18 November 2010

# LONDON STOCK EXCHANGE GROUP plc

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

- Good financial performance reflecting diversified Group business, with an 11 per cent increase in adjusted earnings per share

- Significant progress achieved in delivering Group strategy to transform business, including roll out of new high performance trading system and a range of product initiatives including plans for trading equity derivatives on Turquoise in the second quarter of 2011

***Financial Headlines:***

- Total income up one percent at £318.4 million (H1 FY 2010: £314.0 million); Revenue of £297.9 million (H1 FY2010: £301.2 million), down one per cent. On an organic basis and at constant currency all segments except Capital Markets delivered increased revenues

- Operating expenses[1] down eight per cent at £165.2 million (H1 FY 2010: £180.2 million)

- Adjusted operating profit[1] up 15 per cent at £154.8 million (H1 FY 2010: £134.8 million)

- Profit before tax up 26 per cent at £100.2 million (H1 FY 2010: £79.4 million)

- Basic EPS up 25 per cent at 23.2 pence (H1 FY 2010: 18.5 pence) and adjusted basic EPS up eleven per cent at 32.2 pence (H1 FY 2010: 29.0 pence)

- Interim dividend of 8.8 pence per share, up five per cent (H1 FY 2010 8.4 pence per share)

- Strong net cash inflow from operating activities of £144 million; adjusted net debt down £85 million in the period to £442 million

[1] before amortisation of purchased intangibles and exceptional items
all comparisons are against the same corresponding period in the previous year unless stated otherwise

***Operational Headlines:***

- Roll out of Group's new MillenniumIT technology platform – Turquoise live, other cash equity markets to follow; customers experiencing world beating average latency and performance

- Number of new issues more than doubled on Group's primary markets, with £18 billion capital raised, including 19 international companies

- Share of order book trading stabilised in UK cash equities market during the period and average daily UK equity value traded up seven per cent vs H1 last year though yield declined as expected following successful pricing promotions; average daily equity trades in Italy down five per cent over the same period last year

- Trading volumes on Group's fixed income (cash) markets up 21 per cent and derivatives trading volumes on IDEM up 19 per cent

- Significant growth in non-display trading on Turquoise – average daily value traded over €200 million in second quarter during which time it was the number one European dark pool MTF

- Post Trade Services' total income up nine per cent; driven by increased clearing volumes and stronger treasury income from the central counterparty business; CCP services extended to cash collateral management previously performed by the Bank of Italy

- Strong demand for information products, particularly Reference Data, Proquote and FTSE. Expansion of the UnaVista trade matching and confirmation service well received. Real time data professional user figures stable at London Stock Exchange and Borsa Italiana

- Technology Services performed well, with launch of new data centre developments, new client connections and a number of new third party software contract wins for MillenniumIT

Commenting on performance of the Group over the period, Xavier Rolet, Chief Executive said:

"This was a good first half performance, with the uplift in earnings reflecting contributions from our increasingly diversified international exchange business.

"We have seen a significant pick up in IPO activity across our markets, with a more than doubling of the number of new issues in H1, and a continued flow of IPOs in recent weeks indicates an encouraging pipeline. Post Trade, MTS, Technology Services and our Information Services businesses also delivered increased revenues in the period.

"We continue to make real strides in transforming the Group and in particular this half we began to roll out our new, super-fast MillenniumIT trading platform. This is now live on our pan-European MTF, Turquoise, and early feedback from customers has been overwhelmingly positive. The next step will be moving the main UK cash equities market over to the Millennium Exchange platform in early 2011.

"We have made good progress in developing our equity derivatives offering, recently migrating IDEM, our Italian equity derivatives business, onto a significantly enhanced technology platform; and today we can also confirm that we will be launching equity derivatives trading on Turquoise in the second quarter 2011.

"Pursuing growth opportunities, continued delivery on cost reductions, enhancing our competitiveness, driving efficiencies and customer service will remain pivotal to the Group's strategy in the period ahead. There is still much for us to do and, although market conditions are likely to remain mixed, we nonetheless expect to make further progress in the second half of the year."

Further information is available from:


| | | |
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## Chairman's Statement

### Operational Performance

The first half of the financial year has seen good performances in many parts of the business with the diversified nature of the Group's revenues mitigating the expected revenue reductions in cash equities and UK derivatives trading operations arising from variable market conditions and competitive pressures.

Activity on the primary markets picked up with a more than doubling of the total number of new issues, including 19 international companies joining our markets in the period and a more than trebling of new companies joining AIM. The Group's role in facilitating large scale capital raising for companies over both the recent period and since the financial markets crisis has been a critical factor in helping market recovery and re-financing. Including the £18 billion raised in H1 there has been a total of £200 billion raised on our markets in the past two and a half years, equivalent to the Bank of England's total quantitative easing programme.

Trading conditions in secondary markets remained variable. Average daily value traded in the UK cash equities market of £4.9 billion represented a seven per cent increase on last year, helped by the relatively elevated trading levels in May, while in Italy the average daily number of trades fell five per cent to 249,000. Stabilisation of our share of cash equities order book trading in the UK was a notable achievement with average share since the start of the period at 62.8 per cent: in Italy share of electronic value traded averaged 84 per cent. In total, revenues from equities trading declined 17 per cent, mainly reflecting pricing promotions which have been successful in rewarding greater trading on our markets though as expected have led to a reduction in yield. Our Turquoise MTF made good progress in H1, averaging 3.5 per cent share of European order book trading and in particular made good gains in non display trading, becoming the market leading MTF dark pool service from June to September.

The new equities trading platform provided by MillenniumIT, our software development business, was successfully launched on Turquoise in October, with trading speeds already proven to deliver world beating average latency and performance. We expect the new platform to be instrumental in growing the Turquoise business as clients fully connect to the new system and new clients take advantage of the high performance technology.

The Group's derivatives trading revenues declined 20 per cent, with a reduction in yields and the absence of trading of Scandinavian derivatives trading at EDX compared to last year outweighing the 19 per cent increase in contracts traded on IDEM. The fixed income business performed well with a six per cent increase in revenue reflecting a rise of trading in both the MTS cash and repo markets and good market recovery following dislocation due to European debt concerns in our first quarter. Overall revenues for the Group's Capital Markets segment, which includes both primary and secondary market activities, declined 10 per cent to £136.9 million reflecting the lower performances in cash equities and derivatives trading.

In Post Trade Services, total income grew nine per cent to £65.0 million, up 13 per cent at constant currency. Contracts cleared rose six per cent, contributing to an increase in clearing revenues of five per cent. In addition, treasury income through the Central Counterparty business increased by over 70 per cent to £16.7 million as a result of higher margins held and active treasury management by the clearing business. Decreases in settlement instructions followed a reduction in OTC volumes, resulting in an 18 per cent decline in revenue in the Settlement business. In the Custody operations the value of assets under management increased six per cent while revenues reduced slightly reflecting lower activity in the shareholder services business.

The Information Services division delivered a two per cent increase in revenue to £87.4 million, with gains in non real time information products helping to offset declines in revenue from distribution of real time data. In particular, good performance from the FTSE indices business, Sedol, Proquote and UnaVista, as well as the inclusion of Turquoise in this division, contributed to a 21 per cent rise in revenue from other Information products. Professional terminals receiving the Group's real time data at 30 September 2010 were overall little changed over the same date last year, at 93,000 for LSE and 140,000 for Borsa Italiana, with a reduction in revenues due to the higher average number of professional users in the corresponding half year period.

The Group's Technology Services businesses contributed £24.5 million to Group revenues, including £9.0 million from MillenniumIT, acquired in October last year. MillenniumIT has performed well, with the principal focus of activity on developing technology for the Group though it has also won contracts to supply market surveillance systems to the Egyptian Exchange and trading systems to Tullett Prebon, amongst others, in the period. The Technology Services division also benefited from increased revenues from the server co-location service which was launched last year.

**Leveraging Group Assets**

Actions to develop the Group have continued, consistent with our strategy to improve operational efficiencies and leverage the Group's assets, with a number of product developments and new launches during the period. Importantly, and as already highlighted, the first successful stage of the programme to roll out the new, high performance MillenniumIT trading system has been completed with its introduction at Turquoise. This is a critical achievement and represents a fast development and testing process in less than a year since acquiring MillenniumIT. A further four migrations will take place over approximately the next 18 months, after which the legacy equities trading system will be retired and replacements for other Group systems can be implemented using MillenniumIT technology. We remain on track to deliver at least £10 million per annum of further cost savings from FY 2012. Migration to the SOLA derivatives platform has also recently taken place at IDEM, with clients of our Italian derivatives operation now benefitting from the performance improvements this brings.

On 2 November we announced that the Turquoise platform was the subject of a two hour outage. This was an isolated incident and although a thorough investigation is ongoing it is clear that it was unconnected to the functioning of the trading platform itself. Plans for roll out of the new system continue and we are working with customers on a date for migration of the UK main market, likely to be early calendar 2011.

Significant project work is taking place to extend derivatives trading. We plan to launch trading of pan-European equity derivatives, starting with FTSE futures, through the Turquoise MTF platform. This new service will combine the advantages of the Turquoise MTF model with the London Stock Exchange infrastructure, linking price formation in equity derivatives and underlying equities in a unique low latency environment. Connections and membership will be straightforward, with clients able to use existing networks and trading connections to Turquoise, the Group's existing derivatives trading platforms and clearing links to LCH. The service is expected to commence in the second quarter of 2011, subject to regulatory approvals.

