19 May 2005

LONDON STOCK EXCHANGE PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2005

Highlights:

- Turnover up four per cent to £259.7 million
- Operating profit before exceptional items and goodwill amortisation down one per cent to £82.0 million and down ten per cent including exceptional items and goodwill to £73.2 million
- Profit before tax up slightly to £89.1 million, including profit on disposal of Tower of £7.2m
- Basic earnings per share up seven per cent to 23.1 pence and adjusted basic earnings per share up 11 per cent to 23.5 pence
- Final dividend of 5.0 pence per share bringing the total dividend for the year to 7.0 pence per share, up 46 per cent

Commenting on the results, Chris Gibson-Smith, Chairman of London Stock Exchange, said:

"The Exchange benefited from successful new initiatives and improving market conditions, with a four per cent growth in turnover and 11 per cent increase in adjusted basic earnings per share. We are pleased to raise the final dividend to 5.0 pence per share, which gives a 46 per cent lift in total dividend per share, reflecting the Board's confidence in the business.

"Although we have been engaged in discussions regarding possible offers for the Company and await the findings of the Competition Commission, we nevertheless remain focused on the operational performance of our business and are confident the Exchange is well placed for the future."

Clara Furse, Chief Executive of the Exchange, said:

"Our performance reflects improvement in each of our core business areas: an uplift in new issue activity, continued strong trading volumes on the SETS electronic order book and an increase in the number of professional terminals taking Exchange data. The continuation of these positive trends in our business provides encouragement for the year ahead."

Further information is available from:

London Stock Exchange	John Wallace - Media	020 7797 1222
	Paul Froud - Investor Relations	020 7797 3322
	Lyndal Kennedy - Investor Relations	020 7797 3322
Finsbury	James Murgatroyd	020 7251 3801
	Melanie Gerlis	020 7251 3801

Financial results

Gross turnover for the year ended 31 March 2005 increased four per cent to £259.7 million (2004: £250.4 million), while net turnover rose three per cent to £244.4 million (2004: £237.0 million). All core business areas performed well though revenue in Issuer Services was affected by reductions in tariffs. Administrative expenses excluding exceptional items rose six per cent to £164.4 million (2004: £155.8 million) mainly reflecting expected cost increases from higher depreciation. In addition, exceptional costs of £6.8 million were incurred for advisors' fees in respect of potential offers for the Company received in the second half of the year.

Operating profit excluding exceptional costs and goodwill amortisation reduced one per cent to £82.0 million (2004: £82.9 million) and decreased ten per cent to £73.2 million including exceptional costs and goodwill amortisation (2004: £81.3 million).

Net interest receivable during the year was £7.0 million. Following the disposal of the Tower, an exceptional gain of £7.2 million was recognised, contributing to an increase in profit before tax to £89.1 million (2004: £88.8 million).

Basic earnings per share increased seven per cent to 23.1 pence per share (2004: 21.6 pence per share). Adjusted basic earnings per share, excluding exceptional items and goodwill amortisation, rose 11 per cent to 23.5 pence per share (2004: 21.2 pence per share). Following the share consolidation in July 2004 associated with the special dividend paid in August 2004, the weighted average number of shares decreased in the year from 293.0 million to 269.0 million.

Cash flows for the year from operating activities, before exceptional items, were £100.9 million (2004: £105.4 million). Cash outflow of £105.7 million (2004: inflow £8.7 million) includes payment of the special dividend of £162.5 million and capital expenditure of £40.8 million (2004: £54.2 million), of which £15.2 million was for completion of the fit out and move to Paternoster Square. At 31 March 2005, cash balances were £124.4 million (2004: £227.9 million).

Issuer Services

Issuer Services' turnover decreased nine per cent to £35.2 million (2004: £38.5 million), representing 14 per cent of total turnover for the year (2004: 15 per cent). The decrease reflects the effects of changes to tariffs for both our Main Market and AIM, partly offset by significantly increased new issue activity on both markets.

