442.4	(158.1)	284.3
Taxation	10	**(94.4)**	**40.8**	**(53.6)**	(124.7)	38.4	(86.3)
Profit/(loss) for the period/year		**273.9**	**(136.5)**	**137.4**	317.7	(119.7)	198.0
Profit/(loss) attributable to non-controlling interests		**28.2**	**(13.8)**	**14.4**	28.5	(15.8)	13.1
Profit/(loss) attributable to equity holders		**245.7**	**(122.7)**	**123.0**	289.2	(103.9)	184.9
		273.9	**(136.5)**	**137.4**	317.7	(119.7)	198.0
Earnings per share attributable to equity holders							
Basic earnings per share	11			**37.9p**			63.0p
Diluted earnings per share	11			**37.4p**			61.9p
Adjusted basic earnings per share	11			**75.6p**			98.6p
Adjusted diluted earnings per share	11			**74.7p**			96.9p
Dividend per share in respect of the financial period:	12						
Dividend per share paid during the period/year				**20.7p**			29.9p
Dividend per share declared for the period/year				**9.7p**			30.8p

Consolidated statement of comprehensive income

Period ended 31 December 2014	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m Restated
Profit for the financial period/year		**137.4**	198.0
Other comprehensive (loss)/income:			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement loss	18	**(5.6)**	(1.3)
		(5.6)	(1.3)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge		**–**	(0.3)
Net investment hedge		**23.9**	(16.4)
Change in value of available for sale financial assets		**(2.8)**	6.1
Exchange loss on translation of foreign operations		**(104.6)**	(44.2)
Tax related to items not recognised in income statement	10	**(11.3)**	1.5
		(94.8)	(53.3)
Other comprehensive loss net of tax		**(100.4)**	(54.6)
Total comprehensive income for the financial period/year		**37.0**	143.4
Attributable to non-controlling interests		**(12.7)**	5.7
Attributable to equity holders		**49.7**	137.7
Total comprehensive income for the financial period/year		**37.0**	143.4

Balance sheets

31 December 2014	Notes	Group 31 December 2014 £m	Group 31 March 2014 £m Restated	Group 31 March 2013 £m Restated	Company 31 December 2014 £m	Company 31 March 2014 £m
Assets						
Non-current assets						
Property, plant and equipment	13	**115.6**	93.3	80.1	**–**	–
Intangible assets	14	**4,492.0**	2,669.7	2,238.7	**–**	–
Investment in associates	15	**12.1**	0.3	0.6	**–**	–
Investment in subsidiary undertakings	16	**–**	–	–	**4,889.1**	3,858.9
Deferred tax assets	17	**76.5**	42.2	19.2	**–**	–
Derivative financial instruments	20	**22.7**	6.7	4.3	**22.7**	6.7
Available for sale investments	20	**4.8**	4.8	–	**–**	–
Retirement benefit asset	18	**16.0**	14.5	–	**–**	–
Other non-current assets	20	**64.8**	38.0	12.0	**–**	–
		4,804.5	2,869.5	2,354.9	**4,911.8**	3,865.6
Current assets						
Inventories		**6.6**	0.5	1.5	**–**	–
Trade and other receivables	19	**571.1**	250.5	185.7	**654.4**	534.1
Derivative financial instruments	20	**0.4**	–	–	**–**	–
CCP financial assets		**429,952.8**	476,424.4	137,620.2	**–**	–
CCP cash and cash equivalents (restricted)		**21,493.0**	27,351.8	8,476.2	**–**	–
CCP clearing business assets	20	**451,445.8**	503,776.2	146,096.4	**–**	–
Current tax		**24.3**	22.3	24.6	**–**	0.1
Assets held at fair value	20	**12.4**	18.7	6.1	**–**	–
Cash and cash equivalents	22	**1,127.2**	919.2	446.2	**0.2**	–
		453,187.8	504,987.4	146,760.5	**654.6**	534.2
Assets held for sale	23	**5.3**	–	–	**–**	–
Total assets		**457,997.6**	507,856.9	149,115.4	**5,566.4**	4,399.8
Liabilities						
Current liabilities						
Trade and other payables	24	**727.4**	401.5	230.0	**195.0**	204.3
Derivative financial instruments	20	**–**	3.4	0.1	**–**	–
CCP clearing business liabilities	20	**451,467.5**	503,747.4	146,088.1	**–**	–
Current tax		**51.6**	14.8	43.2	**6.4**	–
Borrowings	25	**789.9**	278.7	0.4	**127.0**	26.0
Provisions	27	**0.9**	2.8	1.1	**–**	–
		453,037.3	504,448.6	146,362.9	**328.4**	230.3
Non-current liabilities						
Borrowings	25	**936.5**	945.0	796.4	**796.7**	796.6
Other non-current payables	20, 24	**73.3**	–	3.4	**–**	–
Derivative financial instruments	20	**–**	4.0	3.5	**–**	4.0
Deferred income		**4.9**	–	–	**–**	–
Deferred tax liabilities	17	**859.5**	323.6	267.1	**–**	–
Retirement benefit obligations	18	**39.8**	36.9	25.6	**–**	–
Other non-current liabilities	20	**77.5**	79.2	–	**–**	–
Provisions	27	**13.5**	16.6	26.2	**–**	–
		2,005.0	1,405.3	1,122.2	**796.7**	800.6
Total liabilities		**455,042.3**	505,853.9	147,485.1	**1,125.1**	1,030.9
Net assets		**2,955.3**	2,003.0	1,630.3	**4,441.3**	3,368.9
Equity						
Capital and reserves attributable to the Company's equity holders						
Ordinary share capital	28	**23.9**	18.8	18.8	**23.9**	18.8
Share premium	28	**957.7**	–	–	**957.7**	–
Retained earnings/(losses)		**20.0**	(46.2)	(108.8)	**1,641.2**	1,531.6
Other reserves		**1,524.9**	1,592.4	1,644.4	**1,818.5**	1,818.5
Total shareholders' funds		**2,526.5**	1,565.0	1,554.4	**4,441.3**	3,368.9
Non-controlling interests		**428.8**	438.0	75.9	**–**	–
Total equity		**2,955.3**	2,003.0	1,630.3	**4,441.3**	3,368.9

The financial statements on pages 118 to 163 were approved by the Board on 17 March 2015 and signed on its behalf by:

Xavier Rolet
Chief Executive

David Warren
Chief Financial Officer

London Stock Exchange Group plc. Registered number 5369106

Cash flow statements

Period ended 31 December 2014	Note	Group Period ended 31 December 2014 £m	Group Year ended 31 March 2014 £m	Company Period ended 31 December 2014 £m	Company Year ended 31 March 2014 £m
Cash flow from operating activities					
Cash generated from/(absorbed by) operations	29	**413.4**	515.4	**30.5**	(13.0)
Interest received		**3.1**	4.6	**17.6**	23.5
Interest paid		**(61.1)**	(71.7)	**(51.9)**	(62.6)
Corporation tax paid		**(65.6)**	(99.8)	**–**	–
Withholding tax paid		**(1.9)**	(23.2)	**–**	–
Net cash inflow/(outflow) from operating activities		**287.9**	325.3	**(3.8)**	(52.1)
Cash flow from investing activities					
Purchase of property, plant and equipment		**(16.1)**	(23.6)	**–**	–
Purchase of intangible assets		**(43.1)**	(67.3)	**–**	–
Investment in other acquisition		**(1.3)**	–	**–**	–
Investment in subsidiaries		**(1,687.3)**	(376.5)	**(1,026.1)**	–
Net cash inflow from acquisitions		**290.8**	432.0	**–**	–
Dividends received		**0.7**	0.3	**156.0**	118.2
Proceeds from sale of investment in associate		**–**	7.1	**–**	–
Net cash (outflow)/inflow from investing activities		**(1,456.3)**	(28.0)	**(870.1)**	118.2
Cash flow from financing activities					
Capital raise		**962.7**	114.4	**962.7**	–
Dividends paid to shareholders		**(56.2)**	(80.8)	**(56.2)**	(80.8)
Dividends paid to non-controlling interests		**(4.9)**	(2.9)	**–**	–
Capital contributions received from non-controlling interests		**1.3**	–	**–**	–
Cost of capital raise		**–**	(2.7)	**–**	–
Loans to subsidiary companies		**–**	–	**(133.4)**	16.6
Purchase of own shares by ESOP Trust		**(0.5)**	(28.0)	**–**	(28.0)
Proceeds from own shares on exercise of employee share options		**–**	2.3	**–**	–
Proceeds from finance lease		**1.8**	–	**–**	–
Repayments of finance lease		**(1.2)**	–	**–**	–
Proceeds from borrowings		**519.9**	283.5	**101.0**	26.0
Repayments of borrowings		**–**	(91.4)	**–**	–
Net cash inflow/(outflow) from financing activities		**1,422.9**	194.4	**874.1**	(66.2)
Increase/(decrease) in cash and cash equivalents		**254.5**	491.7	**0.2**	(0.1)
Cash and cash equivalents at beginning of period/year		**919.2**	446.2	**–**	0.1
Exchange losses on cash and cash equivalents		**(46.5)**	(18.7)	**–**	–
Cash and cash equivalents at end of period/year		**1,127.2**	919.2	**0.2**	–

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

Statements of changes in equity

Group	Attributable to equity holders						
	Ordinary share capital £m	Share premium £m	Retained gain/(loss) £m	Other reserves £m	Total attributable to equity holders £m	Non-controlling interests £m	Total equity £m
31 March 2013	**18.8**	–	**(126.8)**	**1,638.5**	**1,530.5**	**68.5**	**1,599.0**
Adjustment on prior year (Note 2)	–	–	18.0	5.9	23.9	7.4	31.3
31 March 2013 (restated)	**18.8**	–	**(108.8)**	**1,644.4**	**1,554.4**	**75.9**	**1,630.3**
Profit for the year	–	–	184.9	–	184.9	13.1	198.0
Other comprehensive income for the year	–	–	4.8	(52.0)	(47.2)	(7.4)	(54.6)
Final dividend relating to the year ended 31 March 2013	–	–	(53.5)	–	(53.5)	–	(53.5)
Interim dividend relating to the year ended 31 March 2014	–	–	(27.3)	–	(27.3)	–	(27.3)
Dividend payments to non-controlling interests	–	–	–	–	–	(5.4)	(5.4)
Employee share scheme expenses	–	–	(13.0)	–	(13.0)	–	(13.0)
Purchase of non-controlling interest	–	–	(33.3)	–	(33.3)	361.8	328.5
31 March 2014 (restated)	**18.8**	–	**(46.2)**	**1,592.4**	**1,565.0**	**438.0**	**2,003.0**
Profit for the period	**–**	**–**	**123.0**	**–**	**123.0**	**14.4**	**137.4**
Other comprehensive income for the period	**–**	**–**	**(5.8)**	**(67.5)**	**(73.3)**	**(27.1)**	**(100.4)**
Issue of shares	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Rights Issue	**5.0**	**957.7**	**–**	**–**	**962.7**	**–**	**962.7**
Final dividend relating to the year ended 31 March 2014	**–**	**–**	**(56.2)**	**–**	**(56.2)**	**–**	**(56.2)**
Dividend payments to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
Employee share scheme expenses	**–**	**–**	**5.2**	**–**	**5.2**	**–**	**5.2**
Purchase of non-controlling interest within acquired subsidiary	**–**	**–**	**–**	**–**	**–**	**8.4**	**8.4**
31 December 2014	**23.9**	**957.7**	**20.0**	**1,524.9**	**2,526.5**	**428.8**	**2,955.3**

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 595,179 (31 March 2014: 642,936).

Other reserves comprise the following:

Merger reserve of £1,304.3 million (31 March 2014: £1,304.3 million), a distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Capital redemption reserve of £514.2 million (31 March 2014: £514.2 million), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5) million (31 March 2014: £(512.5) million), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £232.5 million (31 March 2014: £318.5 million), a non-distributable reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £(13.6) million (31 March 2014: £(37.5) million), a non-distributable reserve representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

Company	Attributable to equity holders					
				Other reserves		
	Ordinary share capital £m	Share premium £m	Retained earnings £m	Capital redemption reserve £m	Merger reserve £m	Total attributable to equity holders £m
31 March 2013	**18.8**	**–**	**1,564.5**	**514.2**	**1,304.3**	**3,401.8**
Profit for the year	–	–	63.2	–	–	63.2
Final dividend relating to the year ended 31 March 2013	–	–	(53.5)	–	–	(53.5)
Interim dividend relating to the year ended 31 March 2014	–	–	(27.3)	–	–	(27.3)
Employee share scheme expenses	–	–	(15.3)	–	–	(15.3)
31 March 2014	**18.8**	**–**	**1,531.6**	**514.2**	**1,304.3**	**3,368.9**
Profit for the period	**–**	**–**	**159.7**	**–**	**–**	**159.7**
Issue of shares	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Rights Issue	**5.0**	**957.7**	**–**	**–**	**–**	**962.7**
Final dividend relating to the year ended 31 March 2014	**–**	**–**	**(56.2)**	**–**	**–**	**(56.2)**
Employee share scheme expenses	**–**	**–**	**6.1**	**–**	**–**	**6.1**
31 December 2014	**23.9**	**957.7**	**1,641.2**	**514.2**	**1,304.3**	**4,441.3**

Notes to the financial statements

1. Basis of preparation and accounting policies

The Company's and Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

The Group has changed its financial year end to 31 December. As a consequence, the financial statements shows results for nine month period to 31 December 2014, with the comparatives remaining for the year to 31 March 2014.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's income for the period is disclosed within the statement of changes in equity.

Investments in associates are accounted for under the equity method. The Group's investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then these costs are recognised at the fair value of the option at the balance sheet date.

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

Recent accounting developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

- IFRS 10, 'Consolidated financial statements' and amendments regarding control;
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities' and amendments;
- Amendments to IAS 19, 'Employee Benefits' on Defined Benefit Plans: Employee Contributions;
- IAS 27 (Revised 2011), 'Separate financial statements' and amendments;
- IAS 28 (Revised 2011), 'Associates and joint ventures';
- Amendments to IAS 32, 'Financial instruments: Presentation' on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures;
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting;
- Annual Improvements 2010-2012 and Annual Improvements 2011-2013; and
- IFRIC 21, 'Levies'.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 31 December 2014 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review:

International accounting standards and interpretations	Effective date
Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interest in a joint operations	1 January 2016
Amendment to IAS 16,'Property,plant and equipment' and IAS 38,'Intangible assets', on Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Associates and joint ventures' on sale and contribution of assets between an investor and its associate or joint venture	1 January 2016
Annual Improvements 2012-2014	1 January 2016
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Associates and joint ventures' on applying the consolidated exception for investment entities	1 January 2016
Proposed amendments to IAS 1,'Presentation of financial statements' disclosure initiative	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15, 'Revenue from contracts with customers'	1 January 2017
IFRS 9, 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018

Accounting policies

Income Statement

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised in the period when the service or supply is provided. The sources of revenue are:

a) Maintenance contracts, membership and other fees – revenue is recognised on a straight-line basis over the period to which the fee relates;

b) Admission fees – revenue is recognised at the time of admission to trading;

c) Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales;

d) Royalties – revenue is recognised at the date at which they are earned or measurable with certainty;

e) IT products – where there is no significant service obligation the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances revenue is recognised on provision of contracted services;

f) IT solutions – where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on a fair value basis. Revenue is recognised using a percentage of completion method. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;

g) Software and Licence fees – revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

h) Other – all other revenue is recognised in the month in which the service is provided. Borsa Italiana group defers some of the income received from cash trading and FTSE MIB futures trading and clearing. This deferral results in revenues being recognised at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved.

The main source of revenue is through fees.

Non-recurring items

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

Pension costs

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

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the non-monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period.

Recurring fees and charges levied on committed bank facilities and the payments and cash management transactions and services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to protected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Freehold buildings, fixed plant and plant and equipment are stated at cost and are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 30 to 50 years;
b) Fixed plant – three to 20 years; and
c) Plant and equipment – three to 15 years.

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

Notes to the financial statements continued

The Group leases certain plant and equipment where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – two to 25 years (material assets are amortised over a life exceeding 15 years);
b) Brands – 10 to 25 years (material assets are amortised over a life of 25 years); and
c) Software licenses and intellectual property – two to 25 years (the majority of material assets are amortised over a life not exceeding five years).