A number of other initiatives have also been announced or launched:

- improved services for the retail market, including new pricing incentives for equities trading and lower cost real time data, and a greater number of bonds on the retail order book
- an expansion of the range of ETFs and ETNs which are tradable on our markets
- the acquisition of Pro Mac S.p.A. in Italy, a market dedicated to Italian small and mid-cap companies, for a net cash consideration of £0.5 million
- the acquisition of a further 67 per cent of shares in MTS France SA for a consideration broadly equal to the cash acquired, enabling MTS to enhance economies of scale in its European operations
- within real time data the launch of a new post-trade price and trading information service, providing users further choice with a new separate data feed at low cost and facilitating greater transparency of such data and ease of consolidation by market data distributors
- extension of the UnaVista service with the launch of two new services, the Confirmation Portal and the Swaps Portal, both of which help brokers and their clients automate manual trade processes to reduce post trade costs and risk
- enhancement of the server co-location service by creating space for non-trading clients and also offering a low latency order routing service to co-location clients, providing access to all major European and US execution venues

**Financial Summary**

Unless otherwise stated, all figures below refer to the six months ended 30 September 2010. Comparative figures are for the six months ended 30 September 2009 ("H1 FY 2010"). Variance is also provided at constant currency. The basis of preparation is set out at the end of this report.

| | Six months ended 30 September | | | Variance at constant |
|---|---|---|---|---|
| | **2010** | **2009** | **Variance** | **currency** |
| | **£m** | **£m** | **%** | **%** |
| **Revenue** | | | | |
| Capital Markets | **136.9** | 151.3 | (10%) | (8%) |
| Post Trade Services | **48.3** | 49.7 | (3%) | 1% |
| Information Services | **87.4** | 85.7 | 2% | 3% |
| Technology Services | **24.5** | 13.8 | 78% | 80% |
| Other revenue | **0.8** | 0.7 | 14% | 14% |
| **Total revenue** | **297.9** | 301.2 | (1%) | 1% |
| Net treasury income through CCP business | **16.7** | 9.7 | 72% | 78% |
| Other income | **3.8** | 3.1 | 23% | 23% |
| **Total income** | **318.4** | 314.0 | 1% | 3% |
| Operating expenses | **(165.2)** | (180.2) | (8%) | (7%) |
| Share of profit of JVs and associates | **1.6** | 1.0 | | |
| Acquisition amortisation and exceptional items | **(31.9)** | (39.0) | (18%) | (18%) |
| Operating profit | **122.9** | 95.8 | 28% | 32% |
| **Adjusted operating profit*** | **154.8** | 134.8 | 15% | 17% |
| Basic earnings per share (p) | **23.2** | 18.5 | 25% | |
| Adjusted basic earnings per share (p)* | **32.2** | 29.0 | 11% | |

***** before amortisation of purchased intangibles and exceptional items

As explained when releasing our Preliminary results in May 2010, segmentation of revenues this year is made on the basis of the way the businesses are managed and reported internally as required by IFRS 8, primarily resulting in Technology Services now being disclosed as a new segment separate from Information Services.

Performance in the first six months of the financial year reflects mixed market conditions across the Group's businesses, with reductions in the Capital Markets segment offset by gains in other segments. Total revenue of £297.9 million declined one per cent on the comparable period (H1 FY2010: £301.2 million) though as a result of increased net treasury income from treasury management actions at the CCP business, total income rose one per cent to £318.4 million (H1 FY2010: £314.0 million), up three per cent in constant currency. On an organic basis and at constant currency all segments except Capital Markets delivered increased revenues.

Operating expenses, before amortisation of purchased intangibles and exceptional items, decreased eight per cent to £165.2 million (H1 FY 2010: £180.2 million). Operating expenses reflect savings of £18 million from previously announced headcount and property restructuring and other cost savings, including a £5.6 million non recurring benefit arising from an agreement with HMRC over the methodology used in recovering input VAT. This will provide an ongoing benefit of c£1 million per annum. These savings are offset by £19 million incremental costs from the acquisitions of Turquoise and MillenniumIT. Also included in operating expenses in the current period is £4.1 million of non-recurring accelerated depreciation and other IT costs relating to the TradElect platform, which is in the process of being replaced, and which compares to £20.4 million of equivalent costs in the corresponding period last year.

Adjusted operating profit for the period, before amortisation of purchased intangibles and exceptional items, increased 15 per cent to £154.8 million (H1 FY 2010: £134.8 million). In constant currency, adjusted operating profit increased 17 per cent.

Exceptional items of £4.9 million principally relate to an impairment provision on a freehold property, plus headcount restructuring costs in the period.  At 30 September 2010, headcount excluding MillenniumIT fell to 951, down from 1,027 at year end.  Headcount at MillenniumIT increased from 461 to 542 to support the large number of both internal and external software development projects taking place in the business.

Net finance costs were £22.7 million, up from £18.8 million in H1 last year, mostly due to increased costs on long term borrowings following the issue of a 10 year, £250 million bond last year.  The underlying effective Group tax rate increased to 33 per cent (H1 FY 2010: 31.5 per cent), compared with the standard UK tax rate of 28 per cent, reflecting lower benefit from the close out of prior year UK returns than last year and an increase in the underlying effective tax rate in Italy due to the relative rate profit mix between our businesses.

Basic earnings per share were 23.2 pence, an increase of 25 per cent (H1 FY 2010: 18.5 pence).  Adjusted basic earnings per share increased 11 per cent to 32.2 pence (H1 FY 2010: 29.0 pence).

Net cash inflow from operating activities was £143.8 million (H1 FY 2010: £106.8 million).  Capital expenditure in the period amounted to £18.0 million, and full year spend is expected to be approaching £55-60 million reflecting investment taking place in the business, including the implementation of the new equities and derivatives trading systems and initiatives to expand other services such as derivatives trading on Turquoise (full year spend FY 2010: £42.2 million).  Net cash generated after dividends was £78.4 million (H1 FY 2009: £36.9 million).

At 30 September 2010 adjusted net debt was £442 million (after setting aside £125 million of cash for regulatory and operational purposes) while drawn borrowings, which have been reduced from free cash during the period, totalled £500 million (31 March 2010: £607 million).  We are currently in discussions with the FSA over a proposal by them to amend the basis on which the regulatory capital is calculated within our main UK operating company.  Initial indications are that overall capital requirements will increase by no more than one third above the current £125 million.  The Group has taken the opportunity to refinance £225m of its bank lines early by signing a new £250 million, five year revolving credit facility.  Committed credit lines available for general group purposes now total £1 billion, with £750 million extending to 2015 or beyond, providing comfortable headroom in the medium term.

The Group has net assets of £1,021.5 million at 30 September 2009 (31 March 2010: £1,030.8 million). The central counterparty clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. The gross clearing balances increased during the period principally as a result of an increase in the average terms of the repurchase transactions that remained open, together with and increase in the volatility of their nominal values, compared to prior reporting dates.

**Board of Directors**

A number of changes to the Board have taken place during the first half of the financial year.  Gay Huey Evans and Paul Heiden joined the Board in June, replacing Oscar Fanjul and Nigel Stapleton who stepped down at the AGM, both having served on the Board since 2001.  At the end of September Angelo Tantazzi left the Group Board having joined at the time of the merger with Borsa Italiana in 2007, although he will remain on the Board of Borsa Italiana until next year, and his role as Deputy Chairman was taken on by Paolo Scaroni, already a Non-Executive Director on the Board.  Also, in September, Massimo Tononi joined the Board as an independent Non-Executive Director.  We warmly welcome the new Board members, who bring extensive international experience and expertise, and are grateful for the contributions made by the departing Board members.

**Interim Dividend**

The Directors have declared an interim dividend of 8.8 pence per share, an increase of five per cent on the interim dividend paid last year, which reflects improvement in the Group’s results while retaining cash to finance planned growth initiatives and other opportunities.

The interim dividend will be paid on 5 January 2011 to shareholders on the register on 3 December 2010.

**Current Trading and Outlook**

During October daily average equity value traded in London increased seven per cent compared with September and average daily equity volumes were unchanged in Italy, while for November to date trading on both markets is up seven and fifteen per cent respectively on October levels.  In the primary markets, the pipeline for IPOs is promising with some notable new listings in recent weeks, although timing of capital raising, as ever, is to an extent uncertain and dependent on market conditions.  In the Post Trade division, any increase in trading volumes will help business levels, and active treasury management should mean treasury income remains good. The number of professional users of the Group's real time data remains broadly stable at present and demand for other Information products is expected to remain robust.

Actions to grow the Group and to drive our competitiveness and efficiency will continue to be a priority in the period ahead.  Although market conditions are likely to remain mixed, we nonetheless expect delivery of further initiatives and to make further progress in the second half of the year.

Chris Gibson-Smith
Chairman
18 November 2010

**Operating Performance – Key statistics**

To assist investors in understanding the underlying performance of the Group, percentage changes are also presented on a constant currency basis.