As at 31 March 2005, the total number of companies on our markets increased to 2,916 (2004: 2,693). Annual fee income, the revenue the Exchange receives from companies on its markets, contributed 49 per cent of Issuer Services' turnover (2004: 56 per cent).

Total new issues on the Exchange's markets more than doubled to 514 (2004: 236) including 366 IPOs (2004: 117). Over the year, new and further issues together raised £18.0 billion (2004: £21.0 billion). The Exchange was once again the leading European exchange in attracting companies to its markets, accounting for 80 per cent of the IPOs in Western Europe (2004: 85 per cent).

Growth in Main Market new issues was strong, increasing over 90 per cent to 82 (2004: 43), reflecting a pick up in activity in the second half of the year with 52 new issues (H1 2005: 30). The number of international new issues, at 13, was nearly double the number last year (2004: 7), including high profile listings from China, Russia, India and Korea. To reinforce its commitment to the region, the Exchange opened an Asia-Pacific office in Hong Kong in October.

AIM, our international market for smaller, growing companies, enjoyed a record year. The total number of companies traded on AIM rose 42 per cent during the year to 1,127 as at 31 March 2005 (2004: 792), including 134 international companies. New issues on AIM rose by more than 120 per cent to 432 (2004: 193) of which 74 were overseas listings. To further enhance AIM's profile and attractiveness, new AIM indices were launched in May 2005 which will help increase research coverage and institutional investment in this market.

Broker Services

Turnover for the Broker Services division increased six per cent to £99.8 million (2004: £94.1 million), contributing 38 per cent of total turnover (2004: 38 per cent). Another year of strong performance reflects the continued success of SETS, our electronic order book, which accounted for approximately 66 per cent of Broker Services' revenue for the year (2004: 64 per cent).

The total number of equity bargains for the year ended 31 March 2005 rose 15 per cent to 67.9 million (2004: 59.3 million), a daily average of 271,000 (2004: 234,000). Over the same period, the number of SETS bargains rose to a total of 42.8 million (2004: 34.7 million), reflecting a 24 per cent increase to an average 170,000 bargains per day (2004: 137,000). Performance in the last quarter of the year was particularly strong, seeing successive record trading months, with a record daily average 207,000 SETS bargains in March.

The total value of equity bargains for the year increased 15 per cent to £4.7 trillion (2004: £4.1 trillion), attributable to the increase in order book trading and a rise in number of international bargains which grew to 52,000 bargains per day (2004: 40,000). The total value of off book bargains also increased although the average number of off book bargains reduced 16 per cent to 48,000 (2004: 57,000).

The continued strong growth on SETS was partly attributable to the success of SETSmm which trades mid-cap securities on a hybrid market structure. In its first full year of operation, SETSmm traded an average 16,000 bargains per day (five months ended 31 March 2004: 9,000). The success of SETSmm in improving liquidity and reducing trading costs has led to the next stage of development, the addition of further securities to the trading platform. The first tranche of up to 200 Small Cap securities is planned for introduction in July 2005. Also contributing to the growth of trading on SETS was the introduction, effective from 1 April 2004, of a new discount scheme which provides progressive discounts for member firms trading above certain monthly volume levels on SETS.

Partly offsetting the benefit of increased numbers of SETS bargains was a further decline in the average value of a SETS bargain, down 5 per cent to £21,000 (2004: £22,000).

The trading service for liquid Dutch securities was launched in May 2004. This service provides the efficiency and reliability of the UK SETS platform and uses the existing post trade clearing and settlement infrastructure for the Dutch market. Although we have received some encouraging feedback, with an average market share of less than two per cent since launch we will need to see increased levels of trading to meet our expectations for this service.

Information Services

Information Services' turnover rose nine per cent to £110.3 million (2004: £101.0 million), accounting for 42 per cent of total turnover (2004: 40 per cent). This good growth was primarily attributable to the new SEDOL Masterfile service and rising turnover from Proquote and FTSE International.