The useful economic lives are based on management's best estimate such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of three to five years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of three to five years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particularly intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value recorded, represents the Group's view of the market fair value of the intangible asset.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Classification of financial assets

Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, they are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets
Investments (other than term deposits and interests in joint ventures, associates and subsidiaries) are designated as available-for-sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available-for-sale.

c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Financial assets and liabilities of the central counterparty (CCP) business

Assets and liabilities of the CCP clearing service relate to subsidiaries that perform the CCP clearing business. The activities include clearing of financial derivatives, equities and bond transactions on regulated markets. The Group enters into a contractual arrangement in respect of each side of the transaction, bears the risk associated with counterparties failing to honour their obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete the delivery. Accordingly, the Group must record an asset and a liability on its balance sheet in respect of each of the sale and purchase sides of each transaction. However, except in respect of failed transactions the Group as a CCP clearer does not bear any price risk and the value of the sale and purchase side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other. The Group has adopted the settlement date as the reference date for recognising financial assets.

Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of our risk management process, and is shown separately from the Group revenues. This amount has been shown separately on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting treatments of CCP financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities
These transactions are initially recorded at fair value, and are subsequently re-measured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no net fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions
These represent repurchase transactions (repos) by clearing members using the Group's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members and default funds
These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid in relation to initial and variation margins, option premiums, securities as collateral and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value. Default funds absorb any losses incurred by the Group in the event of clearing members default where margin collateral is insufficient to cover the management and close out of the positions of the defaulting members.

d) Financial assets and liabilities at fair value
These represent quoted equity and bond securities which have already withdrawn from the settlement system but have not yet delivered to the intermediaries who have bought them and securities traded but not yet settled as part of the CCP function. These are initially recognised at fair value and subsequently re-measured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Held to maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in interest income.

f) Cash and cash equivalents (restricted)
These include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expenses.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its Italian Companies by designating euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Put option written on non-controlling interests
Commitments to purchase minority interests and put options granted to minority shareholders are recognised at fair value as a financial liability. When the financial liability is recognised initially, the redemption amount is reclassified from equity. The changes in the measurement of the financial liability are recognised in profit and loss. Changes in the measurement of that financial liability do not change the relative interests in the subsidiary that are held by the parent and the non-controlling-interest shareholder and therefore are not equity transactions.

Trade receivables
Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, term deposits and investments in money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Assets held for sale
Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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

Notes to the financial statements continued

Preference shares
Preference shares or components of preference shares are classified on initial recognition as financial liability or equity based on the terms of the contract. They are classified as a financial liability if the terms imposes a contractual obligation to deliver cash.

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. Provision is made in the financial statements for the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments. Such provisions are discounted where the time value of money is considered material.

Share capital
The Company's own shares held by the Employee Benefit Trust are deducted from equity until they vest unconditionally for employees and are held at cost. Consideration paid in respect of these treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

2. Prior period adjustment
On business combinations the Group recognises a deferred tax liability against the intangible assets acquired. The deferred tax liability is recognised in respect of the amortisation of the acquired intangibles which have no or partial tax base for the Group. The deferred tax is recognised and released to the income statement over the same period as the amortisation of the acquired intangible assets. The recognition of the deferred tax is an accounting treatment to ensure that the effective tax rate is maintained for the Group and is not impacted by amortisation costs which are not tax deductible. There were no cash or working capital impacts of these movements or to the balance sheet of the parent company.

It was identified that the deferred tax recognised was insufficient. As a consequence, the release of the liability to the income statement, which results in a reduction in the Group's income statement tax charge, was understated.

The correction of these entries result in an increase in deferred tax liability, goodwill and a resulting credit to the income statement as the deferred tax liability is unwound over the useful economic lives of the associated purchased intangibles. In addition in circumstances where the underlying assets have been recognised in a currency other than sterling there is an adjustment in relation to the retranslation of these balances.

The effect of these adjustments on the prior year is shown by restating each of the affected financial statement line items as follows:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Effect on equity		
Increase in goodwill	4.3	189.4
Decrease/(increase) in deferred tax liabilities	10.5	(158.1)
Net impact on equity	**14.8**	**31.3**

The amounts disclosed above for the year ended 31 March 2014, exclude the cumulative effect disclosed for the year ended 31 March 2013. The cumulative impact for the year ended 31 March 2014 on goodwill is £193.7 million, deferred tax creditor is £147.6 million and net equity is £179.3 million.

	Year ended 31 March 2014 £m
Effect on the income statement	
Profit for the financial period (as originally stated)	182.7
Taxation charge reduction	15.3
Profit for the financial period (restated)	**198.0**
Effect on the other comprehensive income	
Other comprehensive loss for the period (as originally stated)	(54.1)
Exchange loss on translation of foreign operations	(0.5)
Other comprehensive loss for the period (restated)	**(54.6)**
Attributable to:	
Equity holders	(0.5)
Non-controlling interests	–

	Year ended 31 March 2014
Effect on earnings per share	
Basic earnings per share (as originally stated)	63.0p
Prior period adjustment	5.5p
Adjustment due to rights issue	(5.5p)
Basic earnings per share (restated)	**63.0p**
Diluted earnings per share (as originally stated)	61.4p
Prior period adjustment	5.3p
Adjustment due to rights issue	(4.8p)
Diluted earnings per share (restated)	**61.9p**

There was no effect on adjusted basic earnings per share or adjusted diluted earnings per share as the deferred tax adjustment is treated as an adjusting item to the operating profit.

3. Financial risk management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity and market (including foreign exchange, fair value and cash flow interest rate and other price) risks.

Financial risk management is not speculative. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (at LCH.Clearnet Group and CC&G) and investment management activities at the Frank Russell Company, that adhere to local regulation and operate under locally approved risk and investment policies.

The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of and controls around foreign exchange, interest rates, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight', pages 50-53, for further detail on the Group's risk framework.

Capital risk

Risk description	Risk management approach
The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital. However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return. The Group comprises regulated and unregulated entities. It considers that: — increases in the capital requirements of its regulated companies, or — negative yields on its investments of cash, or — a scarcity of debt or equity (driven by its own performance or financial market conditions) either separately or in combination are the principal risks to managing its capital.	The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest for growth is a key capital management consideration. As at 31 December 2014, the book value of the Group's consolidated equity before non-controlling interests was £2,526.5 million (31 March 2014: £1,565 million) and the book value of its consolidated debt was £1,726.4 million (31 March 2014: £1,223.7 million). The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. Whilst the Company is unregulated, the regulated entities within the Group continuously monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation, undertaken by the Group's Investment Committee, of the impact of new investments, across the Group, on its capital position. Regulated entities within the Group have to date predominantly issued equity and hold cash to satisfy their local regulatory capital requirements and, as at 31 December 2014, £1,011.3 million of cash and cash equivalents was held to meet regulatory and operational requirements across these entities (31 March 2014: £803.6 million). This amount increased during the period as a result of the inclusion of Frank Russell Company's cash and cash equivalents held predominantly to meet the regulatory requirements of its investment management business, in addition to LCH.Clearnet Group's total cash and cash equivalents, and maintaining the £200 million generally set aside by other Group operations. We believe that Group companies' cash and cash equivalents are sufficient to comfortably support current regulatory frameworks. The level of cash set aside by the Group for these purposes remains subject to on-going review with regulators, particularly in Europe and the USA. To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt excluding cash and cash equivalents set aside for regulatory and operational purposes) to adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. To underpin its financial flexibility and protect its investment grade credit rating, the Group raised over £960 million (before associated costs) from shareholders during the 9 month period to 31 December 2014 through a Rights Issue. This provided a balance to the new debt also raised in the period to appropriately fund the acquisition of Frank Russell Company, pushing net leverage up towards 2.4 times in early December 2014. As at 31 December 2014 net leverage had reduced back to 2.1 times (March 2014: 1.9 times), a little above the top end of the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and debt service) and these measures do not inhibit the Group's operations or its financing plans.

Notes to the financial statements continued

Credit and concentration risk

Risk description	Risk management approach
In their roles as central counterparty (CCP) clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risk and Uncertainties', pages 54-61. Notwithstanding regulations in Europe and the US that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH.Clearnet Group CCPs continue to be able to invest up to 5 per cent of their margin and default fund cash unsecured. Through this potential unsecured investment by its CCPs (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group will continue to face the risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties. Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs. More broadly, the Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including: — customer receivables — repayment of invested cash and cash equivalents — settlement of derivative financial instruments	**CCPs** To address the market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP would incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is re-valued daily. As at 31 December 2014, the total aggregate margin liability of clearing members amounted to £70.6 billion (31 March 2014: £68.3 billion), against which the Group had received £38.8 billion in cash (31 March 2014: £35.8 billion) and £31.8 billion in non-cash securities (31 March 2014: £34.4 billion). The maximum aggregate margin liability during the 9 month period to 31 December 2014 was £80.1 billion (year to 31 March 2014: £77.2 billion). Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. As at 31 December 2014, the total aggregate of clearing member contributions to the default funds amounted to £10.3 billion in aggregate across the Group's CCPs (31 March 2014: £9.0 billion). The maximum aggregate amount during the 9 month period to 31 December 2014 was £10.6 billion (year to 31 March 2014: £9.1 billion). Furthermore, each of the Group's CCPs has recently reinforced its capital position to meet the more stringent regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bi-lateral reverse repos (receiving high quality government securities as collateral which are subject to a 'haircut' on their market value) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor. The investment portfolio at 31 December 2014 totalled £43.5 billion in aggregate (31 March 2014: £47.4 billion), of which a weighted average 99.1 per cent (31 March 2014: 99.7 per cent) was invested securely with an overall maturity of 85 days (31 March 2014: 87 days), including material amounts invested over a very short timeframe to support liquidity needs. The maximum portfolio size during the 9 month period to 31 December 2014 was £51.6 billion (year to 31 March 2014: £54.1 billion). Associated liquidity risks are considered in the investment mix and discussed further below. To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2014 was 11.4 per cent of the total investment portfolio to the US Government (31 March 2014: 10.4 per cent to the French Government). **Group** Credit risk is controlled through policies developed at a Group level. Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed by management as low. Credit risk of cash and cash equivalents is managed by limiting the exposure to credit rating reference points potentially overlaid by a default probability assessment. Up to £50 million can be invested for up to 12 months with counterparties rated long term AAA (or equivalent) through to a maximum £25 million overnight with counterparties rated short term A-2 (or equivalent). Derivative transactions and other treasury receivable structures are undertaken or agreed with well capitalised counterparties and are authorised by policy, to limit the credit risk underlying these transactions. The Frank Russell Company does not guarantee the performance of its investment management business.

Country risk

Risk description	Risk management approach
Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.	Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an on-going watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets. As at 31 December 2014, the Group has material investments of £1 billion or more in aggregate in the following sovereigns:

Group Aggregate Sovereign Treasury Exposures	31 December 2014	31 March 2014
Country	£ billion	£ billion
USA	5.8	3.9
France	5.0	4.9
Italy	3.7	4.5
Germany	2.2	1.5
Spain	1.6	nil
Belgium	1.5	2.2

Liquidity, settlement and custodial risk

Risk description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, the Group's CCPs, the Frank Russell Company investment management businesses and certain other subsidiary companies are required to maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member. The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations. The Group uses third party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.	Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting the Group's CCPs, the Frank Russell Company investment management businesses and certain other regulated entities, funds can generally be lent across the Group or remitted through dividend payments and this is an important component of the Group Treasury cash management policy and approach. Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly. During the 9 month period to 31 December 2014, new, committed, revolving credit facilities totalling £600 million were arranged by the Company to underpin the Group's financial flexibility. The new facilities bolster facility headroom over the medium term moving the Group's average drawn debt maturity profile to three and a half years; the next scheduled debt maturity is in July 2016. At 31 December 2014, and having completed the $2.7 billion acquisition of Frank Russell Company, £510.9 million of the Group's facilities were unutilised. The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to arrange appropriate levels of back up liquidity to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under stressed and unstressed assumptions. In addition, certain Group companies, including the CCPs, maintain operational support facilities from banks to manage intraday and overnight liquidity. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. Custodians are subject to minimum eligibility requirements and ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	832.3	107.9	728.6	314.3
Trade and other payables	727.4	–	–	–
CCP liabilities	451,467.5	–	–	–
	453,027.2	**107.9**	**728.6**	**314.3**

At 31 March 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£m	£m	£m	£m
Borrowings	312.6	109.0	487.5	564.3
Trade and other payables	401.5	–	–	–
CCP liabilities	503,747.4	–	–	–
Derivative financial instruments	3.4	–	–	4.0
	504,464.9	**109.0**	**487.5**	**568.3**

The prior year borrowings have been adjusted to include interest payable on the debt that is not accrued.

Notes to the financial statements continued

Market risk – Foreign Exchange

Risk description	Risk management approach
The Group extended its geographic footprint during the 9 month period to 31 December 2014 and now operates primarily in the UK, North America and Europe, has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are sterling, US dollars and the euro. With the exception of MillenniumIT (a Sri Lankan Rupee reporting entity), which invoices a material proportion of its revenues in US dollars, and LCH.Clearnet Limited (a euro reporting entity), which incurs a majority of its costs in sterling, Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, sterling, and from occasional, high value intragroup transactions. Intragroup dividends may create short term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces. The Group may be exposed from time to time to strategic investments in currencies other than sterling.	The Group seeks, where it can, to match the currency of its debt liabilities to the currency of its earnings whilst endeavouring to balance the currency of its assets with the currency of its liabilities. The Group reinforces this methodology by regularly distributing its currency cash earnings in dividends and by absorbing currency earnings (whilst protecting sterling earnings) through interest payments on sterling debt, re-denominated through the use of cross-currency swaps, or by arranging debt in the same currency, where this is practicable. A proportion of the Group's debt is held in or swapped into euro and a proportion is held in US dollars. As at 31 December 2014, £140.2 million of drawn debt was euro denominated (31 March 2014: £400.5 million) and £389.5 million (31 March 2014: £248.5 million) of cross-currency swaps, directly linked to sterling debt, were designated as a hedge of the net investment in the Italian Group. As at 31 December 2014, £662.1 million of drawn debt was US dollar denominated (31 March 2014: nil) and provided a hedge of the net investment in the Frank Russell Company. A profit of £13.0 million for the 9 month period to 31 December 2014 (year to 31 March 2014: profit of £4.3 million) on foreign currency borrowings, inter company loan assets and liabilities and cross-currency swap hedges was recognised in equity. The net investment hedges were fully effective. Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires that cash flows of more than £1 million or equivalent per annum should be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Hedge accounting of derivatives is considered to mitigate material levels of income statement volatility. In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. As at 31 December 2014, the Group has considered movements in the euro and the US dollar over the 9 month period to 31 December 2014 and has concluded that a 10 per cent movement in rates is a reasonable level to measure the risk to the Group. At 31 December 2014, if sterling had weakened or strengthened by 10 per cent against the euro and/or the US dollar with all other variables held constant, the impact on post tax profit for the 9 month period to 31 December 2014 and on equity at the 31 December 2014 is set out, with comparatives, in the table below:

		31 December 2014		31 March 2014	
		Post tax profit £m	Equity £m	Post tax profit £m	Equity £m
Euro	Sterling weaken	4.3	14.2	0.3	(19.0)
	Sterling strengthen	(3.9)	(12.4)	(0.4)	23.2
US dollar	Sterling weaken	2.8	(58.7)	–	–
	Sterling strengthen	(2.6)	53.3	–	–

This reflects foreign exchange gains or losses on translation of euro and US dollar denominated trade receivables, trade payables, financial assets at fair value through profit or loss including euro and US dollar denominated cash and borrowings. If the average sterling exchange rate for the 9 month period to 31 December 2014 had moved 10 euro cents against the euro, this would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by up to £19.1 million.