**Capital Markets**

Capital Markets comprises the Group's primary markets activities, providing access to capital for corporates and others, and the secondary market trading of cash equities, derivatives and fixed income.

| | Six months ended 30 September | | | Variance at constant currency |
|---|---|---|---|---|
| **Revenue** | **2010 £m** | **2009 £m** | **Variance %** | **%** |
| **Primary Markets** | | | | |
| Annual fees | **18.7** | 17.5 | 7% | 9% |
| Admission fees | **15.3** | 16.8 | (9%) | (8%) |
| | **34.0** | 34.3 | (1%) | 0% |
| **Secondary Markets** | | | | |
| Cash equities UK | **44.0** | 53.6 | (18%) | (18%) |
| Cash equities Italy | **14.7** | 17.2 | (15%) | (11%) |
| Derivatives | **8.4** | 10.5 | (20%) | (18%) |
| Fixed income | **14.6** | 13.8 | 6% | 10% |
| | **81.7** | 95.1 | (14%) | (13%) |
| Other | **21.2** | 21.9 | (3%) | 0% |
| **Total revenue** | **136.9** | 151.3 | (10%) | (8%) |

## Capital Markets - Primary Markets

| | Six months ended 30 September 2010 | Six months ended 30 September 2009 | Variance % |
|---|---|---|---|
| **New Issues** | | | |
| UK Main Market, PSM & SFM | 34 | 22 | 55% |
| UK AIM | 51 | 13 | 292% |
| Borsa Italiana | 3 | 2 | 50% |
| **Total** | **88** | **37** | **138%** |
| | | | |
| **Company Numbers (as at period end)** | | | |
| UK Main Market, PSM & SFM | 1,479 | 1,511 | (2%) |
| UK AIM | 1,204 | 1,353 | (11%) |
| Borsa Italiana | 295 | 295 | 0% |
| **Total** | **2,978** | **3,159** | **(6%)** |
| | | | |
| **Market capitalisation (as at period end)** | | | |
| UK Main Market (£bn) | 1,824 | 1,635 | 12% |
| UK AIM (£bn) | 66 | 57 | 16% |
| Borsa Italiana (€bn) | 418 | 465 | (10%) |
| Borsa Italiana (£bn) | 363 | 425 | (15%) |
| **Total (£bn)** | **2,253** | **2,117** | **6%** |
| | | | |
| **Money raised (£bn)** | | | |
| UK New | 5.0 | 0.8 | 525% |
| UK Further | 11.5 | 30.8 | (63%) |
| Borsa Italiana new and further | 1.1 | 11.5 | (90%) |
| **Total (£bn)** | **17.6** | **43.1** | **(59%)** |

**Capital Markets - Secondary Markets**

| | Six months ended 30 September | | Variance |
|---|---|---|---|
| | **2010** | **2009** | **%** |
| **Equity Volume Bargains (m)** | | | |
| UK | 76.1 | 78.4 | (3%) |
| Borsa Italiana | 32.1 | 33.4 | (4%) |
| **Total** | **108.2** | **111.8** | **(3%)** |
| | | | |
| **Equity Value Traded** | | | |
| UK (£bn) | 613 | 580 | 6% |
| Borsa Italiana (€bn) | 414 | 377 | 10% |
| Borsa Italiana (£bn) | 350 | 331 | 6% |
| **Total (£bn)** | **963** | **911** | **6%** |
| | | | |
| **Equity Average Daily Bargains ('000)** | | | |
| UK | 604 | 622 | (3%) |
| Borsa Italiana | 249 | 261 | (5%) |
| **Total** | **853** | **883** | **(3%)** |
| | | | |
| **Equity Average Daily Value Traded** | | | |
| UK (£bn) | 4.9 | 4.6 | 7% |
| Borsa Italiana (€bn) | 3.2 | 2.9 | 10% |
| Borsa Italiana (£bn) | 2.7 | 2.6 | 4% |
| **Total (£bn)** | **7.6** | **7.2** | **6%** |
| | | | |
| **SETS Yield** (basis points) | 0.71 | 0.92 | (23%) |

| | Six months ended 30 September | | Variance |
|---|---|---|---|
| | **2010** | **2009** | **%** |
| **Derivatives (contracts m)** | | | |
| EDX | 17.2 | 31.4 | (45%) |
| IDEM | 26.6 | 22.3 | 19% |
| **Total** | **43.8** | **53.7** | **(18%)** |
| | | | |
| **Fixed Income** | | | |
| MTS cash and Bondvision (€bn) | 1,247 | 1,030 | 21% |
| MTS money markets (€bn term adjusted) | 31,296 | 18,288 | 71% |
| | | | |
| MOT (€bn) | 114 | 117 | (3%) |
| MOT number of trades (m) | 1.83 | 1.75 | 5% |

## Post Trade Services

The Post Trade Services division principally comprises the Group's Italian-based clearing, settlement and custody businesses.

| | Six months ended 30 September | | | Variance at constant currency |
|---|---|---|---|---|
| | 2010 £m | 2009 £m | Variance % | % |
| **Revenue** | | | | |
| Clearing | **16.9** | 16.1 | 5% | 9% |
| Settlement | **8.9** | 10.8 | (18%) | (14%) |
| Custody & other | **22.5** | 22.8 | (1%) | 2% |
| **Total revenue** | **48.3** | 49.7 | (3%) | 1% |
| Net treasury income through CCP business | **16.7** | 9.7 | 72% | 78% |
| **Total income** | **65.0** | 59.4 | 9% | 13% |

| | Six months ended 30 September | | Variance |
|---|---|---|---|
| | 2010 | 2009 | % |
| **CC&G Clearing (m)** | | | |
| Equity clearing (trades) | 34.0 | 34.7 | (2%) |
| Derivative clearing (contracts) | 26.6 | 22.3 | 19% |
| **Total Contracts** | **60.6** | **57.0** | **6%** |
| Open interest (contracts as at period end) | 4.3 | 4.9 | (12%) |
| | | | |
| **Monte Titoli** | | | |
| Pre Settlement instructions (trades m) | 15.1 | 18.2 | (17%) |
| Settlement instructions (trades m) | 19.9 | 26.4 | (25%) |
| Custody assets under management (€tn) | 2.98 | 2.80 | 6% |

## Information Services

The Information Services division consists of real time data products and a number of other discrete businesses, including Global Indices products, Trade Processing operations, Desktop and Work Flow products.

| | Six months ended 30 September | | | Variance at constant currency |
|---|---|---|---|---|
| | 2010 £m | 2009 £m | Variance % | % |
| **Revenue** | | | | |
| Real time data | **48.3** | 53.3 | (9%) | (8%) |
| Other information services | **39.1** | 32.4 | 21% | 21% |
| **Total revenue** | **87.4** | 85.7 | 2% | 3% |

| | Six months ended 30 September 2010 | 2009 | Variance % |
|---|---|---|---|
| **UK Terminals** | | | |
| Professional - UK | 38,000 | 38,000 | 0% |
| Professional - International | 55,000 | 56,000 | (2%) |
| **Total** | **93,000** | **94,000** | **(1%)** |
| | | | |
| **Borsa Italiana Professional Terminals** | **140,000** | **142,000** | **(1%)** |
| | | | |
| Proquote UK terminals | 4,900 | 5,000 | (2%) |
| Proquote Italy terminals | 35,000 | 28,000 | 25% |

**Technology Services**

Technology Services comprises technology connections and data centre services for clients of London Stock Exchange and Borsa Italiana, plus the MillenniumIT software business, based in Sri Lanka, which provides technology for the Group as well as third party sales and enterprise services.

| | Six months ended 30 September 2010 £m | 2009 £m | Variance % | Variance at constant currency % |
|---|---|---|---|---|
| **Revenue** | | | | |
| MillenniumIT | **9.0** | - | | |
| Technology | **15.5** | 13.8 | 12% | 14% |
| **Total revenue** | **24.5** | 13.8 | 78% | 80% |

**Basis of Preparation**

Results for Borsa Italiana for the period ended 30 September 2010 have been translated into Sterling using the average monthly exchange rate for the period of €1.187 : £1. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

| Average €:£ rate 6 months ended 30 September 2010 | Closing €:£ rate at 30 September 2010 | Average €:£ rate 6 months ended 30 September 2009 | Closing €:£ rate at 30 September 2009 |
|---|---|---|---|
| | | | |
| €1.187 | €1.154 | €1.143 | €1.094 |

**Further information**

The Group will host a presentation of its Interim Results for analysts and institutional shareholders today at 9.30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast which can be viewed at http://www.londonstockexchangegroup.com/investor-relations/investor-relations.htm, or listened to on +44 (0)20 7162 0125. For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

A conference for members of the Press will be held today at 11:30am, at 10 Paternoster Square, London EC4M 7LS. For more information, please call the Press Office on: + 44 (0)20 7797 1222 (London) or +39 02 72426 364 (Milan).

## CONSOLIDATED INCOME STATEMENT

| Continuing operations | Notes | Six months ended 30 September 2010 Unaudited £m | Six months ended 30 September 2009 Unaudited Restated £m | Year ended 31 March 2010 £m |
|---|---|---|---|---|
| **Revenue** | 2 | **297.9** | 301.2 | 605.6 |
| Net treasury income through CCP business | | **16.7** | 9.7 | 16.2 |
| **Other Income** | | **3.8** | 3.1 | 6.5 |
| **Total Income** | 2 | **318.4** | 314.0 | 628.3 |
| **Expenses** | | | | |
| Operating expenses before amortisation of purchased intangible assets and exceptional items | 3 | **(165.2)** | (180.2) | (349.6) |
| Share of profit after tax of joint ventures and associates | | **1.6** | 1.0 | 1.6 |
| **Operating profit before amortisation of purchased intangible assets and exceptional items** | | **154.8** | 134.8 | 280.3 |
| Amortisation of purchased intangible assets | 4 | **(27.0)** | (25.4) | (54.3) |
| Exceptional items | 4 | **(4.9)** | (13.6) | (43.7) |
| **Operating profit** | 2 | **122.9** | 95.8 | 182.3 |
| Profit on disposal of shares in subsidiaries | 4 | **–** | 2.4 | 2.7 |
| Finance income | | **8.2** | 7.2 | 15.2 |
| Finance costs | | **(30.9)** | (26.0) | (55.9) |
| **Net finance costs** | 5 | **(22.7)** | (18.8) | (40.7) |
| **Profit before taxation** | | **100.2** | 79.4 | 144.3 |
| Taxation on profit before amortisation of purchased intangible assets and exceptional items | | **(43.6)** | (36.6) | (73.9) |
| Taxation on amortisation of purchased intangible assets and exceptional items | 4 | **5.6** | 8.1 | 21.3 |
| **Total taxation** | 6 | **(38.0)** | (28.5) | (52.6) |
| **Profit for the financial period** | | **62.2** | 50.9 | 91.7 |
| Profit attributable to non-controlling interests | | **0.0** | 1.6 | 1.3 |
| Profit attributable to equity holders | | **62.2** | 49.3 | 90.4 |
| | | **62.2** | 50.9 | 91.7 |
| **Basic earnings per share** | 7 | **23.2p** | 18.5p | 33.8p |
| **Diluted earnings per share** | 7 | **23.0p** | 18.4p | 33.5p |
| **Adjusted basic earnings per share** | 7 | **32.2p** | 29.0p | 60.1p |
| **Adjusted diluted earnings per share** | 7 | **32.0p** | 28.9p | 59.6p |
| **Dividend per share in respect of financial period:** | 8 | | | |
| Dividend per share paid during the period | | **16.0p** | 16.0p | 24.4p |
| Dividend per share proposed for the period | | **8.8p** | 8.4p | 24.4p |