As at 31 March 2005, the number of terminals taking the Exchange's real time market data increased six per cent to 95,000 (2004: 90,000). Of this total, approximately 83,000 terminals (2004: 80,000) were attributable to professional users which, as noted at Q3, represents the first increase by this market segment for over three years. The 2,000 increase in private terminals to 12,000 at the financial year end also provides an encouraging sign of improvement in this market.

SEDOL Masterfile, which provides unique identification for a range of global tradable instruments, has enjoyed a good start since launch in March 2004. Over 1,000 licences have been taken for the use of this service and the number of instruments has grown from 250,000 to 450,000. The success of SEDOL Masterfile should continue with a further extension of instruments and geographic areas covered by this service and plans for carrying other security identification codes to allow easier cross referencing of data.

Proquote, the Exchange's provider of financial market software and data, continued to make progress, increasing the number of installed screens at year end by 50 per cent to 2,700 (2004: 1,800). Contributing to this increase has been the success in signing up new group contracts and the enhancements to functionality and the range of data.

RNS, the Exchange's financial communications service, achieved another satisfactory performance, contributing £7.5 million to turnover (2004: £7.2 million). RNS remains the market leader in the highly competitive UK regulatory news distribution market, with over 90 companies in the FTSE 100 continuing to use RNS to release regulatory announcements.

FTSE, the joint venture indices business, increased turnover by 15 per cent to £15.3 million (2004: £13.3 million), continuing an unbroken record of growth since launch nine years ago. This result reflects continued sales of Global and UK Equity Index Series products and contributions from new asset classes such as FTSE Hedge and FTSE Global Bonds.

The Exchange's Technology Roadmap, a programme to fundamentally refresh its technology systems and operations, has made good progress. Substantial preparation work has been completed for the next stage of the project - Infolect, the new delivery system for Information Services. The new Infolect system will be launched in Q2 financial year 2005/06, providing greater capacity and faster delivery of real-time market data. When completed by the end of 2006, with customer deployment of the trading platform in 2007, the Technology Roadmap will provide a multi-product capable, flexible and scalable technology platform that will increase current capabilities and capacity, enable new products to be developed more cost effectively and reduce overall profit and loss technology costs.

Derivatives Services

Derivatives Services contributed £6.8 million to turnover (2004: £6.1 million for the nine months ended 31 March 2004), representing three per cent of total revenue.

EDX London, our 76 per cent owned equity derivatives business, traded a total of 18.3 million contracts (2004: 13.7 million for nine months ended 31 March 2004) and during the year added Finnish derivatives to the products offered by the other Scandinavian exchanges linked to EDX. Development of services to improve efficiencies in over the counter (OTC) derivatives trading took further shape, with customer testing of our new OTC clearing service taking place.

Trading in the covered warrants market continued to improve over the year, with an increase in the number of brokers offering to trade these products.

International Financial Reporting Standards (IFRS)

The key changes arising from the introduction of IFRS, which takes effect from the 2005/06 financial year, are in respect of goodwill amortisation, pensions, share-based payments, lease rentals, property depreciation and dividends. In April we disclosed a restatement of our 2003/04 results under IFRS in order to give an indication of the impact of IFRS on the Exchange.

Alongside the UK GAAP results announced today, we are providing an indication of the unaudited impact of IFRS on our 2004/05 results, as follows:

- profit before tax under IFRS would have been £92.2 million, three per cent higher than £89.1 million under UK GAAP;

- IFRS basic earnings per share would have been 24.2 pence, compared with UK GAAP basic earnings per share of 23.1 pence, five per cent higher; and

- adjusted basic earnings per share, before goodwill amortisation and exceptional items, would have been 24.2 pence under IFRS, three per cent higher than 23.5 pence per share under UK GAAP.

Net assets as at 31 March 2005 would have been £236.3 million under IFRS, six per cent lower compared with £251.6 million under UK GAAP, in part reflecting the company's decision on transition to IFRS to fully recognise the defined benefit pension deficit in reserves and restate retained freehold properties to fair value.