Market risk – Cash Flow and Fair Value Interest Rate Risk

Risk description	Risk management approach
The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their investment activities.	Group interest rate management policy focuses on protecting the Group's credit rating. It specifies a minimum coverage of interest expense by EBITDA to be maintained of 7 times and a maximum floating rate component of 50 per cent of total debt. This approach reflects (i) a focus on the Group's cost of debt rather than its net debt given the material cash and cash equivalents held specifically for regulatory purposes, (ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields, (iii) a view that already low market yields are unlikely to move materially lower and (iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest. As at 31 December 2014, interest expense cover was measured over the 12 month period to 31 December 2014 at 9.4 times (31 March 2014: 8.0 times) and the floating rate component of total debt was 46 per cent. In the Group's CCPs, interest bearing assets are generally invested for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily. In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2014, at the Group level, if interest rates on sterling-denominated, euro-denominated and US dollar-denominated cash and borrowings had been 1 percentage point higher with all other variables held constant, post-tax profit for the year would actually have been £1.5 million higher (31 March 2014: £6.5 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings. At 31 December 2014, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for euro, US dollar and sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post-tax profit for the Group would have been £1.0 million lower (31 March 2014: £0.8 million lower). This deficit would be recovered as investment yields increase as the portfolio matures and is re-invested.

Market risk – Other Price Risk

Risk description	Risk management approach
The Frank Russell Company investment management business has material funds under management.	The Group announced on 5 February 2015 that it intends to sell the investment management business of Frank Russell Company in its entirety with a sale process commencing directly.
Other price risk arises if, as a result of changes in market prices, the fair value or cash flows associated with Frank Russell Company's managed financial instruments fluctuates (and potentially decline in value).	At 31 December 2014, 67 per cent of the Frank Russell Company investment management business's assets under management was invested in equities and alternatives. If the value of these assets had decreased by 10 per cent, Frank Russell Company's total Net Investment Management Revenue for its year to 31 December 2014 would have seen a corresponding fall of approximately £29 million.

4. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant judgements and estimates for the period ended 31 December 2014 are as follows:

Goodwill – tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. Sensitivity analysis is provided in note 14;

Intangible assets acquired as part of a business combination – valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;

Defined benefit pension asset or liability – determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. Sensitivity analysis is provided in note 18; and

Fair value measurement of financial instruments Level 3 – The inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments. The Group holds investments in preferred securities and investment funds for which there is no active market. These interests, in the absence of a recent and relevant secondary market transaction, are classified as Level 3 because the valuations require significant levels of management judgement.

5. Segmental Information

The Group is organised into operating units based on its service lines and has seven reportable segments. The executive committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segmental disclosures for the period ended 31 December 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Investment Management	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**249.1**	**71.5**	**238.7**	**281.0**	**47.3**	**79.7**	**4.1**	**–**	**971.4**
Inter-segmental revenue	**–**	**0.9**	**–**	**–**	**7.1**	**–**	**–**	**(8.0)**	**–**
Revenue	**249.1**	**72.4**	**238.7**	**281.0**	**54.4**	**79.7**	**4.1**	**(8.0)**	**971.4**
Net treasury income through CCP business	**–**	**23.2**	**45.9**	**–**	**–**	**–**	**–**	**–**	**69.1**
Other income	**–**	**–**	**0.1**	**–**	**–**	**–**	**3.4**	**–**	**3.5**
Total income	**249.1**	**95.6**	**284.7**	**281.0**	**54.4**	**79.7**	**7.5**	**(8.0)**	**1,044.0**
Share of profit after tax of joint ventures/associates	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Operating profit before amortisation of purchased intangible assets and non-recurring items	**125.2**	**47.1**	**81.4**	**145.1**	**4.6**	**9.7**	**4.3**	**0.2**	**417.6**
Amortisation of purchased intangible assets									**(92.6)**
Impairment of purchased intangibles and goodwill									**(22.0)**
Non-recurring items									**(60.9)**
Operating profit									**242.1**
Net finance expense									**(51.1)**
Profit before taxation									**191.0**
Other income statement items									
Depreciation and software amortisation	**(9.5)**	**(4.1)**	**(19.9)**	**(8.8)**	**(2.0)**	**(0.6)**	**(0.2)**	**1.4**	**(43.7)**

Revenue from external customers principally comprises fees for services rendered £920.0 million (year ended 31 March 2014: £1,019.6 million) and Technology Services £47.3 million (year ended 31 March 2014: £64.0 million).

Notes to the financial statements continued

The acquisition of Frank Russell Company resulted in two identifiable cash generating units within the business. Those being Information Services, which was combined into the existing operating segment within the Group, and Investment Management which was recognised in its own segment.

Bonds.com which was acquired during the period was combined within the Capital Markets segment.

Post Trade Services – CC&G and Monte Titoli, saw an expected decline in net treasury income due to a complete period of being required to hold a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £95.6 million (year ended 31 March 2014: £146.9 million).

Net treasury income through CCP business of £69.1 million (year ended 31 March 2014: £109.8 million) comprises gross interest income of £127.0 million (year ended 31 March 2014: £261.1 million) less gross interest expense of £57.9 million (year ended 31 March 2014: £151.3 million). Interest from investment in securities amount to £21.4 million (year ended 31 March 2014: £34.8 million).

Comparative segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services – CC&G and Monte Titoli	Post Trade Services – LCH. Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	309.5	98.4	263.0	348.7	64.0	4.7	–	1,088.3
Inter-segmental revenue	–	0.9	–	–	10.9	–	(11.8)	–
Revenue	309.5	99.3	263.0	348.7	74.9	4.7	(11.8)	1,088.3
Net treasury income through CCP business	–	47.6	62.2	–	–	–	–	109.8
Other income	–	–	(3.5)	–	–	15.0	–	11.5
Total income	309.5	146.9	321.7	348.7	74.9	19.7	(11.8)	1,209.6
Operating profit before amortisation of purchased intangible assets and non-recurring items	144.7	83.5	81.1	169.7	11.8	8.7	11.7	511.2
Amortisation of purchased intangible assets								(116.5)
Non-recurring income								(41.6)
Operating profit								353.1
Net finance expense								(68.8)
Profit before taxation								284.3
Other income statement items:								
Depreciation and software amortisation	(25.3)	(5.5)	(23.0)	(15.6)	(5.3)	(0.2)	12.6	(62.3)

Geographical disclosure

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Revenue		
UK	**564.9**	659.5
Italy	**214.8**	283.5
France	**76.5**	87.0
USA	**49.8**	–
Other	**65.4**	58.3
Total	**971.4**	1,088.3

Revenue has been restated to be allocated based on the location of the group entity which earns the revenue which better represents our operating reviews.

	31 December 2014	31 March 2014
	£m	£m
Total assets		
UK	**143,498.8**	183,570.2
Italy	**129,079.4**	141,116.3
France	**182,027.6**	182,593.1
USA	**3,109.5**	–
Other	**282.3**	577.3
Total	**457,997.6**	507,856.9

6. Expenses by nature

Expenses comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Cost of sales	**101.5**	74.1
Employee costs	**261.7**	303.9
Depreciation and non-acquisition software amortisation	**43.7**	62.3
Impairment and amortisation of purchased intangibles assets and non-recurring costs	**175.5**	158.1
IT costs	**93.6**	92.0
Other costs	**126.0**	166.1
Total expenses	**802.0**	856.5

Foreign exchange gains or losses included in the income statement are immaterial.

7. Employee costs

Employee costs comprise the following:

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Salaries and other short term benefits		**210.9**	237.6
Social security costs		**33.4**	37.4
Pension costs	18	**13.1**	17.3
Share based compensation		**4.3**	11.6
Total		**261.7**	303.9

The average number of employees in the Group was:

	Period ended 31 December 2014	Year ended 31 March 2014
UK	**1,504**	1,329
Italy	**537**	503
France	**174**	205
Sri Lanka	**688**	659
USA	**1,312**	55
Other	**477**	96
Total	**4,692**	2,847

The Company has no employees.

Average is calculated from date of acquisition of the subsidiary company by the Group.

Notes to the financial statements continued

8. Amortisation of purchased intangible assets and non-recurring items

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 Restated £m
Amortisation of purchased intangible assets	14	**92.6**	116.5
Transaction costs		**54.6**	14.9
Transaction credit		**(2.4)**	–
Restructuring costs		**0.9**	28.8
Restructuring credit		**(3.8)**	–
Integration costs		**11.6**	–
Pension curtailment credit		**–**	(2.1)
Impairment of purchased intangibles and goodwill	14	**22.0**	–
Total affecting operating profit		**175.5**	158.1
Charge for new transaction related revolving credit facility		**1.8**	–
Total affecting profit before tax		**177.3**	158.1
Tax effect on items affecting profit before tax			
Deferred tax on amortisation and impairment of purchased intangible assets		**(33.1)**	(27.1)
Current tax on amortisation and impairment of purchased intangible assets		**(1.4)**	(2.2)
Tax effect on other items affecting profit before tax		**(6.3)**	(9.1)
Total tax effect on items affecting profit before tax		**(40.8)**	(38.4)
Total charge to income statement		**136.5**	119.7

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions.

The transaction credit relates to a reduction in obligations arising from the acquisition of LCH.Clearnet Group.

The restructuring credit relates to contributions made by third parties to cover restructuring costs incurred in previous periods.

Restructuring and integration costs principally relate to the acquisition, restructuring and integration of LCH.Clearnet and Frank Russell Company.

Of the impairment recognised during the period, £21.8 million relates to licenses belonging to a cash generating unit within LCH.Clearnet's business in the USA, that was recognised on the acquisition of the LCH.Clearnet Group. Following a review it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently, it was considered appropriate to impair the asset. The Group remains committed to developing the business to provide clearing services in the USA and continues to investigate all opportunities as they arise.

The remaining £0.2 million relates to the goodwill on EDX London Limited. Following the transfer of the UK derivatives business to its parent company, the remaining goodwill allocated to the business was impaired.

9. Net finance expense

	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Finance income			
Bank deposit and other interest income		**1.8**	5.2
Other finance income		**0.5**	0.3
		2.3	5.5
Finance expense			
Interest payable on bank and other borrowings		**(49.2)**	(71.2)
Defined benefit pension scheme interest cost	18	**(0.5)**	(0.8)
Other finance expenses		**(1.9)**	(2.3)
Non-recurring credit facility arrangement fees		**(1.8)**	–
		(53.4)	(74.3)
Net finance expense		**(51.1)**	(68.8)

Net finance expense includes amounts earned from clearing members' cash collateral deposits which attract negative interest rates and amounts where the Group earns negative interest in its cash deposits.

10. Taxation

The standard UK corporation tax rate was 21 per cent (23 per cent for the year ended 31 March 2014).

Taxation charged to the income statement	Notes	Period ended 31 December 2014 £m	Year ended 31 March 2014 Restated £m
Current tax:			
UK corporation tax for the period		**45.4**	43.5
Overseas tax for the period		**48.4**	77.6
Adjustments in respect of previous years		**(9.6)**	(1.2)
		84.2	119.9
Deferred tax:	17		
Deferred tax for the period		**3.0**	(4.7)
Adjustments in respect of previous years		**(0.4)**	(1.8)
Deferred tax liability on amortisation and impairment of purchased intangible assets		**(33.2)**	(27.1)
Taxation charge		**53.6**	86.3

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

Taxation on items not credited/(charged) to income statement	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**2.8**	3.5
Gain on cash flow hedges	**(17.2)**	–
Deferred tax (loss)/credit:		
Defined benefit pension scheme remeasurement	**0.7**	(1.7)
Tax allowance on share options/awards in excess of expense recognised	**1.5**	1.0
Movement in value of available for sale financial assets	**0.9**	(0.7)
Adjustments relating to change in UK tax rate	**–**	(0.6)
	(11.3)	1.5

Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the UK of 21 per cent (year ended 31 March 2014: 23 per cent) as explained below:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 Restated £m
Profit before taxation	**191.0**	284.3
Profit multiplied by standard rate of corporation tax in the UK	**40.1**	65.4
Expenses not deductible	**9.4**	2.7
Adjustment arising from change in UK tax rate	**0.8**	2.4
Overseas earnings taxed at higher rate	**25.2**	19.1
Adjustments in respect of previous years	**(10.0)**	(3.0)
Amortisation and impairment of purchased intangibles	**(9.2)**	(0.3)
Deferred tax previously not recognised	**(2.7)**	–
Taxation charge	**53.6**	86.3

Notes to the financial statements continued

11. Earnings per share

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets, non-recurring items and unrealised gains and losses to enable a better comparison of the underlying earnings of the business with prior periods.

	Period ended 31 December 2014	Year ended 31 March 2014 Restated
Basic earnings per share	**37.9p**	63.0p
Diluted earnings per share	**37.4p**	61.9p
Adjusted basic earnings per share	**75.6p**	98.6p
Adjusted diluted earnings per share	**74.7p**	96.9p

Earnings per share for the year ended 31 March 2014 has been restated for the prior year adjustment (Note 2) and the Rights Issue on 11 September 2014 (Note 28).

Profit and adjusted profit for the financial period attributable to equity holders of the parent:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Profit from continuing operations attributable to owners of the parent	**123.0**	184.9
Total profit attributable to ordinary equity holders of the parent for basic earnings		
Adjustments:		
Amortisation and non recurring items:		
Amortisation of purchased intangible assets	**92.6**	116.5
Transaction costs	**54.6**	14.9
Transaction credit	**(2.4)**	–
Restructuring costs	**0.9**	28.8
Restructuring credit	**(3.8)**	–
Pension curtailment costs	**–**	(2.1)
Integration costs	**11.6**	–
Impairment of purchased intangibles and goodwill	**22.0**	–
Charge for new revolving credit facility	**1.8**	–
Other adjusting items:		
Unrealised net investment (gain)/loss (included in other income)	**(0.1)**	3.5
Tax effect of amortisation and impairment of purchased intangibles and non-recurring items	**(40.8)**	(38.4)
Tax effect of other adjusting items	**–**	(1.2)
Amortisation, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(13.8)**	(17.6)
Adjusted profit for the financial period attributable to equity holders	**245.6**	289.3
Weighted average number of shares – million	**324.7**	293.3
Effect of dilutive share options and awards – million	**4.2**	5.2
Diluted weighted average number of shares – million	**328.9**	298.5

The weighted average number of shares excludes those held in the ESOP.

12. Dividends

	Period ended 31 December 2014	Year ended 31 March 2014
	£m	£m
Final dividend for 31 March 2014 paid 19 August 2014: 20.7p per Ordinary share (2013: 19.8p)	**56.2**	53.5
Interim dividend for 31 March 2014 paid 6 January 2014: 10.1p per Ordinary share	**–**	27.3
	56.2	80.8

The Board has proposed a final dividend in respect of the period ended 31 December 2014 of 12.8p per share, which is estimated to amount to £44.4 million, to be paid in June 2015.

The approved interim dividend in respect of the period ended 30 September 2014 of 9.7p per share amounting to £33.6 million and was paid on 5 January 2015.

Neither of these dividends are reflected in this financial information.

13. Property, plant and equipment

	Land & Buildings			
	Freehold	Leasehold	Fixed plant, other plant and equipment	Total
	£m	£m	£m	£m
Cost:				
1 April 2013	53.4	40.0	107.2	200.6
Additions	2.3	0.1	20.4	22.8
Foreign exchange	(0.1)	(0.1)	(1.4)	(1.6)
Acquisition of subsidiaries	–	7.3	8.1	15.4
Disposals	–	(0.1)	(8.9)	(9.0)
31 March 2014	55.6	47.2	125.4	228.2
Additions	**0.5**	**0.1**	**17.6**	**18.2**
Foreign exchange	**0.1**	**(0.3)**	**(1.3)**	**(1.5)**
Impairment	**–**	**(0.1)**	**–**	**(0.1)**
Acquisition of subsidiaries	**–**	**14.5**	**15.1**	**29.6**
Reclassification to Held for Sale and Other non-current assets	**(6.2)**	**–**	**(2.9)**	**(9.1)**
Disposals	**(0.1)**	**(1.4)**	**(2.1)**	**(3.6)**
31 December 2014	**49.9**	**60.0**	**151.8**	**261.7**
Accumulated depreciation:				
1 April 2013	28.1	31.3	61.1	120.5
Charge for the year	0.4	2.9	20.7	24.0
Foreign exchange	(0.1)	(0.1)	(0.5)	(0.7)
Disposals	–	(0.1)	(8.8)	(8.9)
31 March 2014	28.4	34.0	72.5	134.9
Charge for the period	**0.4**	**1.9**	**14.6**	**16.9**
Foreign exchange	**(0.1)**	**(0.2)**	**(0.9)**	**(1.2)**
Reclassification to Held for Sale	**(0.9)**	**–**	**–**	**(0.9)**
Disposals	**(0.1)**	**(1.4)**	**(2.1)**	**(3.6)**
31 December 2014	**27.7**	**34.3**	**84.1**	**146.1**
Net book values:				
31 December 2014	**22.2**	**25.7**	**67.7**	**115.6**
31 March 2014	27.2	13.2	52.9	93.3

The carrying value of equipment held under finance leases at 31 December 2014 was £11.3 million (31 March 2014: nil).