The comparatives for the six months ended 30 September 2009 have been restated to show separately the net treasury income recognised through the Central Counterparty ("CCP") clearing business. The amount is shown separately to distinguish the income stream from those arising from the Group's other activities. This has resulted in the comparatives being reclassified out of Revenue and into 'Net treasury income through CCP business' with no impact on the overall income recognised in the prior period.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | Notes | Six months ended 30 September 2010 Unaudited £m | Six months ended 30 September 2009 Unaudited £m | Year ended 31 March 2010 £m |
|---|---|---|---|---|
| **Profit for the financial period** | | **62.2** | 50.9 | 91.7 |
| **Other Comprehensive Income** | | | | |
| Defined benefit pension scheme actuarial gain/(loss) | 10 | **10.6** | (7.5) | (1.8) |
| Cash flow hedge | | **2.7** | (0.3) | (0.9) |
| Net investment hedge | | **7.5** | (12.0) | (9.9) |
| Exchange loss on translation of foreign operations | | **(41.8)** | (24.2) | (56.8) |
| Tax related to items not recognised in income statement | 6 | **(2.9)** | 3.5 | 1.5 |
| | | **(23.9)** | (40.5) | (67.9) |
| **Total recognised income for the financial year** | | **38.3** | 10.4 | 23.8 |
| | | | | |
| Attributable to non-controlling interests | | **(0.8)** | 0.6 | (2.2) |
| Attributable to equity holders | | **39.1** | 9.8 | 26.0 |
| | | **38.3** | 10.4 | 23.8 |

**CONSOLIDATED BALANCE SHEET**

| | Notes | 30 September 2010 Unaudited £m | 30 September 2009 Unaudited £m | 31 March 2010 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **68.9** | 78.1 | 74.9 |
| Intangible assets | 9 | **1,408.1** | 1,525.6 | 1,484.1 |
| Investment in joint ventures | | **7.6** | 7.9 | 7.1 |
| Investment in associates | | **1.2** | 1.8 | 1.5 |
| Deferred tax assets | | **1.5** | 5.2 | 6.2 |
| Available for sale financial assets | 13 | **0.4** | 0.4 | 0.4 |
| Retirement benefit asset | 10 | **15.8** | — | 4.6 |
| Other non-current assets | | **0.7** | 0.4 | 0.7 |
| | | **1,504.2** | 1,619.4 | 1,579.5 |
| **Current assets** | | | | |
| Inventories | | **2.0** | — | 2.2 |
| Trade and other receivables | 11 | **117.1** | 126.1 | 132.2 |
| Derivative financial instruments | 13 | **0.8** | 0.4 | 0.6 |
| CCP financial assets | | **103,181.4** | 47,226.9 | 79,669.3 |
| CCP cash and cash equivalents (restricted) | | **5,071.3** | 4,727.8 | 4,580.7 |
| CCP clearing business assets | 13 | **108,252.7** | 51,954.7 | 84,250.0 |
| Assets held at fair value | 13 | **7.3** | 4.2 | 9.5 |
| Cash and cash equivalents | 13 | **193.9** | 169.5 | 223.1 |
| | | **108,573.8** | 52,254.9 | 84,617.6 |
| **Total assets** | | **110,078.0** | 53,874.3 | 86,197.1 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 12 | **142.6** | 147.5 | 137.1 |
| Derivative financial instruments | 13 | **—** | 2.0 | 2.7 |
| CCP clearing business liabilities | 13 | **108,252.3** | 51,954.9 | 84,257.5 |
| Current tax | | **26.4** | 2.7 | 10.5 |
| Borrowings | 14 | **0.7** | — | 0.9 |
| Provisions | 16 | **3.6** | 3.8 | 3.7 |
| | | **108,425.6** | 52,110.9 | 84,412.4 |
| **Non-current liabilities** | | | | |
| Borrowings | 14 | **499.0** | 608.3 | 605.8 |
| Derivative financial instruments | 13 | **11.7** | 15.9 | 16.3 |
| Deferred tax liabilities | | **84.6** | 96.2 | 94.3 |
| Retirement benefit obligations | 10 | **6.6** | 7.4 | 7.3 |
| Provisions | 16 | **29.0** | 21.9 | 30.2 |
| | | **630.9** | 749.7 | 753.9 |
| **Total liabilities** | | **109,056.5** | 52,860.6 | 85,166.3 |
| **Net assets** | | **1,021.5** | 1,013.7 | 1,030.8 |
| **Equity** | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | |
| Share capital | | **18.8** | 18.7 | 18.8 |
| Retained losses | | **(745.9)** | (801.9) | (775.7) |
| Other reserves | | **1,653.7** | 1,708.3 | 1,684.8 |
| | | **926.6** | 925.1 | 927.9 |
| **Non-controlling interests** | | **94.9** | 88.6 | 102.9 |
| **Total equity** | | **1,021.5** | 1,013.7 | 1,030.8 |

**CONSOLIDATED CASH FLOW STATEMENT**

| | Notes | Six months ended 30 September 2010 Unaudited £m | Six months ended 30 September 2009 Unaudited £m | Year ended 31 March 2010 £m |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Cash generated from operations | 17 | **193.6** | 155.2 | 301.2 |
| Interest received | | **0.7** | 1.5 | 2.1 |
| Interest paid | | **(23.6)** | (13.0) | (31.0) |
| Corporation tax paid | | **(20.3)** | (31.2) | (48.1) |
| Withholding tax paid | | **(6.6)** | (5.7) | (9.0) |
| **Net cash inflow from operating activities** | | **143.8** | 106.8 | 215.2 |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | | **(8.2)** | (7.2) | (12.3) |
| Sale of property, plant and equipment | | **0.4** | — | — |
| Purchase of intangible assets | | **(9.8)** | (15.2) | (29.9) |
| Investment in joint venture | | **—** | (6.1) | (6.1) |
| Investment in subsidiaries | | **(4.5)** | — | (16.3) |
| Proceeds from sale of non-controlling interest in subsidiaries | | **—** | 4.4 | 7.4 |
| Dividends received from joint ventures/associates | | **1.2** | 1.0 | 2.3 |
| Dividends received | | **0.1** | — | 0.2 |
| Net cash inflow from acquisitions | | **2.5** | — | 5.2 |
| **Net cash outflow from investing activities** | | **(18.3)** | (23.1) | (49.5) |
| **Cash flow from financing activities** | | | | |
| Dividends paid to shareholders | | **(42.9)** | (42.7) | (65.2) |
| Dividends paid to minorities | | **(4.2)** | (4.1) | (8.7) |
| Redemption of B shares | | **—** | (2.3) | (2.3) |
| Proceeds from own shares on exercise of employee share options | | **0.2** | 1.2 | 1.4 |
| Proceeds from borrowings | | **—** | 299.4 | 305.4 |
| Repayment of borrowings | | **(103.9)** | (308.4) | (313.8) |
| **Net cash outflow from financing activities** | | **(150.8)** | (56.9) | (83.2) |
| **(Decrease)/increase in cash and cash equivalents** | | **(25.3)** | 26.8 | 82.5 |
| Cash and cash equivalents at beginning of period | | **223.1** | 143.7 | 143.7 |
| Exchange losses on cash and cash equivalents | | **(3.9)** | (1.0) | (3.1) |
| **Cash and cash equivalents at end of period** | | **193.9** | 169.5 | 223.1 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other reserves | | | | | | | |
| | Ordinary share capital £m | Retained (loss)/ earnings £m | Capital redemption reserve £m | Reverse acquisition reserve £m | Foreign exchange translation reserve £m | Merger reserve £m | Hedging reserve £m | Total attributable to equity holders £m | Non-controll-ing interests £m | Total equity £m |
| **1 April 2009** | **18.7** | **(803.2)** | **511.9** | **(512.5)** | **476.1** | **1,299.2** | **(33.3)** | **956.9** | **96.3** | **1,053.2** |
| Total comprehensive income for the financial period | — | 45.2 | — | — | (23.1) | — | (12.3) | 9.8 | 0.6 | 10.4 |
| Redemption of B shares | — | (2.3) | 2.3 | — | — | — | — | — | — | — |
| Dividend payments to non-controlling interests | — | — | — | — | — | — | — | — | (8.3) | (8.3) |
| Final dividend relating to the year ended 31 March 2009 | — | (42.7) | — | — | — | — | — | (42.7) | — | (42.7) |
| Employee share schemes | — | 1.1 | — | — | — | — | — | 1.1 | — | 1.1 |
| **30 September 2009** | **18.7** | **(801.9)** | **514.2** | **(512.5)** | **453.0** | **1,299.2** | **(45.6)** | **925.1** | **88.6** | **1,013.7** |
| Issue of shares | 0.1 | — | — | — | — | 5.1 | — | 5.2 | — | 5.2 |
| Total comprehensive income for the financial period | — | 44.8 | — | — | (30.1) | — | 1.5 | 16.2 | (2.8) | 13.4 |
| Interim dividend relating to the year ended 31 March 2010 | — | (22.5) | — | — | — | — | — | (22.5) | — | (22.5) |
| Employee share schemes and own shares | — | 3.9 | — | — | — | — | — | 3.9 | — | 3.9 |
| Disposal of subsidiary | — | — | — | — | — | — | — | — | 17.1 | 17.1 |
| **31 March 2010** | **18.8** | **(775.7)** | **514.2** | **(512.5)** | **422.9** | **1,304.3** | **(44.1)** | **927.9** | **102.9** | **1,030.8** |
| Total comprehensive income for the financial period | — | 70.2 | — | — | (41.3) | — | 10.2 | 39.1 | (0.8) | 38.3 |
| Dividend payments to non-controlling interests | — | — | — | — | — | — | — | — | (7.2) | (7.2) |
| Final dividend relating to the year ended 31 March 2010 | — | (42.9) | — | — | — | — | — | (42.9) | — | (42.9) |
| Employee share schemes | — | 2.7 | — | — | — | — | — | 2.7 | — | 2.7 |
| Purchase of non-controlling interests | — | (0.2) | — | — | — | — | — | (0.2) | — | (0.2) |
| **30 September 2010** | **18.8** | **(745.9)** | **514.2** | **(512.5)** | **381.6** | **1,304.3** | **(33.9)** | **926.6** | **94.9** | **1,021.5** |