A restatement of the 2004/05 results on an IFRS basis will be provided at a later date, before the Interim Results announcement, in order to provide comparative financial information for the 2005/06 financial year.

The IFRS financial information provided has been prepared on the basis of current IFRS standards and interpretations issued by the IASB. These are subject to ongoing amendment by the IASB and subsequent endorsement by the EU and could therefore change. As a result, the comparative amounts reported for 2004/05 in the 2005/06 financial statements may vary from those included above.

Dividend

Following approval at the AGM in July 2004, £162.5 million was returned to shareholders by way of a special dividend of 55 pence per share, reflecting good cash flows in recent years and anticipated receipt of proceeds from the disposal of the Tower. This return was accompanied by a consolidation of six new shares for every seven shares in issue at that time.

In terms of ordinary dividends, the Board remains committed to a progressive dividend policy and, reflecting confidence in the business, the Directors propose a final dividend of 5.0 pence per share to those shareholders on the register on 22 July 2005, for payment on 15 August 2005. Together with the interim dividend of 2.0 pence per share paid in January 2005, this takes the total dividend for the year to 7.0 pence per share (2004: 4.8 pence per share), an increase of 46 per cent.

Current trading and prospects

Since 31 March 2005, trading conditions have remained positive, with a continuation of the trends seen particularly in the second half of the last financial year:

- new issue activity on both the Main Market and AIM remains good;

- trading volumes on SETS have continued strongly, averaging over 200,000 bargains per day in April; and

- professional terminals have increased since the financial year end.

This good momentum in our main business areas gives encouragement for the year ahead. Although we await the outcome of the current Competition Commission review of the possible approaches for the Exchange, we nevertheless remain focused on the operational performance of the business and the Board is confident the Exchange is well positioned for the future.

Further information

The Exchange will also host a presentation of its Preliminary Results for analysts and institutional shareholders today at 09:30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast which can be viewed at www.londonstockexchange-ir.com. For further information, please call the Exchange's Investor Relations department at 020 7797 3322.

The Exchange will also hold a presentation of its Preliminary Results for members of the press today at 11:30am at 10 Paternoster Square, London EC4M 7LS. For further information, please call the Exchange's Press Office at 020 7797 1222.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2005

		Notes	2005 £m	2004 £m As restated (see note 1)
Continuing operations				
Turnover				
Group and share of joint venture			**259.7**	250.4
Less: share of joint venture's turnover			**(15.3)**	(13.3)
Net turnover		2	**244.4**	237.1
Administrative expenses	- Operating costs		**(164.4)**	(155.8)
	- Exceptional items	3	**(6.8)**	-
			(171.2)	(155.8)
Operating profit	- Before exceptional items and goodwill amortisation		**82.0**	82.9
	- Before exceptional items		**80.0**	81.3
	- After exceptional items and goodwill amortisation		**73.2**	81.3
Share of operating profit of joint venture and income from other fixed asset investments			**1.7**	1.4
Total operating profit – Group and share of joint venture			**74.9**	82.7
Profit on disposal of Stock Exchange Tower		3	**7.2**	-
Net interest receivable		4	**7.0**	6.1
Profit on ordinary activities before taxation			**89.1**	88.8
Taxation on profit on ordinary activities		5	**(27.6)**	(25.7)
Profit on ordinary activities after taxation			**61.5**	63.1
Minority interests			**0.7**	0.3
Profit for the financial year			**62.2**	63.4
Dividends		6	**(180.2)**	(14.1)
Transfer (from)/to reserves for the financial year			**(118.0)**	49.3

Basic earnings per share	7	**23.1p**	21.6p
Diluted earnings per share	7	**22.9p**	21.4p
Adjusted basic earnings per share	7	**23.5p**	21.2p
Dividend per share (excludes special dividend)		**7.0p**	4.8p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	**62.2**	63.4
Other recognised gains and losses for the financial year		
Prior year adjustment (see note 1)	**(0.6)**	-
Total gains and losses recognised since last Annual Report	**61.6**	63.4