The Company has no property, plant and equipment.

Notes to the financial statements continued

14. Intangible assets

	Goodwill	Purchased intangible assets: Customer and supplier relationships	Purchased intangible assets: Brands	Purchased intangible assets: Software, licenses and intellectual property	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
31 March 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Adjustment on prior year	239.6	–	–	–	–	239.6
31 March 2013 (restated)	1,451.5	968.2	237.0	344.6	157.7	3,159.0
Additions	–	–	–	–	106.8	106.8
Acquisition of subsidiaries	174.5	232.0	18.1	82.0	35.4	542.0
Disposals	–	–	–	–	(30.3)	(30.3)
Foreign exchange	(37.0)	(32.5)	(1.5)	(6.0)	(3.9)	(80.9)
31 March 2014 (restated)	1,589.0	1,167.7	253.6	420.6	265.7	3,696.6
Additions	**–**	**–**	**–**	**–**	**48.5**	**48.5**
Acquisition of subsidiaries	**484.7**	**799.7**	**677.6**	**30.7**	**5.6**	**1,998.3**
Disposals	**–**	**(0.8)**	**(0.1)**	**–**	**(29.2)**	**(30.1)**
Foreign exchange	**(63.5)**	**(38.1)**	**1.2**	**(10.0)**	**(17.4)**	**(127.8)**
31 December 2014	**2,010.2**	**1,928.5**	**932.3**	**441.3**	**273.2**	**5,585.5**
Accumulated amortisation and impairment:						
1 April 2013	445.6	188.2	17.4	107.5	111.4	870.1
Adjustment on prior year	50.2	–	–	–	–	50.2
1 April 2013 (restated)	495.8	188.2	17.4	107.5	111.4	920.3
Amortisation charge for the year	–	61.0	10.9	44.6	38.3	154.8
Disposals	–	–	–	–	(30.3)	(30.3)
Foreign exchange	(9.5)	(4.4)	(0.3)	(2.8)	(0.9)	(17.9)
31 March 2014 (restated)	486.3	244.8	28.0	149.3	118.5	1,026.9
Impairment	**0.2**	**–**	**–**	**21.8**	**–**	**22.0**
Amortisation charge for the period	**–**	**48.2**	**10.3**	**34.1**	**26.8**	**119.4**
Disposals	**–**	**(0.8)**	**(0.1)**	**–**	**(28.9)**	**(29.8)**
Foreign exchange	**(19.6)**	**(8.9)**	**(0.4)**	**(5.2)**	**(10.9)**	**(45.0)**
31 December 2014	**466.9**	**283.3**	**37.8**	**200.0**	**105.5**	**1093.5**
Net book values:						
31 December 2014	**1,543.3**	**1,645.2**	**894.5**	**241.3**	**167.7**	**4,492.0**
31 March 2014	1,102.7	922.9	225.6	271.3	147.2	2,669.7

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Frank Russell Group, Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise. The Company has no intangible assets.

The acquisition of the Frank Russell Group and Bonds.com Group resulted in an increase of goodwill in the Group of £484.7 million in the period. This value is preliminary and will be finalised during the following year.

During the period, additions relating to internally generated software was £48.5 million (31 March 2014: £106.8 million).

The carrying value of licenses held under finance leases at 31 December 2014 was £1.4 million (31 March 2014: nil).

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs), including the CGUs resulting from the acquisition of the Frank Russell Group.

The recoverable amounts of these CGUs have been determined based on value in use calculations, using discounted cash flow projections prepared by management covering the five year period ending 31 December 2019. Cash flows beyond this period are extrapolated using the estimated long term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

	Net book value of goodwill					
	31 March 2014 (restated) £m	Acquisitions of subsidiaries £m	Impairment £m	Foreign exchange £m	31 December 2014 £m	Pre-tax discount rate used in value in use calculations
Italian Group:						
Capital Markets	234.7	8.7	–	(14.0)	229.4	11.0%
Information Services	166.6	–	–	(9.6)	157.0	11.3%
Technology Services	31.3	–	–	(1.8)	29.5	11.2%
Post Trade Services	357.5	–	–	(15.3)	342.2	11.2%
MillenniumIT	1.3	–	–	0.1	1.4	16.6%
Turquoise	7.6	–	–	–	7.6	10.6%
FTSE Group	186.4	–	–	1.2	187.6	7.1%
LCH.Clearnet Group	117.1	–	–	(6.5)	110.6	8.9%
Frank Russell Group						
Information Services	–	333.4	–	1.5	334.9	N/A
Investment Management	–	142.6	–	0.5	143.1	N/A
EDX London Ltd	0.2	–	(0.2)	–	–	N/A
	1,102.7	**484.7**	**(0.2)**	**(43.9)**	**1,543.3**	

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions reflect current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience, taking into account an expected further recovery in underlying financial markets.

Long term growth rates (assumed to be 1.7 per cent for each of the Italian CGUs, 4.0 per cent for MillenniumIT, 3.5 per cent for Turquoise and the FTSE Group, and 2.6 per cent for the LCH.Clearnet Group) represent management's internal forecasts based on external estimates of GDP and inflation for the 16 year period 1 January 2004 to 31 December 2019, and do not exceed the long term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed management believes there is no impairment of the carrying value of the goodwill in any CGU with the exception of EDX.

Notes to the financial statements continued

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates. The impact on value in use of reasonable changes in these assumptions is shown below:

		Impact on value in use of:			
	Excess of value in use over carrying value £m	5% reduction in revenues £m	5% increase in costs £m	0.5% reduction in long-term growth rate £m	0.5% increase in pre-tax discount rate £m
Italian group:					
Capital Markets	430.2	32.5	78.4	49.3	44.7
Information Services	77.0	10.6	19.2	13.7	11.7
Technology Services	53.3	0.3	8.1	4.0	3.5
Post Trade Services	251.3	83.6	46.7	39.1	34.0

Management believes goodwill allocated to the Frank Russell Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise CGUs is unlikely to be materially impaired under any reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2014. Revenue and cost sensitivities assume a five per cent change in revenues or costs for each of the five years in the value in use calculations.

15. Investment in associates

The following table illustrates the summarised financial information of the Group's investment in associates.

Company	£m
1 April 2013	0.6
Disposal	(0.3)
31 March 2014	0.3
Acquisition of associates	**11.9**
Share of profit	**0.1**
Share of capital decrease and dividend distribution	**(0.2)**
31 December 2014	**12.1**

The Group's share of the results of its principal associate, is its interest in Ping AN Russell Investment Management (Shanghai) Co Limited. The principal activities of the associate includes undertaking research, development and promotion, as well as providing investment consultation, investment management and investment plan implementation and execution services. The financial information relating to the Group's share of its principal associate is listed below:

	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit/(loss) after tax £m	% interest held
Ping AN Russell Investment Management Shanghai Co Limited	**China**	**17.0**	**4.3**	**0.5**	**(0.1)**	**49.0**

16. Investment in subsidiary undertakings

Company	Shares £m	Loans £m	Other £m	Total £m
1 April 2013	3,320.6	380.4	78.1	3,779.1
Capital contribution to London Stock Exchange Group Holdings (I) Ltd	–	–	460.4	460.4
Impairment of London Stock Exchange Group Holdings (R) Ltd	(10.6)	–	–	(10.6)
Other movements during the year	–	(380.4)	10.4	(370.0)
31 March 2014	3,310.0	–	548.9	3,858.9
Capital contribution to LSEGH US Holdco Inc.	**–**	**–**	**441.1**	**441.1**
Capital contribution to LSEGH (Luxembourg) Ltd	**581.8**	**–**	**–**	**581.8**
Other movements during the period	**–**	**–**	**7.3**	**7.3**
31 December 2014	**3,891.8**	**–**	**997.3**	**4,889.1**

Principal subsidiaries:	Principal activity	Country of incorporation	Country of principal operations	% equity and votes held
Held directly by the Company:				
London Stock Exchange plc	Recognised investment exchange	UK	UK	100
Held indirectly by the Company:				
BIt Market Services S.p.A.	Retail information services & market technology	Italy	Italy	99.99
Borsa Italiana S.p.A.	Recognised investment exchange	Italy	Italy	99.99
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	Italy	Italy	99.99
FTSE International Ltd	Market indices provider	UK	UK	100
LCH.Clearnet Group Limited	CCP clearing services	UK	UK	57.80
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	Italy	Italy	98.80
Millennium Information Technologies Software Ltd	IT solutions provider	Sri Lanka	Sri Lanka	100
Societa per il Mercato dei Titoli di Stato S.p.A.	Wholesale fixed income bonds	Italy	Italy	60.37
Turquoise Global Holdings Ltd	Multi-lateral trading facility	UK	UK	51.36
Frank Russell Company	Global asset manager and index business	USA	USA	100

On 2 December 2014, the Group entered into a transaction that resulted in the Group acquiring a 100 per cent stake in Frank Russell Company for a total consideration of £1,678.5 million.

On 8 May 2014, the Group completed the acquisition of Bonds.com, resulting in a majority stake of 60.37 per cent in the company for a consideration of £8.8 million.

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries will be annexed to the next annual return of London Stock Exchange Group plc.

Notes to the financial statements continued

LCH.Clearnet Group Limited is the only subsidiary that has material non-controlling interests within the Group. Financial information relating to this subsidiary is provided below:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Accumulated balances of material non-controlling interests	**329.3**	342.5
(Losses)/profits allocated to material non-controlling interests	**(13.2)**	3.0

Accumulated balances included goodwill, purchased intangibles and associated amortisation and impairments attributable to non-controlling interests.

The summarised financial information of LCH.Clearnet Group is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit and loss	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Revenue	**238.5**	262.0
Profit for the period	**27.6**	33.3
Total comprehensive income	**30.7**	38.8
Attributable to non-controlling interests	**13.0**	16.4
Dividends paid to non controlling interests	**–**	–

Summarised statement of financial position	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Non-current assets	**219.1**	268.6
Current assets	**325,870.2**	369,397.4
Current liabilities	**(325,270.7)**	(368,851.4)
Non-current liabilities	**(166.9)**	(152.9)
Total equity	**651.7**	661.7
Attributable to:		
Equity holders of the Company	**376.7**	382.5
Non-controlling interests	**275.0**	279.2

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Net increase in cash and cash equivalents	**47.7**	603.6

LCH.Clearnet Group was acquired on 1 May 2013. Their results have been incorporated from that date.

17. Deferred tax

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

Group	Accelerated tax depreciation £m	Acquisition deferred tax and amortisation £m	Provisions and other temporary differences £m	Total £m
31 March 2013	1.6	(108.6)	17.2	(89.8)
Adjustment in prior year (Note 2)	–	(158.1)	–	(158.1)
1 April 2013 (restated)	1.6	(266.7)	17.2	(247.9)
Tax credited to the income statement:	1.1	27.1	5.4	33.6
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	–	–	(1.7)	(1.7)
– allowance on share options/awards	–	–	1.0	1.0
– movement in value of available for sale financial assets	–	–	(0.7)	(0.7)
– foreign exchange	–	(4.3)	–	(4.3)
– adjustments relating to change in UK tax rate	–	–	(0.6)	(0.6)
Balance sheet transfer of pre-acquisition balances	5.7	–	5.8	11.5
Deferred tax recognised on acquisition	–	(72.3)	–	(72.3)
31 March 2014 (restated)	8.4	(316.2)	26.4	(281.4)
Transfer between categories	**2.8**	**5.5**	**(8.3)**	**–**
Tax (charged)/credited to the income statement:	**(0.7)**	**33.2**	**(1.9)**	**30.6**
Tax credited/(charged) to other comprehensive income:				
– defined benefit pension scheme remeasurement loss	**–**	**–**	**0.7**	**0.7**
– allowance on share options/awards	**–**	**–**	**1.5**	**1.5**
– movement in value of available for sale financial assets	**–**	**–**	**0.9**	**0.9**
– foreign exchange	**(0.4)**	**10.5**	**–**	**10.1**
Balance sheet transfer of pre-acquisition balances	**(4.5)**	**–**	**37.9**	**33.4**
Deferred tax recognised on acquisition	**–**	**(578.8)**	**–**	**(578.8)**
31 December 2014	**5.6**	**(845.8)**	**57.2**	**(783.0)**
Assets at 31 December 2014	**10.5**	**–**	**66.0**	**76.5**
Liabilities at 31 December 2014	**(4.9)**	**(845.8)**	**(8.8)**	**(859.5)**
Net assets/(liabilities) at 31 December 2014	**5.6**	**(845.8)**	**57.2**	**(783.0)**
Assets at 31 March 2014 (restated)	8.4	–	33.8	42.2
Liabilities at 31 March 2014 (restated)	–	(316.2)	(7.4)	(323.6)
Net assets/(liabilities) at 31 March 2014 (restated)	8.4	(316.2)	26.4	(281.4)

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

The deferred tax asset of £57.2 million (year ended 31 March 2014: £26.4 million) in respect of provisions and other temporary differences mainly relates to deferred and accrued compensation in Russell group £28.5 million (year ended 31 March 2014: nil), share based payments £5.4 million (year ended 31 March 2014: £5.6 million), retirement benefits £5.6 million (year ended 31 March 2014: £4.8 million), trading losses 4.3 million (year ended 31 March 2014: £0.5 million) and other provisions and temporary differences £13.4 million (year ended 31 March 2014: £15.5 million).

The purchased intangible assets of the Italian group create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £20.4 million (year ended 31 March 2014: £17.0 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company.

18. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and Aviva Investors during the period.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and the pension commitments of LCH.Clearnet group.

The Company has no retirement benefit obligations.

The only scheme operated by FTSE International and Frank Russell Company are a defined contribution schemes.

Notes to the financial statements continued

Defined benefit schemes
The UK defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary with the Group.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The TFR operated by the Italian group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91 per cent of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75 per cent of 'national life price index +1.5 per cent' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as a defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

The defined benefit scheme operated by LCH.Clearnet was closed to new members from 30 September 2009. The scheme was closed to further employee contributions from 31 March 2013.

Defined contribution schemes
The Group's defined contribution schemes are now the only schemes open to new employees in the UK, Italy and LCH entities. For the UK pension plan, a core contribution of four to eight per cent of pensionable pay is provided and the Group will match employee contributions up to a maximum of six to ten per cent of pensionable pay. LCH pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions.