The £33.9m hedging reserve represents the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting.

## NOTES TO THE FINANCIAL INFORMATION

The Interim Report for London Stock Exchange Group plc ("the Group" or "the Company") for the six months ended 30 September 2010 was approved by the Directors on 18 November 2010.

## 1. Basis of Preparation and Accounting Policies

This Interim Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and in accordance with International Accounting Standard ('IAS') 34 - 'Interim Financial Reporting'.

The accounting policies used are consistent with those set out on pages 65 to 68 of the Group's Annual Report for the year ended 31 March 2010, with the exception of the changes in the standards identified below:

The following standard has been issued by the International Accounting Standards Board (IASB) and adopted in these condensed consolidated interim financial statements:

IFRS 3 'Business Combinations' - Comprehensive revision applying the acquisition method, has been adopted and will apply to all acquisitions from 1 April 2010. The revised standard maintains the acquisition method for business combinations, but has significant changes in other areas when compared to IFRS 3 such as all payments on the purchase of a business are recognised at their fair value as at the acquisition date. In addition any contingent consideration is classified as a debt with any subsequent re-measurement taken through the income statement. All acquisition costs are expensed in the period that they are incurred. The £4.8m acquisition of Pro Mac S.p.A. was the only significant acquisition during the period.

The following standards and amendments were also effective for the current period, but the adoption of these did not have a material impact on these condensed consolidated interim financial statements:

IFRS 2 'Share-based Payments' - Amendments relating to group cash-settled share-based payment transactions and vesting conditions;
IAS 27 'Consolidated and Separate Financial Statements' - Consequential amendments arising from amendments to IFRS 3;
IAS 28 'Investments in Associates' - Consequential amendments arising from amendments to IFRS 3;
IAS 31 'Interests in Joint Ventures' - Consequential amendments arising from amendments to IFRS 3;
IAS 39 'Financial Instruments: Recognition and Measurement' - Amendments for eligible hedged items;
IFRIC 17 'Distributions of Non-cash Assets';
IFRIC 18 'Transfers of Assets from Customers'; and
IFRS various Annual improvements 2010.

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 30 September 2010 or they are not yet mandatory and the Group has not chosen to early adopt. None of these are expected to have a material impact on the Group's historic consolidated results:

IFRS 9 'Financial Instruments' - effective for annual periods beginning on or after 1 January 2013;
IAS 24 'Related Party Disclosures' - effective for annual periods beginning on or after 1 January 2011;
IFRIC 14 'Prepayments of a Minimum Funding Requirement' - effective for annual periods beginning on or after 1 January 2011; and
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' - effective for annual periods beginning on or after 1 July 2010.

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the Interim Report. Although these estimates and assumptions are based on management's best judgment at the date of the Interim Report, actual results may differ from these estimates.

For these condensed consolidated interim financial statements the Group is not adopting the columnar format for its consolidated income statement as stated in the Group basis of preparation and accounting policies.

The statutory financial statements of London Stock Exchange Group plc for the year ended 31 March 2010, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain a statement under section 498 of the Companies Act 2006.

The Interim Report is unaudited but has been reviewed by the auditors and their review opinion is included in this report.

The Interim Report does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

## 2. Segmental Information

Segmental disclosures for the six months ended 30 September 2010 are as follows:

| | Capital Markets £m | Post Trade Services £m | Information Services £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue** | **136.9** | **48.3** | **87.4** | **28.4** | **0.8** | **301.8** |
| Inter-segmental revenue | **—** | **—** | **—** | **(3.9)** | **—** | **(3.9)** |
| **Revenue from external customers** | **136.9** | **48.3** | **87.4** | **24.5** | **0.8** | **297.9** |
| **Net treasury income through CCP business** | **—** | **16.7** | **—** | **—** | **—** | **16.7** |
| **Other Income** | **—** | **—** | **—** | **—** | **3.8** | **3.8** |
| **Total Income** | **136.9** | **65.0** | **87.4** | **24.5** | **4.6** | **318.4** |
| **Expenses** | | | | | | |
| Depreciation and software amortisation | **(19.2)** | **(2.5)** | **(5.6)** | **(0.5)** | **(0.2)** | **(28.0)** |
| Other non-exceptional expenses | **(43.9)** | **(25.7)** | **(31.2)** | **(33.7)** | **(2.7)** | **(137.2)** |
| Share of (loss)/profit after tax of joint ventures and associates | **(0.8)** | **—** | **2.4** | **—** | **—** | **1.6** |
| **Operating profit/(loss) before amortisation of purchased intangible assets and exceptional items** | **73.0** | **36.8** | **53.0** | **(9.7)** | **1.7** | **154.8** |
| Amortisation of purchased intangible assets | | | | | | **(27.0)** |
| Exceptional items | | | | | | **(4.9)** |
| **Operating profit** | | | | | | **122.9** |
| Net finance costs | | | | | | **(22.7)** |
| **Profit before taxation** | | | | | | **100.2** |

Comparative segmental disclosures for the six months ended 30 September 2009 are as follows:

| | Capital Markets £m | Post Trade Services £m | Information Services £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue** | 151.3 | 49.7 | 85.7 | 13.8 | 0.7 | 301.2 |
| **Net treasury income through CCP business** | — | 9.7 | — | — | — | 9.7 |
| **Other Income** | — | — | — | — | 3.1 | 3.1 |
| **Total Income** | 151.3 | 59.4 | 85.7 | 13.8 | 3.8 | 314.0 |
| **Expenses** | | | | | | |
| Depreciation and software amortisation | (27.3) | (2.2) | (5.8) | (0.2) | (0.6) | (36.1) |
| Other non-exceptional expenses | (62.0) | (25.8) | (28.2) | (21.2) | (6.9) | (144.1) |
| Share of (loss)/profit after tax of joint ventures and associates | (0.7) | — | 1.7 | — | — | 1.0 |
| **Operating profit/(loss) before amortisation of purchased intangible assets and exceptional items** | 61.3 | 31.4 | 53.4 | (7.6) | (3.7) | 134.8 |
| Amortisation of purchased intangible assets | | | | | | (25.4) |
| Exceptional items | | | | | | (13.6) |
| **Operating profit** | | | | | | 95.8 |
| Profit on disposal of shares in subsidiaries | | | | | | 2.4 |
| Net finance costs | | | | | | (18.8) |
| **Profit before taxation** | | | | | | 79.4 |

Comparative segmental disclosures for the year ended 31 March 2010 are as follows:

| | Capital Markets £m | Post Trade Services £m | Information Services £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue** | 295.3 | 100.0 | 169.3 | 39.9 | 1.6 | 606.1 |
| Inter-segmental revenue | – | – | – | (0.5) | – | (0.5) |
| **Revenue from external customers** | 295.3 | 100.0 | 169.3 | 39.4 | 1.6 | 605.6 |
| **Net treasury income through CCP business** | – | 16.2 | – | – | – | 16.2 |
| **Other Income** | – | – | – | – | 6.5 | 6.5 |
| **Total income** | 295.3 | 116.2 | 169.3 | 39.4 | 8.1 | 628.3 |
| **Expenses** | | | | | | |
| Depreciation and software amortisation | (45.7) | (4.8) | (10.9) | (0.8) | (0.6) | (62.8) |
| Other non-exceptional expenses | (116.7) | (51.9) | (55.8) | (51.8) | (10.6) | (286.8) |
| Share of profit/(loss) after tax of joint ventures/associates | (1.9) | – | 3.5 | – | – | 1.6 |
| **Operating profit/(loss) before amortisation of purchased intangible assets and exceptional items** | 131.0 | 59.5 | 106.1 | (13.2) | (3.1) | 280.3 |
| Amortisation of purchased intangible assets | | | | | | (54.3) |
| Exceptional items | | | | | | (43.7) |
| **Operating profit** | | | | | | 182.3 |
| Profit on disposal of shares in subsidiaries | | | | | | 2.7 |
| Net finance costs | | | | | | (40.7) |
| **Profit before taxation** | | | | | | 144.3 |

The segmental reporting has been restated to reflect the management re-organisation and associated changes in the reporting of the business lines. Technology Services combines the IT Services managed by Antoine Shagoury with MillenniumIT, managed by Tony Weeresinghe, reflecting the similar nature of their products and services. There have been no changes to the profit for the year and accordingly no third Balance Sheet has been presented.