BALANCE SHEET
31 March 2005

	Notes	Group 2005 £m	Group 2004 £m As restated (see note 1)
Fixed assets			
Intangible assets	8	**27.5**	24.3
Tangible assets	9	**114.9**	168.3
		142.4	192.6
Investments			
Investments in joint venture:			
Share of gross assets		**12.6**	10.5
Share of gross liabilities		**(11.0)**	(9.0)
		1.6	1.5
Other investments		**0.4**	0.4
		2.0	1.9
		144.4	194.5
Current assets			
Debtors	10	**98.4**	61.1
Investments - term deposits		**119.5**	223.0
Cash at bank		**4.9**	4.9
		222.8	289.0
Creditors - amounts falling due within one year		**75.1**	78.9
Net current assets		**147.7**	210.1
Total assets less current liabilities		**292.1**	404.6
Creditors – amounts falling due after more than one year		**0.5**	0.5
Provisions for liabilities and charges	11	**40.0**	38.4
Net assets		**251.6**	365.7
Capital and reserves			
Called up share capital		**14.9**	14.9
Reserves			
Revaluation reserve		**2.2**	42.1
Profit and loss account		**233.6**	307.7
Equity shareholders' funds	12	**250.7**	364.7
Equity minority interest		**0.9**	1.0
Total shareholders' funds		**251.6**	365.7

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2005

	Notes	2005 £m	2004 £m As restated (see note 1)
Net cash inflow from operating activities:			
- Ongoing operating activities	13(i)	**100.9**	105.4
- Exceptional items	13(i)	**(5.5)**	-
Net cash inflow from operating activities		**95.4**	105.4
Dividends from joint venture		**1.3**	0.7
Returns on investments and servicing of finance			
Interest received		**8.1**	7.5
Interest paid		**(0.2)**	(0.2)
Dividends received		**0.1**	0.1
Net cash inflow from returns on investments and servicing of finance		**8.0**	7.4
Taxation			
Corporation tax paid		**(24.3)**	(22.2)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		**(40.8)**	(54.2)
Receipts from disposal of Stock Exchange Tower		**32.3**	-
Net cash outflow from capital expenditure and financial investments		**(8.5)**	(54.2)
Acquisitions			
Acquisition of subsidiary undertaking		**-**	(15.5)
Dividends paid		**(177.6)**	(12.9)
Net cash (outflow)/inflow before use of liquid resources and financing		**(105.7)**	8.7
Management of liquid resources			
Decrease/(increase) in term deposits		**103.5**	(16.0)
Financing			
Issue of ordinary share capital to minority interest		**0.2**	1.1
Loans received from minority shareholder			
due within one year		**0.3**	2.9
due after one year		**-**	0.5
(Redemption)/issue of loan notes		**(1.5)**	1.5
Purchase of own shares		**(2.5)**	-
Own shares on exercise of employee share options		**5.7**	2.2
Increase in cash in the year		**-**	0.9

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Basis of accounting and consolidation

The financial information is prepared in accordance with applicable UK accounting standards, applied on a consistent basis, under the historical cost convention modified by the revaluation of certain fixed assets.

Change in accounting policy

The Company has adopted UITF Abstract 38 Accounting for ESOP trusts and UITF 17 (revised December 2003) Employee share schemes. Under UITF 38 the Company's own shares held by the ESOP trust are deducted from shareholders' funds until they vest unconditionally in employees. Prior to the adoption of UITF 38, the Company's own shares held by the ESOP trust were recognised as an asset on the balance sheet at the lower of cost and net realisable value. Under UITF 17 (revised December 2003) the profit and loss charge for share options and awards is determined with reference to the fair value of the shares at the date of grant. Prior to the adoption of the revised UITF 17 the profit and loss charge was determined by reference to the cost of shares purchased by the ESOP trust.