Amounts recognised in the income statement are as follows:

		Period ended 31 December 2014				Year ended 31 March 2014			
		LSEG UK	LCH UK	Other plans	Total	LSEG UK	LCH UK	Other plans	Total
	Notes	£m	£m	£m	£m	£m	£m	£m	£m
Defined contribution schemes		**(2.5)**	**(5.2)**	**(4.7)**	**(12.4)**	(3.4)	(5.5)	(7.6)	(16.5)
Defined benefit scheme – current service cost and expenses		**(0.5)**	**(0.1)**	**(0.1)**	**(0.7)**	(0.9)	(0.5)	0.6	(0.8)
Total pension charge included in employee costs	7	**(3.0)**	**(5.3)**	**(4.8)**	**(13.1)**	(4.3)	(6.0)	(7.0)	(17.3)
Net finance (expense)/income	9	**(0.8)**	**0.6**	**(0.3)**	**(0.5)**	(0.7)	0.4	(0.5)	(0.8)
Total recognised in the income statement		**(3.8)**	**(4.7)**	**(5.1)**	**(13.6)**	(5.0)	(5.6)	(7.5)	(18.1)

Defined benefit assets/(obligations) for pension schemes

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK £m	LCH UK £m	Other plans £m	Total £m	LSEG UK £m	LCH UK £m	Other plans £m	Total £m
Fair value of assets:								
Equities (quoted)	**9.1**	**94.6**	**0.1**	**103.8**	8.4	87.7	0.1	96.2
Bonds (quoted)	**126.7**	**105.3**	**0.2**	**232.2**	104.2	76.8	0.1	181.1
Property	**0.8**	**–**	**0.1**	**0.9**	4.3	–	0.1	4.4
Cash	**6.2**	**7.3**	**0.1**	**13.6**	4.4	5.8	0.1	10.3
Pensioner buy in policy	**162.0**	**–**	**–**	**162.0**	155.4	–	–	155.4
Foreign exchange	**–**	**(5.4)**	**(0.1)**	**(5.5)**	–	(2.8)	–	(2.8)
Total fair value of assets	**304.8**	**201.8**	**0.4**	**507.0**	276.7	167.5	0.4	444.6
Present value of funded obligations	**(331.9)**	**(185.8)**	**(13.1)**	**(530.8)**	(300.6)	(153.0)	(13.4)	(467.0)
(Deficit)/surplus	**(27.1)**	**16.0**	**(12.7)**	**(23.8)**	(23.9)	14.5	(13.0)	(22.4)

UK pension plan actuarial assumptions are set out below:

	31 December 2014		31 March 2014	
	LSEG UK	LCH UK	LSEG UK	LCH UK
Inflation rate – RPI	**3.1%**	**3.1%**	3.4%	3.4%
Inflation rate – CPI	**2.1%**	**2.1%**	2.4%	2.4%
Rate of increase in salaries	**3.1%**	**n/a**	3.4%	n/a
Rate of increase in pensions in payment	**3.4%**	**2.2%**	3.6%	2.2%
Discount rate	**3.7%**	**3.7%**	4.5%	4.5%
Life expectancy from age 60 (years)				
– Non retired male member	**28.6**	**30.4**	28.6	30.4
– Non retired female member	**30.5**	**32.8**	30.5	32.6
– Retired male member	**27.1**	**28.1**	27.1	29.3
– Retired female member	**29.2**	**30.4**	29.2	31.3

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25 per cent/1.00 per cent for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

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

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate (CPI)	Increase by 0.5%	Increase by £5.4m
Rate of increase in pensions payment	Increase by 0.5%	Increase by £23.6m
Discount rate	Increase by 0.5%	Reduce by £25.6m
Mortality rate	Increase by 1 year	Increase by £10.9m

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Changes in the present value of the defined benefit obligation

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK £m	LCH UK £m	Other plans £m	Total £m	LSEG UK £m	LCH UK £m	Other plans £m	Total £m
Benefit obligation as at beginning of period/year	**300.6**	**153.0**	**13.4**	**467.0**	291.4	–	7.9	299.3
Liabilities acquired in a business combination	–	–	–	–	–	160.6	11.1	171.7
Pension expense/(income):								
Current service cost	–	**(0.2)**	**0.1**	**(0.1)**	–	0.5	(0.6)	(0.1)
Interest cost	**10.0**	**5.1**	**0.3**	**15.4**	12.9	6.1	0.6	19.6
Subtotal included in the income statement	**10.0**	**4.9**	**0.4**	**15.3**	12.9	6.6	–	19.5
Re-measurement losses/(gains):								
Actuarial losses/(gains) – financial assumptions	**30.6**	**31.7**	**1.1**	**63.4**	–	(13.6)	0.3	(13.3)
Actuarial (gains)/losses – demographic assumptions	–	**(3.2)**	–	**(3.2)**	1.3	–	0.2	1.5
Actuarial (gains)/losses – experience	**(2.1)**	–	**(0.2)**	**(2.3)**	4.3	–	(0.5)	3.8
Other actuarial movements through the income statement	–	–	**0.1**	**0.1**	–	–	–	–
Subtotal included in other comprehensive income	**28.5**	**28.5**	**1.0**	**58.0**	5.6	(13.6)	–	(8.0)
Benefits paid	**(7.2)**	**(1.8)**	**(1.1)**	**(10.1)**	(9.3)	(2.4)	(5.4)	(17.1)
Foreign exchange	–	**1.2**	**(0.6)**	**0.6**	–	1.8	(0.2)	1.6
Benefit obligation as at end of period/year	**331.9**	**185.8**	**13.1**	**530.8**	300.6	153.0	13.4	467.0

Movement in fair value of scheme assets during the period

	Period ended 31 December 2014				Year ended 31 March 2014			
	LSEG UK £m	LCH UK £m	Other plans £m	Total £m	LSEG UK £m	LCH UK £m	Other plans £m	Total £m
Fair value of scheme assets as at beginning of period/year	**276.7**	**167.5**	**0.4**	**444.6**	273.7	–	–	273.7
Assets acquired in a business combination	–	–	–	–	–	169.6	3.6	173.2
Pension income:								
Interest income	**9.2**	**5.7**	–	**14.9**	12.2	6.5	0.1	18.8
Subtotal included in the income statement	**9.2**	**5.7**	–	**14.9**	12.2	6.5	0.1	18.8
Re-measurement gains:								
Return on plan assets, excluding interest income	**23.1**	**29.3**	–	**52.4**	(2.6)	(7.0)	0.3	(9.3)
Subtotal included in other comprehensive income	**23.1**	**29.3**	–	**52.4**	(2.6)	(7.0)	0.3	(9.3)
Contributions by employer	**3.5**	**0.5**	**0.2**	**4.2**	3.6	–	0.1	3.7
Expenses	**(0.5)**	**(0.2)**	–	**(0.7)**	(0.9)	–	–	(0.9)
Benefits paid	**(7.2)**	**(1.8)**	**(0.2)**	**(9.2)**	(9.3)	(2.4)	(3.7)	(15.4)
Foreign exchange	–	**0.8**	–	**0.8**	–	0.8	–	0.8
Fair value of scheme assets as at end of period/year	**304.8**	**201.8**	**0.4**	**507.0**	276.7	167.5	0.4	444.6

The actual return on plan assets was £67.2 million (year ended 31 March 2014: £9.6 million).

Notes to the financial statements continued

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	Period ended 31 December 2014			Year ended 31 March 2014		
	LSEG UK	LCH UK	Other plans	LSEG UK	LCH UK	Other plans
	£m	£m	£m	£m	£m	£m
Recognised up to beginning period/year	**(27.9)**	**6.6**	**(0.7)**	(19.7)	–	(1.0)
Net actuarial (loss)/gain recognised in the period/year	**(5.4)**	**0.6**	**(0.8)**	(8.2)	6.6	0.3
Cumulative amount recognised at end of period/year	**(33.3)**	**7.2**	**(1.5)**	(27.9)	6.6	(0.7)

The last actuarial valuation of the defined benefit scheme was carried out at 31 March 2012 by an independent qualified actuary. The Group is currently in discussion on the contributions to the defined benefit scheme during the year to 31 March 2015. The next actuarial valuation as at 31 March 2015 may result in an adjustment to future contribution levels.

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

19. Trade and other receivables

		Group		Company	
		31 December 2014	31 March 2014	31 December 2014	31 March 2014
	Note	£m	£m	£m	£m
Trade receivables		**152.8**	133.5	**–**	–
Less: provision for impairment of receivables		**(5.0)**	(5.2)	**–**	–
Trade receivables – net		**147.8**	128.3	**–**	–
Amounts due from Group undertakings	34	**–**	–	**653.8**	534.1
Other receivables		**169.8**	38.3	**–**	–
Prepayments and accrued income		**253.5**	83.9	**0.6**	–
		571.1	250.5	**654.4**	534.1

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

The ageing of past due debtors for the Group is as follows:

	31 December 2014		31 March 2014	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	**–**	**50.5**	–	50.7
Greater than 3 months past due	**5.0**	**35.1**	5.2	11.6
	5.0	**85.6**	5.2	62.3

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	31 December 2014	31 March 2014
	£m	£m
Sterling	**155.5**	122.9
Euro	**101.0**	90.7
US Dollar	**301.2**	–
Other Currencies	**13.4**	36.9
	571.1	250.5

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2014 £m	31 March 2014 £m
1 April	**5.2**	6.1
Provision for receivables impairment	**2.2**	3.4
Receivables written off during the period/year as uncollectible	**(0.4)**	(0.7)
Provisions no longer required	**(1.9)**	(3.4)
Foreign exchange	**(0.1)**	(0.2)
31 December/31 March	**5.0**	5.2

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

20. Financial assets and financial liabilities

The financial instruments of the Group and Company are categorised as follows:

	Group					Company		
31 December 2014	Loans and receivables £m	Held-to-maturity assets £m	Available for sale at fair value through OCI £m	Financial instruments at fair value through profit or loss £m	Total £m	Loans and receivables £m	Financial instruments at fair value through profit or loss £m	Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	293,722.9	**293,722.9**	–	–	**–**
– Receivables for repurchase transactions	113,084.8	–	–	–	**113,084.8**	–	–	**–**
– Other receivables from clearing members	2,908.3	–	–	–	**2,908.3**	–	–	**–**
– Financial assets held at fair value	–	–	11,112.9	9,123.9	**20,236.8**	–	–	**–**
– Cash and cash equivalents of clearing members	21,493.0	–	–	–	**21,493.0**	–	–	**–**
Financial assets of the CCP clearing business	137,486.1	–	11,112.9	302,846.8	**451,445.8**	–	–	**–**
Assets held at fair value				12.4	**12.4**	–	–	**–**
Total financial assets for CCP clearing	137,486.1	–	11,112.9	302,859.2	**451,458.2**	–	–	**–**
Other non-current assets	42.9	–	–	21.9	**64.8**	–	–	**–**
Trade and other receivables	567.5	–	–	3.6	**571.1**	654.4	–	**654.4**
Cash and cash equivalents	1,052.0	–	–	75.2	**1,127.2**	0.2	–	**0.2**
Available for sale financial assets	–	–	4.8	–	**4.8**	–	–	**–**
Derivatives not designated as hedges								
– Foreign exchange forward contracts	–	–	–	0.4	**0.4**	–	–	**–**
Derivatives used for hedging								
Fair value hedges:								
– Cross currency interest rate swaps	–	–	–	22.7	**22.7**	–	22.7	**22.7**
Total	**139,148.5**	**–**	**11,117.7**	**302,983.0**	**453,249.2**	**654.6**	**22.7**	**677.3**

There were no transfers between categories during the period.

Notes to the financial statements continued

31 December 2014	Group: Financial liabilities at amortised cost £m	Group: Financial liabilities at fair value through profit and loss £m	Group: Total £m	Company: Financial liabilities at amortised cost £m	Company: Financial liabilities at fair value through profit and loss £m	Company: Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	293,722.8	**293,722.8**	–	–	**–**
– Liabilities under repurchase transactions	113,084.8	–	**113,084.8**	–	–	**–**
– Other payables to clearing members	44,650.1	–	**44,650.1**	–	–	**–**
– Financial liabilities held at fair value	–	9.8	**9.8**	–	–	**–**
Total financial liabilities of the CCP clearing	157,734.9	293,732.6	**451,467.5**	–	–	**–**
Trade and other payables	727.4	–	**727.4**	195.0	–	**195.0**
Borrowings	1,726.4	–	**1,726.4**	923.7	–	**923.7**
Provisions	14.4	–	**14.4**	–	–	**–**
Other non-current liabilities	43.1	34.4	**77.5**	–	–	**–**
Other non-current payables	73.3	–	**73.3**	–	–	**–**
Total	160,319.5	293,767.0	**454,086.5**	1,118.7	**–**	**1,118.7**

There were no transfers between categories during the period.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

31 March 2014	Group: Loans and receivables £m	Group: Held-to-maturity assets £m	Group: Available for sale at fair value through OCI £m	Group: Financial instruments at fair value through profit or loss £m	Group: Total £m	Company: Loans and receivables £m	Company: Financial instruments at fair value through profit or loss £m	Company: Total £m
Assets as per balance sheet								
Financial assets of the CCP clearing business:								
– CCP trading assets	–	–	–	337,211.5	337,211.5	–	–	–
– Receivables for repurchase transactions	117,702.6	–	–	–	117,702.6	–	–	–
– Other receivables from clearing members	4,442.5	–	–	–	4,442.5	–	–	–
– Financial assets held at fair value	–	1,433.3	5,926.7	9,707.8	17,067.8	–	–	–
– Cash and cash equivalents of clearing members	27,351.8	–	–	–	27,351.8	–	–	–
Financial assets of the CCP clearing business	149,496.9	1,433.3	5,926.7	346,919.3	503,776.2	–	–	–
Assets held at fair value	–	–	–	18.7	18.7	–	–	–
Total financial assets for CCP clearing	149,496.9	1,433.3	5,926.7	346,938.0	503,794.9	–	–	–
Other non-current assets	38.0	–	–	–	38.0	–	–	–
Trade and other receivables	250.5	–	–	–	250.5	534.1	–	534.1
Cash and cash equivalents	919.2	–	–	–	919.2	–	–	–
Available for sale financial assets	–	–	4.8	–	4.8	–	–	–
Derivatives used for hedging								
Fair value hedges:								
– Cross currency interest rate swaps	–	–	–	6.7	6.7	–	6.7	6.7
Total	150,704.6	1,433.3	5,931.5	346,944.7	505,014.1	534.1	6.7	540.8

Balances on certain CCP financial assets at the prior year end were re-categorised in the current period.

31 March 2014	Group Financial liabilities at amortised cost £m	Group Financial liabilities at fair value through profit and loss £m	Group Total £m	Company Financial liabilities at amortised cost £m	Company Financial liabilities at fair value through profit and loss £m	Company Total £m
Liabilities as per balance sheet						
Financial liabilities of the CCP clearing business:						
– CCP trading liabilities	–	337,211.5	337,211.5	–	–	–
– Liabilities under repurchase transactions	117,702.6	–	117,702.6	–	–	–
– Other payables to clearing members	48,808.2	–	48,808.2	–	–	–
– Financial liabilities held at fair value	–	25.1	25.1	–	–	–
Total financial liabilities of the CCP clearing	166,510.8	337,236.6	503,747.4	–	–	–
Trade and other payables	394.0	7.5	401.5	204.3	–	204.3
Borrowings	1,223.7	–	1,223.7	822.6	–	822.6
Provisions	19.4	–	19.4	–	–	–
Other non-current liabilities	53.3	25.90	79.2	–	–	–
Derivatives used for hedging						
Fair value hedges:						
– Interest rate swaps	–	3.4	3.4	–	–	–
– Cross currency interest rate swaps	–	4.0	4.0	–	4.0	4.0
Total	168,201.2	337,277.4	505,478.6	1,026.9	4.0	1,030.9

There were no transfers between catagories during the year.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2014:

	Group Quoted prices in active markets (Level 1) £m	Group Significant observable inputs (Level 2) £m	Group Significant unobservable inputs (Level 3) £m	Group Total Fair Value £m
Financial assets measured at fair value				
CCP trading assets:				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP Transactions	5.7	288,678.6	–	**288,684.3**
Financial assets held at fair value:				
– Equities and bonds	6,957.8	–	–	**6,957.8**
– Securities	6,491.8	–	–	**6,491.8**
– Government backed, bank issued certificates of deposits	6,799.6	–	–	**6,799.6**
Fair value of transactions with CCP members	**25,293.5**	**288,678.6**	**–**	**313,972.1**

Notes to the financial statements continued

	Group			
	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total Fair Value £m
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	**4.8**
Derivatives not used for hedging:				
– Foreign exchange forward contracts	–	0.4	–	**0.4**
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	22.7	–	**22.7**
Other non-current assets:				
– Investments in subordinated trust	–	11.9	–	**11.9**
– Investment Funds	–	2.7	5.3	**8.0**
– Investment in preferred securities	–	–	2.0	**2.0**
Trade and other receivables:				
– Investments in subordinated trusts	3.6	–	–	**3.6**
Cash and cash equivalents:				
– Money market mutual funds	75.2	–	–	**75.2**

	Group			
	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total Fair Value £m
Financial liabilities measured at fair value:				
CCP trading liabilities:				
Derivative instruments:				
– Futures	3,715.9	–	–	**3,715.9**
– Options	1,184.3	–	–	**1,184.3**
– Commodities derivatives	138.4	–	–	**138.4**
Non-derivative instruments:				
– CCP balances	5.7	288,678.5	–	**288,684.2**
Financial liabilities held at fair value:				
– Equities and bonds	9.8	–	–	**9.8**
Fair value of transactions with CCP members	**5,054.1**	**288,678.5**	**–**	**293,732.6**
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	26.8	–	**26.8**
– Euro denominated Put Option	–	7.6	–	**7.6**

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 March 2014:

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial assets measured at fair value:				
CCP trading assets:				
Derivative instruments:				
– Futures	6,150.3	–	–	6,150.3
– Options	1,846.9	–	–	1,846.9
– Commodities derivatives	471.5	–	–	471.5
Non-derivative instruments:				
– CCP Transactions	9.4	328,733.40	–	328,742.8
Financial assets held at fair value				
– Equities and bonds	6,777.6	–	–	6,777.6
– Securities	5,926.7	–	–	5,926.7
– Government backed, bank issued certificates of deposit	2,948.9	–	–	2,948.9
Fair value of transactions with CCP members	24,131.3	328,733.4	–	352,864.7
Available for sale financial assets:				
– Investment in unquoted equity – Euroclear	–	4.8	–	4.8
Derivatives used for hedging:				
– Cross currency interest rate swaps	–	6.7	–	6.70

	Group			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value
	£m	£m	£m	£m
Financial liabilities measured at fair value:				
CCP trading liabilities:				
Derivative instruments:				
– Futures	6,150.3	–	–	6,150.3
– Options	1,846.9	–	–	1,846.9
– Commodities derivatives	471.5	–	–	471.5
Non-derivative instruments:				
– CCP balances	9.4	328,733.4	–	328,742.8
Financial liabilities held at fair value:				
– Equities and bonds	25.1	–	–	25.1
Fair value of transactions with CCP members	8,503.2	328,733.4	–	337,236.6
Derivatives used for hedging:				
– Interest rate swaps	–	3.4	–	3.4
– Cross currency interest rate swaps	–	4.0	–	4.0
Other non-current liabilities:				
– Canadian dollar denominated Put Option	–	25.9	–	25.9
– Euro denominated Put Option	–	–	–	–
Trade and other payables:				
– Euro denominated Put Option	–	7.5	–	7.5

Notes to the financial statements continued

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using one or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

There have been no transfers between Level 1 and Level 2 during the period.