Inter-segmental revenues represent sales of software from MillenniumIT to other segments. These revenues arose following the acquisition of MillenniumIT in October 2009.

### 3. Expenses by nature

Expenses comprise the following:

| | **Six months ended 30 September** | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| Employee costs | **54.7** | 55.3 | 111.0 |
| Depreciation and software amortisation | **28.0** | 36.1 | 62.8 |
| Other costs | **82.5** | 88.8 | 175.8 |
| **Total expenses** | **165.2** | 180.2 | 349.6 |

## 4. Amortisation of purchased intangible assets and exceptional items

| | Notes | Six months ended 30 September 2010 £m | 2009 £m | Year ended 31 March 2010 £m |
|---|---|---|---|---|
| Amortisation of purchased intangible assets | 9 | **(27.0)** | (25.4) | (54.3) |
| Exceptional integration costs | | **—** | (0.9) | (13.6) |
| Exceptional restructuring costs | | **(2.8)** | (12.7) | (30.1) |
| Exceptional property costs | | **(2.1)** | — | — |
| **Total affecting operating profit** | | **(31.9)** | (39.0) | (98.0) |
| Exceptional profit on disposal of shares in subsidiary | | **—** | — | 0.3 |
| **Total affecting profit before tax** | | **(31.9)** | (39.0) | (97.7) |
| **Tax effect on items affecting profit before tax** | | | | |
| Deferred tax on amortisation of purchased intangible assets | | **4.1** | 4.3 | 9.4 |
| Tax effect on other items affecting profit before tax | | **1.5** | 3.8 | 11.9 |
| **Total tax effect on items affecting profit before tax** | | **5.6** | 8.1 | 21.3 |
| **Total charge to income statement** | | **(26.3)** | (30.9) | (76.4) |

Restructuring costs primarily comprise one-off redundancy costs arising from the cost saving programmes announced in July 2009 and May 2010. Property costs primarily comprise an impairment provision relating to a freehold building. In addition to the exceptional profit on disposal of shares in subsidiary shown above, a further £2.4m non-exceptional profit on disposal of shares in subsidiary arose in the first half of the year ended 31 March 2010.

## 5. Net finance costs

| | Notes | Six months ended 30 September 2010 £m | 2009 £m | Year ended 31 March 2010 £m |
|---|---|---|---|---|
| **Finance income** | | | | |
| Bank deposit and other interest | | **0.7** | 1.0 | 2.5 |
| Expected return on defined benefit pension scheme assets | | **7.4** | 6.0 | 11.8 |
| Fair value gains on investment income | | **—** | — | 0.6 |
| Investment income | | **0.1** | 0.2 | 0.3 |
| **Total finance income** | | **8.2** | 7.2 | 15.2 |
| **Finance costs** | | | | |
| Interest payable on bank and other borrowings | | **(23.0)** | (16.8) | (38.9) |
| Other finance costs | | **—** | (1.4) | (1.2) |
| Interest on discounted provision for leasehold properties | 16 | **(0.8)** | (0.6) | (1.2) |
| Defined benefit pension scheme interest cost | | **(7.1)** | (7.2) | (14.6) |
| **Total finance costs** | | **(30.9)** | (26.0) | (55.9) |
| **Net finance costs** | | **(22.7)** | (18.8) | (40.7) |

## 6. Taxation

| Taxation charged to the income statement | Six months ended 30 September 2010 £m | 2009 £m | Year ended 31 March 2010 £m |
|---|---|---|---|
| Current tax: | | | |
| UK corporation tax for the period at 28% | **19.8** | 12.4 | 27.8 |
| Overseas tax for the period | **24.8** | 22.3 | 37.4 |
| Adjustments in respect of previous years | **(1.7)** | (1.7) | (6.9) |
| | **42.9** | 33.0 | 58.3 |
| Deferred tax: | | | |
| Deferred tax for the period | **(2.1)** | 0.3 | 2.1 |
| Adjustments in respect of previous years | **1.4** | (0.5) | 1.6 |
| Rate change adjustment | **(0.1)** | — | — |
| Deferred tax liability on amortisation of purchased intangibles | **(4.1)** | (4.3) | (9.4) |
| **Taxation charge** | **38.0** | 28.5 | 52.6 |

| Taxation on items charged/(credited) to equity | Six months ended 30 September 2010 £m | 2009 £m | Year ended 31 March 2010 £m |
|---|---|---|---|
| Current tax credit: | | | |
| Tax allowance on share options/awards in excess of expense recognised | **—** | (0.6) | (0.4) |
| Deferred tax charge/(credit): | | | |
| Defined benefit pension scheme actuarial gain/(loss) | **2.9** | (2.1) | (0.5) |
| Tax allowance on share options/awards in excess of expense recognised | **—** | (0.8) | (0.6) |
| **Taxation charge/(credit)** | **2.9** | (3.5) | (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 28 per cent as explained below:

| | Six months ended 30 September 2010 £m | 2009 £m | Year ended 31 March 2010 £m |
|---|---|---|---|
| Profit before taxation | **100.2** | 79.4 | 144.3 |
| Profit multiplied by standard rate of corporation tax in the UK of 28% | **28.1** | 22.2 | 40.4 |
| Expenses not deductible/income not taxable | **2.6** | 2.2 | 2.6 |
| Share of joint venture consolidated at profit after tax | **(0.5)** | (0.3) | (0.5) |
| Overseas earnings taxed at higher rate | **4.8** | 3.8 | 9.7 |
| Adjustments in respect of previous years | **(0.3)** | (2.2) | (5.3) |
| Adjustment arising from change in UK tax rate | **(0.1)** | — | — |
| Amortisation of purchased intangible assets | **3.4** | 2.8 | 5.7 |
| **Taxation charge** | **38.0** | 28.5 | 52.6 |

The tax rate applied as at 30 September 2010 is the expected rate for the full financial year.

## 7. 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 the 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 and exceptional items to enable a better comparison of the underlying earnings of the business with prior periods.

| | **Six months ended 30 September** | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| **Basic earnings per share** | **23.2p** | 18.5p | 33.8p |
| **Diluted earnings per share** | **23.0p** | 18.4p | 33.5p |
| **Adjusted basic earnings per share** | **32.2p** | 29.0p | 60.1p |
| **Adjusted diluted earnings per share** | **32.0p** | 28.9p | 59.6p |
| | **£m** | £m | £m |
| **Profit for the financial period attributable to equity holders** | **62.2** | 49.3 | 90.4 |
| **Adjustments:** | | | |
| Amortisation of purchased intangible assets | **27.0** | 25.4 | 54.3 |
| Exceptional integration costs | **—** | 0.9 | 13.6 |
| Exceptional restructuring costs | **2.8** | 12.7 | 30.1 |
| Exceptional property costs | **2.1** | — | — |
| Exceptional profit on disposal of subsidiary | **—** | — | (0.3) |
| Tax effect of amortisation and exceptional items and tax exceptional items | **(5.6)** | (8.1) | (21.3) |
| Exceptional items, amortisation and taxation attributable to minority shareholders | **(2.1)** | (2.6) | (6.0) |
| **Adjusted profit for the financial period attributable to equity holders** | **86.4** | 77.6 | 160.8 |
| **Weighted average number of shares – million** | **268.3** | 267.1 | 267.6 |
| Effect of dilutive share options and awards - million | **2.0** | 1.2 | 2.4 |
| **Diluted weighted average number of shares - million** | **270.3** | 268.3 | 270.0 |

The weighted average number of shares excludes those held in the ESOP.

## 8. Dividends

| | **Six months ended 30 September** | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| Final dividend for 2009 paid August 2009: 16.0p per Ordinary share | **—** | 42.7 | 42.7 |
| Interim dividend for 2010 paid January 2010: 8.4p per Ordinary share | **—** | — | 22.5 |
| Final dividend for 2010 paid August 2010: 16.0p per Ordinary share | **42.9** | — | — |
| **Total dividends** | **42.9** | 42.7 | 65.2 |

An interim dividend relating to the six months ended 30 September 2010 of 8.8p, amounting to an estimated £23.7m, has been declared by the Board.

This interim dividend, which is due to be paid in January 2011, is not reflected in this financial information.