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

The Group holds investments in preferred securities and investment funds for which there is no active market. These interests, in the absence of a recent and relevant secondary market transaction, are classified as Level 3 because the valuations require significant levels of management judgment. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and other risk factors. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation. Gains and losses associated with the changes in the fair value of Level 3 financial instruments are included in other income on the consolidated income statement. There were no changes to valuation techniques for Level 3 assets and liabilities during the period.

There were no transfers into or out of Level 3 (from or to other fair value hierarchy levels) during the period.

There were no gains or losses from Level 3 assets and liabilities for the period recognised in the income statement and in the statement of other comprehensive income.

The following table provides a reconciliation from opening balance to closing balance of Level 3 assets:

	Investment funds £m	Investment in preferred securities £m
Balance at 1 April 2014	–	–
Acquisition of Frank Russell Company	**5.1**	**2.0**
Distributions	**(0.2)**	–
Contributions	**0.4**	–
Balance at 31 December 2014	**5.3**	**2.0**

The management has assessed that the fair value of financial assets and financial liabilities categorised as 'Loans and receivables', 'Held to Maturity' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 25.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note on pages 124-125.

As at 31 December 2014, there were no provisions for impairment in relation to any of the CCP financial assets (31 March 2014: nil) and none of these assets were past due (31 March 2014: nil).

Other non-current assets include financial instruments at fair value through profit and loss of £21.9 million (31 March 2014: nil), prepayments relating to tax and insurances of £35.4 million (31 March 2014: nil), rental deposits of £0.4 million (31 March 2014: £0.2 million), deferred commissions of £1.3 million (31 March 2014: nil), finance lease recoverable of £1.9 million (31 March 2014: nil) and other financial assets are £3.9 million (31 March 2014: £37.8 million).

Other non-current liabilities include deferred consideration of £15.9 million (31 March 2014: £19.4 million), put options of £34.4 million (31 March 2014: £26.0 million), non-current lease obligations of £5.1 million (31 March 2014: nil), and other financial liabilities related to the clearing business of £22.1 million (31 March 2014: £33.8 million).

Other non-current payables include incentive compensation liabilities of £31.7 million (31 March 2014: nil), deferred compensation of £12.9 million (31 March 2014: nil), unrecognised tax benefit of £3.0 million (31 March 2014: nil) and long term liabilities including tenant improvements and rentals of £25.7 million (31 March 2014: nil).

Hedging activities and derivatives

Derivative financial assets of £22.7 million represents the fair value of the cross currency interest rate swaps (amounting to 10 contracts totalling €500.0 million). These effectively exchange some of the obligations and coupons of the 2016 and the 2019 £250 million bonds from sterling into euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This results in a reduction in translation exposure on euro denominated net assets and the protection of sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting. For the period ended 31 December 2014, the Group recognised the £20.0 million movement in mark to market value of these derivatives in reserves (31 March 2014: £2.3 million).

Foreign exchange forward contracts were arranged during the period to hedge the fair value of USD and JPY denominated exposures. These hedges forward buy and sell payables and receivables denominated in USD and JPY, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable cash flows to the Group at maturity. At 31 December 2014, a payable of USD12.7 million and receivable of JPY4.2 billion were hedged forward into the next financial year. The market value of the hedges was £0.4 million in aggregate.

At 31 December 2014, the Company had derivative asset of £22.7 million (31 March 2014: £6.7 million) and derivative liability of £nil (31 March 2014: £4.0 million). All derivatives in the Company are cross currency interest rate swaps and classified as Level 2.

21. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2014.

31 December 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	**21,247,763**	**(21,246,516)**	**1,247**
Reverse repurchase agreements	**456,449**	**(169,010)**	**287,439**
Total assets	**21,704,212**	**(21,415,526)**	**288,686**
Derivative financial liabilities	**(21,247,763)**	**21,246,516**	**(1,247)**
Reverse repurchase agreements	**(456,449)**	**169,010**	**(287,439)**
Total liabilities	**(21,704,212)**	**21,415,526**	**(288,686)**

The impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 March 2014 is as follows:

31 March 2014	Gross amounts £m	Amount offset £m	Net amount as reported £m
Derivative financial assets	24,807,530	(24,806,500)	1,030
Reverse repurchase agreements	513,873	(187,152)	326,721
Other	88,284	(87,294)	990
Total assets	25,409,687	(25,080,946)	328,741
Derivative financial liabilities	(24,807,530)	24,806,500	(1,030)
Reverse repurchase agreements	(513,873)	187,152	(326,721)
Other	(88,284)	87,294	(990)
Total liabilities	(25,409,687)	25,080,946	(328,741)

All offset amounts are held in the CCP trading assets and CCP trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £288,686.8 million (31 March 2014: £328,741.6 million) to nil. Default funds for derivatives of £5,689.8 million (31 March 2014: £4,018.7 million), repurchase agreements of £1,452.3 million (31 March 2014: £1,497.1 million) and other transactions of £312.6 million (31 March 2014: £377.0 million) are held by the Group. In addition, the Group holds margin of €49,400.6 million for derivatives, €22,249.2 million for repurchase agreements and €2,305.4 million for other transactions, as well as additional variation margin amounts which are not allocated by business line.

22. Cash and cash equivalents

	Group		Company	
	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Cash at bank	**929.7**	683.9	**0.2**	–
Short term deposits	**197.5**	235.3	**–**	–
	1,127.2	919.2	**0.2**	–

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH.Clearnet Group companies and at CC&G and unsecured interest bearing current and call accounts, short term deposits and AAA rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash and cash equivalents do not include amounts held by certain subsidiaries on behalf of their clearing members, the use of which is restricted to the operation of the clearers as managers of the clearing and guarantee system (see note 20). Cash and cash equivalents include amounts held by regulated

Notes to the financial statements continued

entities for regulatory and operational purposes. At 31 December 2014, the Group set aside £1,011.3 million (year ended 31 March 2014: £803.6 million) for such purposes, with the amount boosted by cash and cash equivalents set aside at Frank Russell Company, and subject to regular reviews with regulators in the UK, France, Italy and the USA.

23. Assets held for sale

During the period the Group decided to put up for sale a freehold property and related plant and equipment held by a subsidiary undertaking. The assets are currently being marketed and a sale is expected within the next financial year.

	31 December 2014 £m
Property, plant and equipment	**5.3**
	5.3

The carrying amount of the asset is a reasonable approximation of fair value.

There have been no transactions recognised during the period in the statement of comprehensive income relating to the asset classified as held for sale.

24. Trade and other payables

		Group		Company	
	Notes	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Trade payables		**261.7**	43.9	**–**	–
Amounts owed to Group undertakings	34	**–**	–	**163.7**	182.0
Social security and other taxes		**27.1**	17.2	**0.1**	–
Other payables		**153.8**	110.5	**0.7**	1.0
Accruals and deferred income		**358.1**	229.9	**30.5**	21.3
		800.7	401.5	**195.0**	204.3
Current		**727.4**	401.5	**195.0**	204.3
Non-current		**73.3**	–	**–**	–
		800.7	401.5	**195.0**	204.3

25. Borrowings

	Group		Company	
	31 December 2014 £m	31 March 2014 £m	31 December 2014 £m	31 March 2014 £m
Current				
Bank borrowings and trade finance loans	**789.9**	278.7	**127.0**	26.0
	789.9	278.7	**127.0**	26.0
Non-current				
Bonds	**796.7**	796.6	**796.7**	796.6
Preferred securities	**139.8**	148.4	**–**	–
	936.5	945.0	**796.7**	796.6

The Group has the following committed bank facilities and unsecured notes:

Type	Expiry Date	Notes/Facility £m	Carrying value at 31 December 2014 £m	Interest rate percentage at 31 December 2014 %
Drawn value of Facilities				
Multi–currency revolving credit facility	Jul 2016	250.0	**84.7**	LIBOR + 0.8
Multi–currency revolving credit facility	Jun 2017	600.0	**577.4**	LIBOR + 0.6
Multi–currency revolving credit facility	Jul 2018	450.0	**127.0**	LIBOR + 0.95
Total Bank Facilities		1,300.0	**789.1**	
Notes due July 2016	Jul 2016	250.0	**250.7**	6.125
Notes due October 2019	Oct 2019	250.0	**248.4**	9.125
Notes due November 2021	Nov 2021	300.0	**297.6**	4.75
LCH.Clearnet preferred securities	May 2017	155.8	**139.8**	6.576
Total Bonds		955.8	**936.5**	
Total Committed Facilities		2,255.8	**1,725.6**	

The carrying value of drawn facilities and bonds at 31 March 2014 was £277.8 million and £945.0 million, respectively.

Current borrowings

The Group arranged £600 million of new, committed facilities in June 2014 increasing total committed bank lines to £1,300 million. These facilities were partially utilised at 31 December 2014, with £789.1 million drawn (31 March 2014: £277.8 million).

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. As at 31 December 2014, £0.8 million (31 March 2014: £0.9 million) was the aggregate drawing against these facilities.

CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which totaled €400 million at 31 December 2014, for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position and, following the announcement by the Bank of England on 5 November 2014, is eligible to apply for participation in the sterling monetary framework to further support the CCP in member or market stress scenarios.

Non–current borrowings

In July 2006, the Company issued a £250 million bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial period. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial period. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300 million bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc a €200 million of Perpetual Preferred Securities to underpin its capital structure. €20 million of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576 per cent per annum and interest is paid annually. In May 2017, this coupon is replaced by a rate of 3 month Euribor plus 2.1 per cent per annum, and is the trigger point for a first call of the Securities.

Fair values

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

	31 December 2014		31 March 2014	
	Carrying value	Fair value	Carrying value	Fair value
Group	£m	£m	£m	£m
Borrowings				
– within one year	**789.9**	**789.9**	278.7	278.7
– after more than one year	**936.5**	**1,067.8**	945.0	1,066.2
	1,726.4	**1,857.7**	1,223.7	1,344.9

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

	31 December 2014		31 March 2014	
	Carrying value	Fair value	Carrying value	Fair value
Company	£m	£m	£m	£m
Borrowings				
– within one year	**127.0**	**127.0**	26.0	26.0
– after more than one year	**796.7**	**920.0**	796.6	910.3
	923.7	**1,047.0**	822.6	936.3

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2014			31 March 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**923.7**	**(389.5)**	**534.3**	822.6	(248.5)	574.1
Euro	**140.1**	**389.5**	**529.6**	400.5	248.5	649.0
USD	**662.1**	**–**	**662.1**	–	–	–
Sri Lankan Rupees	**0.5**	**–**	**0.5**	0.6	–	0.6
Total	**1,726.4**	**–**	**1,726.4**	1,223.7	–	1,223.7

Notes to the financial statements continued

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	31 December 2014			31 March 2014		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**923.7**	**(389.5)**	**534.2**	822.6	(255.5)	567.1
Euro	**–**	**389.5**	**389.5**	–	255.5	255.5
Total	**923.7**	**–**	**923.7**	822.6	–	822.6

26. Analysis of net debt

	Group		Company	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
	£m	£m	£m	£m
Due within one year				
Cash and cash equivalents	**1,127.2**	919.2	**0.2**	–
Bank borrowings	**(789.9)**	(278.7)	**(127.0)**	(26.0)
Derivative financial assets	**0.4**	–	**–**	–
Derivative financial liabilities	**–**	(3.4)	**–**	–
	337.7	637.1	**(126.8)**	(26.0)
Due after one year				
Bonds	**(796.7)**	(796.6)	**(796.7)**	(796.6)
Preferred securities	**(139.8)**	(148.4)	**–**	–
Derivative financial assets	**22.7**	6.7	**22.7**	6.7
Derivative financial liabilities	**–**	(4.0)	**–**	(4.0)
Total net debt	**(576.1)**	(305.2)	**(900.8)**	(819.9)

Reconciliation of net cash flow to movement in net debt

	Group		Company	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
	£m	£m	£m	£m
Increase/(decrease) in cash in the period/year	**254.5**	491.7	**0.2**	(0.1)
Bank loan repayments less new drawings	**(519.9)**	(192.1)	**(101.0)**	(26.0)
Change in net debt resulting from cash flows	**(265.4)**	299.6	**(100.8)**	(26.1)
Foreign exchange movements	**(29.4)**	(11.2)	**(0.2)**	(0.5)
Movement on derivative financial assets and liabilities	**23.8**	(1.4)	**20.0**	2.2
Bond valuation adjustment	**0.1**	0.1	**0.1**	0.2
Acquired debt	**–**	(242.4)	**–**	–
Net debt at the start of the period/year	**(305.2)**	(349.9)	**(819.9)**	(795.7)
Net debt at the end of the period/year	**(576.1)**	(305.2)	**(900.8)**	(819.9)

27. Provisions

	Property
Group	£m
1 April 2013	27.3
Utilised during the year	(9.7)
Unwinding of discount on provision	1.8
31 March 2014	19.4
Utilised during the period	**(6.9)**
Unwinding of discount on provision	**0.8**
Acquired during the period	**1.1**
31 December 2014	**14.4**
Current	**0.9**
Non-current	**13.5**
31 December 2014	**14.4**

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between one and 15 years to expiry.

The provision acquired during the year relates to property provisions held by Frank Russell Company.

The Company has no provisions.

28. Share capital and premium

	number of shares	Ordinary shares[1]	Share premium	Total
	millions	£m	£m	£m
At 1 April 2013 and 1 April 2014	271.1	18.8	–	18.8
Issue of shares to the Employee Benefit Trust	**1.5**	**0.1**	**–**	**0.1**
Rights issue	**74.3**	**5.0**	**957.7**	**962.7**
At 31 December 2014	**346.9**	**23.9**	**957.7**	**981.6**

[1]Ordinary shares of 6 $^{79}/_{86}$p

The Group announced a 3 for 11 Rights Issue on 22 August 2014 in relation to the acquisition of the Frank Russell Company. The Rights Issue took place on 11 September 2014 and constituted 74,347,813 new ordinary shares of par value 6 $^{79}/_{86}$ p at 1,295p. This generated share premium of £957.7 million. The new ordinary shares issued during the Rights Issue have the same rights as the other shares in issue.