## 9. Intangible assets

| | Goodwill £m | Purchased intangible assets: Customer and supplier relationships £m | Purchased intangible assets: Brands £m | Purchased intangible assets: Software, licences and intellectual property £m | Software £m | Total £m |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| 1 April 2009 | 1,253.3 | 721.6 | 11.2 | 113.1 | 165.3 | 2,264.5 |
| Additions | — | — | — | — | 15.4 | 15.4 |
| Disposals | (0.3) | — | — | — | — | (0.3) |
| Foreign exchange | (16.5) | (9.5) | (0.2) | (1.5) | (0.2) | (27.9) |
| 30 September 2009 | 1,236.5 | 712.1 | 11.0 | 111.6 | 180.5 | 2,251.7 |
| Additions | — | | | | 14.9 | 14.9 |
| Acquisition of subsidiaries | 10.2 | 4.1 | 0.3 | 12.9 | 2.0 | 29.5 |
| Disposals | (0.4) | — | — | — | — | (0.4) |
| Foreign exchange | (28.5) | (16.9) | (0.2) | (1.3) | (0.3) | (47.2) |
| 31 March 2010 | 1,217.8 | 699.3 | 11.1 | 123.2 | 197.1 | 2,248.5 |
| Additions | — | — | — | — | 11.0 | 11.0 |
| Acquisition of subsidiaries | 0.3 | — | — | — | — | 0.3 |
| Disposals | — | — | — | — | (1.1) | (1.1) |
| Foreign exchange | (34.2) | (20.0) | (0.3) | (3.8) | (0.5) | (58.8) |
| **30 September 2010** | **1,183.9** | **679.3** | **10.8** | **119.4** | **206.5** | **2,199.9** |
| Amortisation and accumulated impairment: | | | | | | |
| 1 April 2009 | 505.1 | 49.2 | 1.7 | 31.2 | 92.4 | 679.6 |
| Amortisation charge for the period | — | 15.3 | 0.5 | 9.6 | 27.7 | 53.1 |
| Foreign Exchange | (6.4) | 0.3 | — | (0.4) | (0.1) | (6.6) |
| 30 September 2009 | 498.7 | 64.8 | 2.2 | 40.4 | 120.0 | 726.1 |
| Amortisation charge for the period | — | 16.0 | 0.6 | 12.3 | 22.9 | 51.8 |
| Foreign exchange | (11.1) | (1.3) | — | (1.0) | (0.1) | (13.5) |
| 31 March 2010 | 487.6 | 79.5 | 2.8 | 51.7 | 142.8 | 764.4 |
| Amortisation charge for the period | — | 15.4 | 0.5 | 11.1 | 19.2 | 46.2 |
| Disposals | — | — | — | — | (1.1) | (1.1) |
| Foreign exchange | (13.1) | (2.0) | (0.1) | (2.0) | (0.5) | (17.7) |
| **30 September 2010** | **474.5** | **92.9** | **3.2** | **60.8** | **160.4** | **791.8** |
| Net book values: | | | | | | |
| **30 September 2010** | **709.4** | **586.4** | **7.6** | **58.6** | **46.1** | **1,408.1** |
| 31 March 2010 | 730.2 | 619.8 | 8.3 | 71.5 | 54.3 | 1,484.1 |
| 30 September 2009 | 737.8 | 647.3 | 8.8 | 71.2 | 60.5 | 1,525.6 |

The fair values of 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 primarily represents the growth potential of the assembled workforces of the Borsa Italiana group, MillenniumIT and Turquoise.

During the period the Group acquired 95.6 per cent of the ordinary shares it did not own of Pro Mac S.p.A., taking its shareholding to 99.6 per cent, for a gross consideration of £4.8m resulting in preliminary goodwill of £0.3m being recognised in the interim financial statements. Consideration net of cash and marketable securities acquired was £0.5m.

### 10. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group. The 'Other plans' referred to below relate to the unfunded severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group in accordance with Italian law and the employee benefit and retirement plan operated by MillenniumIT.

| | 30 September | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| **Defined benefit assets/(obligations) for UK pension scheme** | **£m** | £m | £m |
| Fair value of assets | **284.1** | 255.2 | 269.0 |
| Present value of funded obligations | **(268.3)** | (255.4) | (264.4) |
| **Surplus/(deficit)** | **15.8** | (0.2) | 4.6 |

**Movement in defined benefit net asset/(liability) during the period (UK Pension)**

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| At beginning of period | **4.6** | 5.0 | 5.0 |
| Current service cost | **(0.4)** | (0.4) | (0.7) |
| Net finance income/(cost) | **0.3** | (1.2) | (2.5) |
| Contributions paid | **0.7** | 3.2 | 3.8 |
| Curtailment | **—** | 0.8 | 0.8 |
| Actuarial gain/(loss) | **10.6** | (7.6) | (1.8) |
| **At end of period** | **15.8** | (0.2) | 4.6 |

**Movement in defined benefit liability during the period (Other plans)**

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| At beginning of period | **7.3** | 8.3 | 8.3 |
| Obligations arising from acquisition | **—** | — | 0.6 |
| Reclassification from other payables | **—** | — | 0.6 |
| Current service cost | **1.2** | — | 0.1 |
| Interest cost | **—** | 0.2 | 0.3 |
| Benefits paid | **(1.5)** | (1.1) | (2.5) |
| Actuarial gain | **—** | (0.1) | — |
| Exchange differences | **(0.4)** | (0.1) | (0.1) |
| **At end of period** | **6.6** | 7.2 | 7.3 |

**The main actuarial assumptions are set out below:**

| | Six months ended 30 September 2010 | | Six months ended 30 September 2009 | | Year ended 31 March 2010 | |
|---|---|---|---|---|---|---|
| | **UK Pension** | **Other plans** | **UK Pension** | **Other plans** | **UK Pension** | **Other plans** |
| Inflation assumption | **3.2%** | **2.0%** | 3.2% | 2.0% | 3.7% | 2.0% |
| Rate of increase in salaries | **4.7%** | **3.5%** | 5.2% | 3.5% | 5.2% | 3.5% |
| Rate of increase in pensions in payment | **3.5%** | **3.0%** | 3.8% | 3.0% | 4.0% | 3.0% |
| Discount rate | **5.0%** | **4.1%** | 5.5% | 4.4% | 5.5% | 4.1% |
| Expected return on assets | | | | | | |
| - equities | **7.6%** | **—** | 8.2% | — | 7.6% | — |
| - bonds | **5.2%** | **—** | 5.4% | — | 5.2% | — |
| - property | **6.7%** | **—** | 7.2% | — | 6.7% | — |
| Life expectancy from age 60 (Years) | | | | | | |
| - Non retired male member | **27.7** | **—** | 27.6 | — | 27.7 | — |
| - Non retired female member | **30.5** | **—** | 30.4 | — | 30.5 | — |
| - Retired male member | **26.1** | **—** | 26.0 | — | 26.1 | — |
| - Retired female member | **29.0** | **—** | 28.9 | — | 29.0 | — |

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. The S1NA base data is derived from pension scheme data from 2000 to 2006.

### 11. Trade and other receivables

| | 30 September | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| **Current** | | | |
| Trade receivables | **64.2** | 67.0 | 78.0 |
| Other receivables | **4.1** | 5.8 | 5.7 |
| Prepayments and accrued income | **48.8** | 53.3 | 48.5 |
| **Total trade and other receivables** | **117.1** | 126.1 | 132.2 |

### 12. Trade and other payables

| | 30 September | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| Trade payables | **17.0** | 12.1 | 15.1 |
| Social security and other taxes | **3.3** | 9.6 | 20.1 |
| Other payables | **21.4** | 28.5 | 25.4 |
| Accruals and deferred income | **100.9** | 97.3 | 76.5 |
| **Total trade and other payables** | **142.6** | 147.5 | 137.1 |

## 13. Financial instruments by category

The financial instruments of the Group are categorised as follows:

| | 30 September | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| **Assets as per balance sheet** | | | |
| Financial assets of the CCP clearing business | | | |
| - CCP trading assets | **5,605.4** | 6,270.2 | 5,467.9 |
| - Receivables for repurchase transactions | **94,574.4** | 39,651.0 | 72,687.0 |
| - Other receivables from clearing members | **2,993.0** | 1,296.3 | 1,489.8 |
| - Financial assets held at fair value | **8.6** | 9.4 | 24.6 |
| - Cash and cash equivalents from clearing members | **5,071.3** | 4,727.8 | 4,580.7 |
| Financial assets of the CCP clearing business | **108,252.7** | 51,954.7 | 84,250.0 |
| Assets held at fair value | **7.3** | 4.2 | 9.5 |
| **Total financial assets of the CCP clearing business** | **108,260.0** | 51,958.9 | 84,259.5 |
| Trade and other receivables | **117.1** | 126.1 | 132.2 |
| Derivative financial instruments | **0.8** | 0.4 | 0.6 |
| Cash and cash equivalents | **193.9** | 169.5 | 223.1 |
| Available for sale financial assets | **0.4** | 0.4 | 0.4 |
| **Total** | **108,572.2** | 52,255.3 | 84,615.8 |
| **Liabilities as per balance sheet** | | | |
| Financial liabilities of the CCP clearing business | | | |
| - CCP trading liabilities | **5,605.4** | 6,270.2 | 5,467.9 |
| - Liabilities under repurchase transactions | **94,575.2** | 39,651.0 | 72,687.0 |
| - Other payables to clearing members | **8,063.5** | 6,024.3 | 6,078.3 |
| - Financial liabilities held at fair value | **8.2** | 9.4 | 24.3 |
| **Total financial liabilities of the CCP clearing business** | **108,252.3** | 51,954.9 | 84,257.5 |
| Borrowings | **499.7** | 608.3 | 606.7 |
| Derivative financial instruments | **11.7** | 17.9 | 19.0 |
| **Total** | **108,763.7** | 52,581.1 | 84,883.2 |

## 14. Borrowings

| | 30 September | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| **Current** | | | |
| Bank borrowings | **0.7** | – | 0.9 |
| **Total** | **0.7** | – | 0.9 |
| **Non-current** | | | |
| Bonds | **499.6** | 499.7 | 499.6 |
| Bank borrowings | **(0.6)** | 108.6 | 106.2 |
| **Total** | **499.0** | 608.3 | 605.8 |

£0.6m non-current bank borrowings as at 30 September 2010 relate to the arrangement fees incurred in obtaining the Group's banking facilities, which have been capitalised.

The Group had the following unsecured notes and bank facilities at 30 September 2010:

| Type | Expiry Date | Notes/ Facility £m | Drawn value £m | Interest rate % |
|---|---|---|---|---|
| Multi-currency revolving credit facility | October 2011 | 25.0 | — | LIBOR + 0.8 |
| Multi-currency revolving credit facility | February 2012 | 200.0 | — | LIBOR + 1.25 |
| Multi-currency revolving credit facility | July 2013 | 250.0 | — | LIBOR + 0.8 |
| Capitalised bank facility arrangement fees | | — | (0.6) | |
| Total Bank facilities | | 475.0 | (0.6) | |
| Notes due July 2016 | July 2016 | 250.0 | 252.2 | 6.125 |
| Notes due October 2019 | October 2019 | 250.0 | 247.4 | 9.125 |
| Total Bonds | | 500.0 | 499.6 | |
| **Total Debt** | | **975.0** | **499.0** | |

Cassa di Compensazione e Garanzia S.p.A. ("CC&G") has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian Government Bonds. CC&G also has available to it €125m of committed facilities with banks for short term CCP related activity purposes only.

## 15. Analysis of net debt

| | **30 September** | | 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| **Due within one year** | | | |
| Cash and cash equivalents | **193.9** | 169.5 | 223.1 |
| Bank borrowings | **(0.7)** | — | (0.9) |
| Derivative financial assets | **0.8** | 0.4 | 0.6 |
| Derivative financial liabilities | **—** | (2.0) | (2.7) |
| | **194.0** | 167.9 | 220.1 |
| **Due after one year** | | | |
| Bank borrowings | **0.6** | (108.6) | (106.2) |
| Bonds | **(499.6)** | (499.7) | (499.6) |
| Derivative financial liabilities | **(11.7)** | (15.9) | (16.3) |
| **Total net debt** | **(316.7)** | (456.3) | (402.0) |

**Reconciliation of net cash flow to movement in net debt**

| | **Six months ended 30 September** | | Year ended 31 March |
|---|---|---|---|
| | **2010 £m** | 2009 £m | 2010 £m |
| **(Decrease)/increase in cash in the period** | **(25.3)** | 26.8 | 82.5 |
| Bond issue – notes due 2019 | **—** | — | (248.9) |
| Bank loan repayments less new drawings | **103.9** | 9.0 | 257.3 |
| B share redemptions | **—** | 2.3 | 2.3 |
| Other repayments | **—** | 0.8 | — |
| **Change in net debt resulting from cash flows** | **78.6** | 38.9 | 93.2 |
| | | | |
| Foreign exchange movements | **(0.8)** | 3.0 | 3.2 |
| Movement on derivative financial assets and liabilities | **7.5** | (15.9) | (16.8) |
| Bond revaluation | **—** | 0.2 | 0.5 |
| Other non-cash movement | **—** | 0.2 | 0.6 |
| Net debt at the start of the period | **(402.0)** | (482.7) | (482.7) |
| **Net debt at the end of the period** | **(316.7)** | (456.3) | (402.0) |

## 16. Provisions

| | Property £m |
|---|---|
| 1 April 2009 | 26.7 |
| Utilised during the period | (1.6) |
| Interest on discounted provision | 0.6 |
| 30 September 2009 | 25.7 |
| Charges during the period | 9.2 |
| Utilised during the period | (1.6) |
| Interest on discounted provision | 0.6 |
| 31 March 2010 | 33.9 |
| Utilised during the period | (2.1) |
| Interest on discounted provision | 0.8 |
| **30 September 2010** | **32.6** |
| Current | 3.6 |
| Non-current | 29.0 |
| | **32.6** |

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 2 and 18 years to expiry.

## 17. Net cash flow generated from operations

| | **Six months ended 30 September** | | Year ended 31 March |
|---|---|---|---|
| | **2010** | 2009 | 2010 |
| | **£m** | £m | £m |
| Profit before taxation | **100.2** | 79.4 | 144.3 |
| Depreciation and amortisation | **57.7** | 61.5 | 123.0 |
| (Gain)/loss on disposal of property, plant and equipment | **(0.4)** | – | 2.3 |
| Profit on disposal of shares in subsidiary | **–** | (2.4) | (2.7) |
| Net finance expense | **22.7** | 18.8 | 40.7 |
| Share of profit after tax of joint venture | **(1.6)** | (1.0) | (1.6) |
| Increase in inventories | **–** | – | (1.1) |
| Decrease/(increase) in trade and other receivables | **14.4** | 7.4 | (15.5) |
| Increase/(decrease) in trade and other payables | **4.6** | (0.6) | 8.7 |
| Increase in CCP financial assets | **(25,175.3)** | (16,280.2) | (49,495.8) |
| Increase in CCP clearing business liabilities | **25,168.1** | 16,275.7 | 49,498.8 |
| Defined benefit pension obligation - contributions in excess of expenses charged | **(0.9)** | (2.6) | (4.9) |
| Provisions utilised during the period | **(2.1)** | (1.6) | (3.2) |
| Provisions created during the period | **–** | – | 9.2 |
| Decrease/(increase) in assets held at fair value from operating activities | **1.6** | 0.8 | (4.6) |
| Share scheme expense | **2.4** | 1.3 | 3.5 |
| Foreign exchange gains/(losses) on operating activities | **2.2** | (1.3) | 0.1 |
| **Cash generated from operations** | **193.6** | 155.2 | 301.2 |
| Comprising: | | | |
| Ongoing operating activities | **200.3** | 161.9 | 325.0 |
| Exceptional items | **(6.7)** | (6.7) | (23.8) |
| | **193.6** | 155.2 | 301.2 |

**18. Transactions with related parties**

Royalties received from FTSE were £5.3m (September 2009: £4.5m, March 2010: £9.6m) while dividends received were £1.2m (September 2009: £0.8m, March 2010: £2.3m).

The nature and contractual terms of key management compensation and inter-company transactions with subsidiary undertakings during the period are consistent with the disclosures in Note 36 of the Annual Report for the year ended 31 March 2010.

**19. Commitments and contingencies**

Contracted capital commitments and other contracted commitments not provided for in the Interim Report of the Group were £11.1m (September 2009: £5.7m) of which £1.7m (September 2009: £0.2m) related to commitments of joint ventures.

The Group is fully funding the cash needs of Turquoise, within an agreed framework, for the first 24 months from acquisition in February 2010.

**20. Post balance sheet event**

MTS S.p.A. has initiated a process to purchase the remaining 77.5 per cent of MTS France SA that it does not own. In the period between 27 October and 18 November 2010 it had successfully purchased 67.0 per cent of the ordinary share capital of MTS France SA, taking its shareholding from 22.5 per cent to 89.5 per cent. As at 30 September 2010, MTS France SA had net assets of €2.4m of which €2.2m was cash. Initial cash consideration of €1.1m was paid in relation to the acquisition of 67.0 per cent of the shares, although there is €0.4m of contingent consideration.

**Principal Risks**

The Group's risk management processes bring greater judgement to decision making as they allow management to make better, more informed and more consistent decisions based on a clear understanding of the risks involved. We regularly review the risk assessment and monitoring process as part of our commitment to continually improve the quality of decision-making across the Group.

The Group's principal risks and uncertainties and its internal control policies are consistent with those set out on pages 32 to 35 of its Annual Report for the year ended 31 March 2010.

The principal risks and uncertainties which may affect the Group in the second half of the financial year include the following specific risks:

The Group is reliant on the successful delivery and performance of technology, particularly the equity trading platform being rolled out within the Group. If expected performance levels and agreed timescales are not met, especially in relation to the MillenniumIT developed trading platform, this could have adverse consequences for revenue and revenue growth, as well as increased costs, and may damage our reputation, competitiveness and the goodwill of our clients.

The substantial focus on the securities markets following the global economic crisis and the broadening of the regulatory agenda could lead to significant changes in our regulatory environment, some of which may reduce our profitability and market share, whilst others may bring new growth opportunities. The increasing scope and scrutiny of the regulators has required that our strategic planning takes into account the uncertain environment within which we operate and that our plans remain flexible.

Economic conditions remain variable and the outlook remains uncertain. This could impact our business in a number of areas, with market conditions uncertain for new listings, equity trading volumes remaining relatively low against historic levels and the possibility of further reductions in headcount in the financial services industry which may impact our Information Services business.

Competition for UK and Italian equities trading is expected to remain strong, as our business continues to be reliant on a relatively small number of clients who also maintain close relationships with our primary competitors and may be direct competitors in their own right as market providers. This may lead to further strain on both our market share and pricing.

**Going Concern**

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to market risk, credit risk and liquidity risk are discussed on pages 68 to 72 of the Annual Report for the Group for the year ended 31 March 2010.

**Directors**

The directors of London Stock Exchange Group plc are listed in its Annual Report for the year ended 31 March 2010. On 4 June 2010, Gay Huey Evans and Paul Heiden joined the Board as non-executive directors and Raffaele Jerusalmi became an executive director. Oscar Fanjul and Nigel Stapleton stood down from the Board on 14 July 2010. On 27 September 2010, Angelo Tantazzi, Deputy Chairman, stepped down from the Board, Paolo Scaroni, non-executive director since 2007, replaced him as non-executive Deputy Chairman, and Massimo Tononi joined the Board as a non-executive director.

A list of current directors is maintained and is available for inspection at the Company's registered office located at 10 Paternoster Square, London EC4M 7LS.

**Statement of Directors' responsibilities**

The directors confirm that, to the best of their knowledge, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by the Financial Services Authority's Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Interim Report, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board

**Xavier Rolet**
Chief Executive

**Doug Webb**
Chief Financial Officer

18 November 2010

**INDEPENDENT REVIEW REPORT TO LONDON STOCK EXCHANGE GROUP PLC**

**Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2010, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

**Directors' responsibilities**

The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Interim Report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**PricewaterhouseCoopers LLP**
Chartered Accountants
18 November 2010
London