During the period, the Group also issued 1,500,000 ordinary shares at par value to the Employee Benefit Trust in relation to the Group's employee share option scheme.

More information about the shares and rights attached to the ordinary shares is given in the Directors Report on pages 110-112.

29. Net cash flow generated from operations

	Group		Company	
	Period ended 31 Dec 2014	Year ended 31 Mar 2014	Period ended 31 Dec 2014	Year ended 31 Mar 2014
	£m	£m	£m	£m
Profit before taxation	**191.0**	284.3	**166.0**	64.4
Depreciation and amortisation	**136.3**	178.6	**–**	–
Loss on disposal of property, plant and equipment	**–**	0.2	**–**	–
Profit on acquisition/disposal of shares in subsidiary and joint venture	**(0.1)**	(6.9)	**–**	–
Net finance expense/(income)	**51.1**	68.8	**(128.5)**	(79.3)
(Increase)/decrease in inventories	**(5.9)**	0.8	**–**	–
Decrease/(increase) in trade and other receivables	**0.7**	37.2	**(3.7)**	9.7
Decrease/(increase) in trade and other payables	**(14.2)**	(118.6)	**10.4**	(6.7)
Impairment of goodwill and intangibles	**22.0**	–	**–**	–
Decrease in CCP financial assets	**20,425.6**	92,323.0	**–**	–
Increase in CCP clearing business liabilities	**(20,380.1)**	(92,236.4)	**–**	–
Defined benefit pension obligation - contributions in excess of expenses charged	**(3.1)**	(3.3)	**–**	–
Provisions utilised during the period	**(6.9)**	(9.7)	**–**	–
Reduction in obligation arising from acquisition	**(2.4)**	–	**–**	–
Decrease/(increase) in assets held at fair value from operating activities	**5.0**	(9.5)	**–**	–
Share scheme expense	**4.2**	13.4	**–**	–
Foreign exchange losses on operating activities	**(9.8)**	(6.5)	**(13.7)**	(1.1)
Cash generated from/(absorbed by) operations	**413.4**	515.4	**30.5**	(13.0)
Comprising:				
Ongoing operating activities	**481.3**	548.7	**(4.1)**	1.7
Non-recurring items	**(67.9)**	(33.3)	**34.6**	(14.7)
	413.4	515.4	**30.5**	(13.0)

30. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.9 million (year ended 31 March 2014: £1.7 million) and £nil (year ended 31 March 2014: nil), respectively.

In the normal course of business, the Group and Company receive legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group or Company, a provision is made representing the expected cost of settling such claims. At 31 December 2014, there are currently no provisions recognised for such legal claims (year ended 31 March 2014: nil).

31 . Business combinations

Acquisitions in the period to 31 December 2014

The Group made two acquisitions during the period.

On 2 December 2014, the Group completed the acquisition of the entire issue share capital of Frank Russell Company ("Russell"). Russell operates in two segments, those being information services through its index business and investment management. The index business is a leading provider of benchmarks to US-focused equity funds and also provides customised and innovative index solutions for clients. The investment management business has $273 billion assets under management at the end of December 2014 and is a leading provider of multi-asset class investment solutions to institutional and retail investors worldwide.

Notes to the financial statements continued

The acquisition of Russell continues the Group's ongoing diversification strategy, builds on the Group's core strengths in intellectual property, and accelerates its geographic expansion, particularly in the USA, the largest global financial services market. Following this acquisition, approximately one-third of the Group's revenues will come from North America.

The consideration paid by the Group at completion was £1,678.5 million. Approximately £962.7 million of the consideration was financed from the net proceeds of a Rights Issue. The Group made a Rights Issue to all its existing shareholders on 11 September 2014. The 3 for 11 Rights Issue of 74,347,813 new shares at 1,295p per new share. The remaining consideration was financed in US dollar by the Group from existing multi-currency bank debt facilities, including a £600 million multi-currency revolving credit facility during the period.

On 8 May 2014, the Group acquired 100 per cent of Bonds.com Group, a US-based electronic trading platform for U.S. corporate and emerging market bonds. The acquisition was made via MTS Markets International Inc (MTS), a subsidiary of the Group. The transaction meets the growing customer and regulatory demand for access to transparent, electronic, cost-effective platforms for the trading of fixed income securities. Going forward, MTS intends to utilise its extensive expertise in fixed income to provide Bonds.com with support and investment to further build its product offering, enabling U.S. fixed income traders to meet their domestic and international needs. The consideration paid by the Group was £8.8 million.

					Contribution post acquisition	
Acquisition	Date acquired	Total investment £m	Goodwill £m	Fair value of assets acquired £m	Revenue £m	Operating profit/(loss) £m
Frank Russell Company	2 December 2014	**1,678.5**	**476.0**	**1,209.9**	**89.8**	**14.4**
Bonds.com Group	8 May 2014	**8.8**	**8.7**	**0.1**	**1.6**	**(1.6)**
		1,687.3	**484.7**	**1,210.0**	**91.4**	**12.8**

From the date of acquisition, Russell contributed £89.8 million of revenue and £14.4 million to profit before tax from continuing operations of the Group.

From the date of acquisition, Bonds.com contributed £1.6 million of revenue. It made an operating loss before tax of £1.6 million during the period.

If the acquisitions had occurred on 1 April 2014, estimated Group revenue for the period from continuing operations would have been £863.7 million, with operating profit (before acquisition amortisation and exceptional items) of £133.9 million. These amounts have been calculated using the Group's accounting policies and based on available information.

The fair values of the identifiable assets and liabilities arising out of each acquisition at the relevant acquisition date are as follows:

		Bonds.com		Frank Russell Company		Total	
	Notes	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
Non-current assets:							
Intangible assets	**14**	**0.5**	**0.5**	**12.8**	**1,514.0**	**13.3**	**1,514.5**
Goodwill	**14**	–	–	**7.0**	–	**7.0**	–
Property, plant and equipment	**13**	**0.1**	**0.1**	**28.8**	**28.8**	**28.9**	**28.9**
Deferred income taxes		–	–	**34.6**	**34.6**	**34.6**	**34.6**
Investments		–	–	**21.0**	**21.0**	**21.0**	**21.0**
Other non-current assets		**0.1**	**0.1**	**17.3**	**17.3**	**17.4**	**17.4**
Current assets:							
Cash and cash equivalents	**22**	**0.7**	**0.7**	**290.1**	**290.1**	**290.8**	**290.8**
Receivables		–	–	**183.5**	**183.5**	**183.5**	**183.5**
Other current assets		**0.2**	**0.2**	**29.0**	**29.0**	**29.2**	**29.2**
Current liabilities:							
Payables	**25**	–	–	**(56.4)**	**(56.4)**	**(56.4)**	**(56.4)**
Other current liabilities		**(1.5)**	**(1.5)**	**(223.4)**	**(223.4)**	**(224.9)**	**(224.9)**
Non-current liabilities:							
Provision		–	–	**(15.4)**	**(15.4)**	**(15.4)**	**(15.4)**
Deferred tax liabilities		–	–	–	**(576.9)**	–	**(576.9)**
Other non-current liabilities		–	–	**(36.3)**	**(36.3)**	**(36.3)**	**(36.3)**
Net assets		**0.1**	**0.1**	**292.6**	**1,209.9**	**292.7**	**1,210.0**
Non controlling interest		–	–	–	**(7.4)**	–	**(7.4)**
Goodwill		–	**8.7**	–	**476.0**	–	**484.7**
		0.1	**8.8**	**292.6**	**1,678.5**	**292.7**	**1,687.3**
Satisfied by:							
Cash and capital raise			**8.8**		**1,678.5**		**1,687.3**
Total investment			**8.8**		**1,678.5**		**1,687.3**

The fair values are preliminary and will be finalised within twelve months of the acquisition date.

None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value adjustments include:

Frank Russell Company
The additional £1,508.0 million of intangible assets arising on consolidation represents £30.7 million relating to various technologies, £799.7 million relating to customer relations and £677.6 million relating to trade names. Deferred tax liability on these intangible assets was £576.9 million. The fair values of these purchased intangible assets are being amortised over their remaining useful life from the date of completion.

The goodwill of £476.0 million arising on consolidation represents the growth of future expected income streams from Russell's customer base and the value of expected synergies arising from the acquisition.

Bonds.com Group
The Group is currently undertaking a full allocation exercise of the purchased intangibles of Bonds.com, until that is complete the excess of consideration over net assets acquired of £8.7 million is held as goodwill.

Acquisitions in the year to 31 March 2014

The Group made three acquisitions during the year ended 31 March 2014.

On 5 April 2013, the Group and TMX Group Limited completed a transaction to combine their fixed income businesses into a new business, FTSE TMX Global Debt Capital Markets Limited. The transaction resulted in the Group acquiring a 75 per cent stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.2 million. The non-controlling interest (NCI) has an option to sell the remaining 25 per cent interest to the Group after six years or earlier in other limited scenarios. The Group recognised £27.4 million in goodwill and £74.1 million of other intangible assets.

On 1 May 2013, the Group completed the acquisition of a further 55.5 per cent stake in LCH.Clearnet resulting in a majority stake of 57.8 per cent in LCH.Clearnet. The total investment of £470.3 million includes deferred consideration of £20.0 million, payable on 30 September 2017 subject to acceleration or delay in certain limited circumstances. The investment is inclusive of the Group's participation in the capital raise of LCH.Clearnet issued share capital of £158.2 million. The Group recognised £123.8 million in goodwill and £245.2 million of other intangible assets.

On 23 September 2013, the Group acquired a 70 per cent interest in EuroTLX SIM S.p.A. for a consideration of £26.1 million and £0.9 million in deferred consideration. The NCI has an option to sell the remaining 30 per cent interest to the Group. The value of the option is dependent on achieving growth and cost synergies in the next financial year. The Group recognised £15.6 million in goodwill and £10.9 million of other intangible assets.

There were no material changes to the preliminary fair values.

32. Leases
Operating lease commitments – Group as lessee
The Group leases various office properties and equipment under non-cancellable operating leases. The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property		Equipment	
	31 December 2014	31 March 2014	31 December 2014	31 March 2014
Leases expiring in:	£m	£m	£m	£m
Less than one year	**46.0**	30.8	**0.3**	1.1
More than one year but less than five years	**145.1**	102.4	**0.1**	0.6
More than five years	**120.0**	93.0	**–**	–
	311.1	226.2	**0.4**	1.7

Operating lease payments of £20.6 million (31 March 2014: £34.1 million) were charged to the income statement in the year in relation to property and £0.7 million (31 March 2014: £1.9 million) in the year in relation to equipment.

Operating lease commitments – Group as lessor
The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

	Property	
	31 December 2014	31 March 2014
Leases expiring in:	£m	£m
Less than one year	**5.7**	5.5
More than one year but less than five years	**19.5**	21.2
More than five years	**4.1**	7.0
	29.3	33.7

Notes to the financial statements continued

Finance lease commitments – Group as lessee

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	31 December 2014	
Leases expiring in:	Minimum payments £m	Present value of payments £m
Less than one year	**6.1**	5.8
More than one year but less than five years	**5.3**	5.2
Total minimum lease payments	**11.4**	11.0
Less amounts representing finance charges	**(0.4)**	–
Present value of minimum lease payments	**11.0**	11.0

The Group had no lease commitments at 31 March 2014.
The Company has no lease commitments.

Finance lease commitments – Group as lessor

The Group has finance lease contracts for certain property rentals and software licenses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2014	
Leases expiring in:	Minimum payments £m	Present value of payments £m
Less than one year	**0.7**	0.6
More than one year but less than five years	**2.3**	2.1
Total minimum lease payments	**3.0**	2.7
Less amounts representing finance charges	**(0.3)**	–
Present value of minimum lease payments	**2.7**	2.7

The Group had no lease commitments at 31 March 2014.
The Company has no lease commitments.

33. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2014 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 80-109.

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

All unvested awards as at 8 September 2014, were adjusted by the Remuneration Committee, using the Theoretical Ex Rights Price formula, to take account of the deprecatory effect of the Rights Issue and to preserve the value of the awards.

The Group has an ESOP discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 595,179 (year ended 31 March 2014: 642,936) shares were held by the trust, funded in part by an interest free loan from the Group and in part by the issue of 1.5 million shares.

A total of 606,247 shares awards were issued to staff from the Rights Issue during the period. These Rights Shares are included within the numbers granted during the period in the table below.

The Company has no employees but, in accordance with IFRS 10 "Consolidated financial statements", has the obligation for the assets, liabilities, income and costs of the ESOP trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

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

	Share options		SAYE Scheme		LTIP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
31 March 2013	383,115	6.16	685,070	6.79	6,492,473	–
Granted	–	–	214,485	12.64	2,231,649	–
Exercised	(235,139)	7.12	(3,501)	6.43	(1,902,989)	0.70
Lapsed/forfeited	(9,943)	9.27	(29,171)	6.80	(428,407)	0.30
31 March 2014	138,033	9.25	866,883	8.25	6,392,726	0.40
Granted	7,789	8.36	394,839	13.12	2,360,574	0.04
Exercised	(46,560)	8.83	(5,568)	6.23	(1,578,435)	0.79
Lapsed/forfeited	–	–	(96,163)	6.23	(300,971)	0.79
31 December 2014	**99,262**	**8.36**	**1,159,991**	**9.44**	**6,873,894**	**0.17**
Exercisable at:						
31 December 2014	**44,119**	**7.61**	**–**	**–**	**9,286**	**8.94**
31 March 2014	32,778	7.73	–	–	–	–

The weighted average share price of London Stock Exchange Group plc shares during the period was £19.69 (year ended 31 March 2014: £16.08).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	31 December 2014		31 March 2014	
	Number outstanding	Weighted average remaining contractual life years	Number outstanding	Weighted average remaining contractual life years
Share options				
Less than £7	**9,128**	**–**	–	–
Between £7 and £8	**24,168**	**–**	10,506	–
Between £8 and £9	**65,966**	**0.3**	22,272	–
More than £9	**–**	**–**	105,255	0.5
SAYE				
Less than £7	**424,262**	**0.1**	439,487	0.5
Between £7 and £8	**205,433**	**0.2**	–	–
Between £8 and £9	**–**	**–**	212,911	0.5
More than £9	**530,296**	**1.1**	214,485	0.7
LTIP				
Nil	**6,739,835**	**1.5**	6,129,253	1.3
Between £8 and £9	**134,059**	**–**	263,473	–
Total	**8,133,147**	**1.4**	7,397,642	1.3

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

	Performance Shares		Matching Shares		Restricted Share Award			Share Save Plan
	27 August 2014	30 September 2014	27 August 2014	30 September 2014	Tranche 1 27 August 2014	Tranche 2 27 August 2014	Tranche 3 27 August 2014	11 July 2014
Grant date share price	£20.61	£18.68	£20.61	£18.68	£20.61	£20.61	£20.61	£19.15
Expected life	3 years	3.01 years	3 years	3.01 years	0.90 years	1.90 years	0.76 years	3.14 years
Exercise price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	£15.38
Dividend yield	1.5%	1.7%	1.5%	1.7%	1.5%	1.5%	1.5%	1.6%
Risk-free interest rate	1.3%	1.3%	1.3%	1.3%	0.6%	0.8%	0.6%	1.5%
Volatility	27%	26%	27%	26%	27%	27%	27%	29%
Fair value	–	–	–	–	£20.51	£20.20	£20.51	£5.39
Fair value TSR	£6.39	£5.44	£6.39	£5.44	n.a.	n.a.	n.a.	n.a.
Fair value EPS	£19.70	£17.75	£19.70	£17.75	n.a.	n.a.	n.a.	n.a.

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

Notes to the financial statements continued

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

34. Transactions with Related Parties

Key management compensation

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

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Salaries and other short term benefits	**9.7**	9.9
Pensions	**0.8**	0.9
Share based payments	**7.9**	10.7
	18.4	21.5

Inter-company transactions with subsidiary undertakings

The Company has loans with some subsidiary undertakings. Details as at 31 December 2014 are shown in the table below:

	Amount in millions due (owed to)/from as at				Interest in millions (charge) /credit	
Loan counterparty	31 December 2014	31 March 2014	Term	Interest rate as at 31 Dec 2014	Period ended 31 December 2014	Year ended 31 March 2014
London Stock Exchange plc	**£(158.0)m**	£(181.1)m	25 years from May 2006 with five equal annual repayments commencing in May 2027.	LIBOR plus 2% per annum	**£(3.4)m**	£(5.0)m
London Stock Exchange Employee Benefit Trust	**£13.2m**	£13.2m	Repayable on demand.	Non-interest bearing	**nil**	nil
London Stock Exchange Group Holdings (Italy) Limited	**€201.2m**	€(9.6)m	Fifth anniversary of the initial utilisation date which was April 2013.	LIBOR plus 1.5% per annum	**€1.0m**	€0.1m
London Stock Exchange Group Holdings Limited	**£416.3m**	£474.9m	Tenth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum	**£16.0m**	£23.3m
Monte Titoli S.p.A.	**nil**	nil	Six months from initial utilisation date which was January 2013.	EURIBOR plus 1.2% per annum	**nil**	€(0.2)m
Societa Mercato Titoli di Stato S.p.A.	**nil**	nil	Six months from initial utilisation date which was 1 August 2013.	EURIBOR plus 1.2% per annum	**nil**	€(0.3)m
LSE Reg Holdings Limited	**€2.7m**	€0.2m	Fifth anniversary of the initial utilisation date which was December 2013.	EURIBOR plus 1.2% per annum	**nil**	nil
LSE Reg Holdings Limited	**£0.4m**	£1.3m	Fifth anniversary of the initial utilisation date which was December 2013.	LIBOR plus 1.2% per annum	**nil**	nil
London Stock Exchange (C) Limited	**€55.7m**	€49.8m	Fifth anniversary of the initial utilisation date which was April 2012.	EURIBOR plus 1.5% per annum	**€0.6m**	€0.8m
London Stock Exchange (C) Limited	**£8.6m**	£2.8m	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR plus 1.5% per annum	**£0.1m**	nil
London Stock Exchange Group Holdings (Luxembourg) Ltd	**$5.8m**	nil	Fifth anniversary of the initial utilisation date which was December 2014.	LIBOR plus 1.5% per annum	**nil**	nil

During the period, the Company charged in respect of employee share schemes £1.5 million (year ended 31 March 2014: £5.3 million) to London Stock Exchange plc, £0.1 million (year ended 31 March 2014: £0.2 million) to London Stock Exchange Group Holdings Inc, £0.1 million (year ended 31 March 2014: £0.1 million) to London Stock Exchange (OV) Limited, £0.1 million (year ended 31 March 2014: nil) to Turquoise Global Holdings Limited, nil (year ended 31 March 2014: £0.1 million) to UnaVista Limited, £0.7 million (year ended 31 March 2014: £2.7 million) to London Stock Exchange Group Holdings (Italy) Ltd, £0.2 million (year ended 31 March 2014: £1.0 million) to Millennium Information, £0.2 million (year ended 31 March 2014: £2.0 million) to FTSE Group and £1.4 million (year ended 31 March 2014: £0.2 million) to LCH.Clearnet Group. The Company received dividends of £156.0 million (year ended 31 March 2014: £118.2 million) and nil (year ended 31 March 2014: €60.0 million), respectively, from its subsidiaries London Stock Exchange plc and London Stock Exchange Group Holdings (Italy) Limited.

35. Other Statutory Information

On 12 June 2014, the Group appointed Ernst & Young LLP as its external auditor, replacing PricewaterhouseCoopers LLP.

Auditors' remuneration payable to Ernst and Young LLP and its associates for the current period and to PricewaterhouseCoopers LLP and its associates for the prior year comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Audit of parent and consolidated financial statements	**0.7**	0.5
Audit of subsidiary companies	**1.0**	1.1
Audit related assurance services	**0.3**	0.4
Other non-audit services:		
– Taxation	**0.1**	0.6
– Corporate finance	**–**	0.2
– Other assurance services	**0.1**	–
Total expenses	**2.2**	2.8

Excluded from the table above, during the period ended 31 December 2014, PricewaterhouseCoopers LLP and its associates charged £0.9 million in relation to their audits of material subsidiaries of the Group, and £1.5 million in relation to non-audit services. During the year ended 31 March 2014, Ernst & Young LLP and its associates charged £0.6 million in relation to their audits of material subsidiaries of the Group and £0.6 million in relation to non-audit services.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 74-77.

Directors' emoluments comprise the following:

	Period ended 31 December 2014 £m	Year ended 31 March 2014 £m
Salary and fees	**2.5**	3.4
Performance bonus	**2.1**	2.7
Gains made on share awards	**5.2**	4.8
Benefits	**0.3**	0.4
	10.1	11.3
Contributions to defined contribution schemes	**0.5**	0.7
	10.6	12.0

During the period, one Director (year ended 31 March 2014: one) had retirement benefits accruing under defined contribution schemes and one Director (year ended 31 March 2014: one) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Rmuneration Report on pages 80-109.

36. Events after the reporting period

On 5 February 2015, the Group announced the completion of the comprehensive review focused principally on assessing the strategic fit of Russell Investment Management with the Group's long term strategy. After careful consideration, the conclusion of the comprehensive review is to explore a sale of this business in its entirety. The Group has already received a number of expressions of interest in a potential acquisition of Russell Investment Management reflecting the high quality of its business and market leading positions. A sale process of the business has now commenced.

On 4 March 2015, the Board approved the allotment and issue of 225,476 ordinary shares of 6 $^{79}/_{86}$p each in the Company to satisfy options granted under the Company's Save-As-You-Earn and International Sharesave Plans.

Glossary

AIM
The Group's market for smaller and growing companies established in London and now extended to AIM Italia – MAC

Borsa Italiana (BIt)
Borsa Italiana S.p.A., the Group's Italian exchange business

CAGR
Compound annual growth rate

CCP
Central Counterparty – stands between two parties to a trade to eliminate counterparty risk by ensuring that settlement takes place

CC&G
Cassa di Compensazione e Garanzia S.p.A., the Group's Italian subsidiary which manages the Italian CCP for equity, derivative, commodity and fixed income trades

Central Securities Depository (CSD)
An entity that enables securities to be processed, settled and held in custody

Central Securities Depositories Regulation (CSDR)
EU regulations framework to harmonise CSD operations

Company or LSEG, London Stock Exchange Group
London Stock Exchange Group plc

CONSOB
Commissione Nazionale per le Società e la Borsa, Italy's official body for regulating and supervising companies and trading infrastructure providers

CPI
Consumer Price Index which measures changes in the price of consumer goods and services purchased by households

Dark Pool
Electronic trading networks developed by regulated venues such as Regulated Markets, MTFs and by OTC broker dealers to enable the matching of orders between buyers and sellers without pre-trade transparency until the trade is complete

Depositary Receipts/Global Depositary Receipts (GDR)
Tradable certificates representing ownership of a number of underlying shares, mainly for companies in developing or emerging markets

Derivatives
Tradable financial instruments whose value is determined by the value an underlying instruments; this could be equity, an index, a commodity or any other tradable instrument.

Exchange traded derivatives (ETD) are listed derivatives traded on an electronic trading venue such as an exchange and cleared through a clearing house

Over the counter (OTC) derivatives are negotiated privately between two parties and may be cleared through a clearing house

EBITDA
Earnings before interest, tax, depreciation and amortisation

European Market Infrastructure Regulation (EMIR)
European legislation on regulation of clearing of derivatives, and the operation and governance of CCPs and trade repositories

ESOP
Employee Share Option Plan

ETC
Exchange Traded Commodity – securities that provide exposure to a range of commodities and commodity indices

ETF
Exchange Traded Fund – low cost and flexible investments that track indices and sectors

ETP
Exchange traded products including ETFs and ETCs

ELITE
A programme in Italy and the UK and now extended to Europe which is aimed at providing support to fast growing SMEs, allowing them to boost their appeal and visibility to potential investors

EuroTLX
The Group's 70 per cent subsidiary which owns and operates a European MTF for the trading of fixed income securities in retail-size and investment products distributed to retail clients

FCA
Financial Conduct Authority, the current regulator of conduct of providers of financial services in the UK and of UK trading venues such as Recognised Investment Exchanges (RIEs) and MTFs

FTSE Group or FTSE
FTSE International Limited and its subsidiaries, the Group subsidiary that is a leading global provider of index and analytics solutions

FTSE 100 Index
The index developed by FTSE of leading UK quoted companies

FTSE MIB Index
The index developed by FTSE of leading Italian quoted companies

Frank Russell Company
Acquired December 2014, comprises of two primary businesses: Russell Indexes and Russell Investment Management

globeSettle
The Group's Central Securities Depository in Luxembourg

Group
The Company and its group undertakings

Group undertakings
Group undertakings shall be construed in accordance with s1161 of the Companies Act 2006 and, in relation to the Company, includes London Stock Exchange plc, Borsa Italiana S.p.A. and FTSE International Limited, together with respective direct and indirect subsidiaries

High Growth Segment (HGS)
A new segment of the London Stock Exchange Main Market for the equity shares of UK and European trading businesses that can demonstrate significant growth in revenues and a longer-term aspiration to join the Premium segment of the Main Market

International Central Securities Depository (ICSD)
The Group's new Luxembourg based globeSettle entity that will provide a full range of custody and settlement services

IDEM
The Group's Italian Derivatives Market, trading contracts based on equities and related indices

IOB
International Order Book – the Group's electronic trading service for international securities

International Organisation of Securities Commission (IOSCO)
IOSCO set out recommendations 'Principles for Financial Benchmarks', with the objective to address conflicts of interest in the benchmark-setting process, enhance the reliability of benchmark determinations, and promote transparency and openness

IPO
Initial Public Offering – the process whereby companies join our markets and raise capital for the first time

Latency
A measure of time delay experienced in a system, measured in milliseconds (1/1,000th of a second) or microseconds (1/1,000,000th of a second)

LCH.Clearnet or LCH.Clearnet Group
LCH.Clearnet Group Limited and its subsidiaries, the Group's 57.8 per cent owned global clearing and risk management business

LSE
London Stock Exchange Plc

Main Market
The market for companies which have been admitted to trading on the London Stock Exchange's principal market; and in Italy, the market for companies listed on Borsa Italiana's principal MTA market

MiFID or Markets in Financial Instruments Directive
EU Directive introduced in November 2007 to harmonise cross-border trading of equities, providing greater choice of trading venues. Revised MiFID and MiFIR (a directive and regulation) are now in the rule making stage with the EU Commission and ESMA

Millennium Exchange
MillenniumIT's multi-asset trading platform, deployed for the UK, Italian and Turquoise equities markets

MillenniumIT
Millennium Information Technologies Limited, the Group's subsidiary that is the developer of flexible, low cost, high performance trading platforms and financial markets software serving both the Group's own businesses and third parties

Monte Titoli
Monte Titoli S.p.A., the Group's Italian Central Securities Depository and settlement provider

MOT
Mercato Obbligazionario Telematico is the Group's Italian retail bond trading platform

MTA
Mercato Telematico Azionario is the Group's Italian electronic market on which shares, convertible bonds, warrants and option rights are traded

MTS
Società per il Mercato dei Titoli di Stato S.p.A., the Group's 60 per cent subsidiary which owns and operates an electronic trading platform for European and US fixed income securities

Multilateral Trading Facility (MTF)
Alternative electronic trading systems as categorised under MiFID

ORB
The Group's UK Order Book for Retail Bonds

OTC
Over-the-counter trades in financial instruments executed outside a Regulated Market or MTF – see also OTC Derivatives

Primary market
The listing of securities for the first time via an IPO or introduction of existing securities

Proquote
The Group's financial market software and data services provider

Regulated Market
A multilateral system which brings together multiple third party buying and selling in financial instruments in accordance with rules, authorised under provisions of MiFID

Repo
Repurchase Agreement – the process of borrowing money by combining the sale and subsequent repurchase of an asset, traded through MTS and cleared through CC&G or LCH.Clearnet

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

RPI
The Retail Price Index which measures inflation in the UK economy

Russell
Frank Russell Company and its subsidiaries

Secondary market
The public market on which securities once issued are traded

SEDOL
The Group's securities identification service

SETS
The electronic order book operated by the London Stock Exchange for the trading of the most liquid securities

Smart Beta
An alternative index based methodology that seeks to enhance portfolio returns or reduce portfolio risk, or both. Smart beta indices have rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies. These may include volatility indices, defensive and high dividend yield indexes, or a combination of fundamentals

SwapClear
LCH.Clearnet's OTC interest rate swap clearing service

TARGET2-Securities (T2S)
Initiative led by the European Central Bank to provide a platform for settlement of bonds and equities traded in the Eurozone, to be launched in June 2015

Transaction Reporting Service (TRS)
Approved Reporting Mechanism, part of the UnaVista range of services

Turquoise
Turquoise Global Holdings Limited and its subsidiaries, the Group's 51 per cent owned pan-European MTF equity trading subsidiary, a venture between the Group and 12 global investment bank clients

UnaVista
The Group's web-based matching, reconciliation and data integration engine that provides matching of post trade data in a simple, automated process and the Trade Repository approved by ESMA under EMIR

Financial calendar

(Provisional)

AGM	29 April 2015
Q1 Interim Management Statement (revenues only)	29 April 2015
Ex-dividend date for final dividend	7 May 2015
Final dividend record date	8 May 2015
Final dividend payment	2 June 2015
Half year end	30 June 2015
Interim Results	August 2015
Financial year end	31 December 2015
Preliminary Results	March 2016

The financial calendar is updated on a regular basis throughout the year.

Please refer to our website www.lseg.com/investor-relations/investor-relations.htm and click on the shareholder services section for up-to-date details.

The Group's AGM for the 9 months ended 31 December 2014 will be held on 29 April 2015 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ starting at 12:00 noon.

Investor relations

Shareholder services

Equiniti registrars Shareview service

Shareholders who hold London Stock Exchange Group shares in certificated form or within Equiniti Investment Account or ISA can access Shareview. Shareview is a free service provided by our registrars, Equiniti. It may be accessed through the internet at www.shareview.co.uk.

By creating a Shareview portfolio, you will gain online access to information about your London Stock Exchange Group shares and other investments including:

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

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A user ID will then be posted to you.

If you have any problems in registering your portfolio for the Shareview service, contact Equiniti on 0871 384 2544. Calls to this number are charged at eight pence per minute plus network extras. For calls from outside the UK, contact Equiniti on +44 121 415 7047. Please note that you should only use electronic addresses included in this Annual Report for the purposes expressly stated.

Group's share price service

To obtain share price information for London Stock Exchange Group plc, see our website at: www.lseg.com.

By clicking on the Investor Relations tab, you will find the Company's share price, historical closing prices and volumes and an interactive share price graph.

Substantial Shareholders

As at 17 March 2015, the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with DTR 5 of the FCA's Disclosure and Transparency Rules:

Borse Dubai Limited	17.4%
Qatar Investment Authority	10.3%
Invesco Limited	6.0%
Veritas Asset Management LLP	3.0%

Investor relations contacts

Investor Relations
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

For enquiries relating to shareholdings in London Stock Exchange Group plc:

Shareholder helpline: +44 (0)20 7797 3322

email: irinfo-r@lseg.com

Visit the investor relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts
www.lseg.com/investor-relations

Registered office
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Registered company number
London Stock Exchange Group plc: 5369106

Registrar information
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

T 0871 384 2544 or +44 (0)121 415 7047
Calls cost 8p per minute plus network extras.
Lines open 8.30am to 5.30pm, Monday to Friday
www.shareview.co.uk

Chartered accountants and independent auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

T +44 (0)20 7951 2000

Principal legal adviser
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y IHS

T +44 (0)20 7936 4000

Corporate brokers
Barclays
5 The North Colonnade
Canary Wharf
London
E14 4BB

T +44 (0)20 7623 2323
www.barclays.com

RBC Capital Markets
RBC Europe Limited
Riverbank House
2 Swan Lane
London
EC4R 3BF

T +44 (0)20 7653 4000
www.rbccm.com

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Board and Executive Committee photography by
Paul Hackett (**www.paulhackett.net**) and Nick Sinclair (**www.nicksinclair.com**)

Printed in England by CPI Colour, CPI Colour is a certified CarbonNeutral company.

London
Stock Exchange Group

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS
Telephone +44 (0)20 7797 1000

Registered in England and Wales No. 5369106

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