Prior year adjustment

The change in accounting policy outlined above results in a reduction to investments and equity shareholders' funds at 31 March 2004 of £6.4m. Profit for the financial year ended 31 March 2004 is reduced by £0.3m. Profit for earlier financial years is reduced by £0.3m resulting in a total adjustment to the profit and loss account of £0.6m, which is recorded in the statement of total recognised gains and losses. Profit for the year ended 31 March 2005 is reduced by £0.7m. The cash flow statement has been restated to show the exercise of share options within Financing.

2. Turnover

	2005	2004
	£m	£m
Continuing operations		
Issuer Services	**35.2**	38.5
Broker Services	**99.8**	94.1
Information Services	**110.3**	101.0
Derivatives Services	**6.8**	6.1
Other income	**7.6**	10.7
Gross turnover	**259.7**	250.4
Less: share of joint venture's turnover	**(15.3)**	(13.3)
Net turnover	**244.4**	237.1

For the purposes of Segmental Reporting, the directors consider that the Company has one class of business with the four principal revenue streams noted above derived from that business, with principal operations of the Group being in the United Kingdom.

3. Exceptional items

	2005 £m	2004 £m
Fees in respect of potential offers for the Company	**(6.8)**	-
Exceptional items included within operating profit	**(6.8)**	-
Profit on disposal of Stock Exchange Tower (see below)	**7.2**	-
Total exceptional items	**0.4**	-
Profit on disposal of Stock Exchange Tower		
Proceeds receivable from disposal	**64.2**	-
Book value and disposal costs	**57.0**	-
Profit on disposal	**7.2**	-

No taxation is payable on the disposal as indexed base cost for tax purposes exceeds disposal proceeds; accordingly, a nil effect on the Company's tax provision has been assumed.

4. Net interest receivable

	2005 £m	2004 £m
Interest receivable		
Bank deposit and other interest	**9.0**	8.0
Interest payable		
Interest on discounted provision for leasehold properties (see note 11)	**(1.7)**	(1.7)
Interest payable on other loans	**(0.3)**	(0.2)
Total	**(2.0)**	(1.9)
Net interest receivable	**7.0**	6.1

5. Taxation

	2005 £m	2004 £m
Current tax:		
Corporation tax for the year at 30% (2004: 30%)	**25.1**	25.7
Adjustments in respect of previous years	**-**	(3.6)
Joint venture	**0.5**	0.4
	25.6	22.5
Deferred taxation	**2.0**	3.2
Taxation charge	**27.6**	25.7

The adjustments in respect of previous years for corporation tax were for tax assessments now agreed with the Inland Revenue, including, in 2004, £2.7m for the allowance of expenditure reported as exceptional items in prior years.

Factors affecting the current tax charge for the year

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The variations are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	**89.1**	88.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**26.7**	26.6
Items disallowed for the purpose of tax provision (primarily professional fees, depreciation on expenditure not subject to capital allowances and profit on disposal of Stock Exchange Tower)	**0.9**	2.9
Accounting deduction less than taxation allowance - timing differences	**(2.0)**	(3.4)
Adjustments to tax charge in respect of previous years	**-**	(3.6)
Corporation tax charge	**25.6**	22.5

Factors that may affect future tax charges

The disposal of properties at their revalued amount would not give rise to a tax liability.

6. Dividends

	2005	2004
	£m	£m
Special interim dividend paid – 55p per Ordinary share	**162.5**	-
Interim paid: 2.0p (2004: 1.4p) per Ordinary share	**5.1**	4.1
Final proposed: 5.0p (2004: 3.4p) per Ordinary share	**12.6**	10.0
	180.2	14.1

Following shareholder approval at the AGM in July 2004, a special interim dividend of 55p per share was paid to all shareholders on 16 August 2004.

7. Earnings per share

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

	2005	2004 As restated
Basic earnings per share	**23.1p**	21.6p
Diluted earnings per share	**22.9p**	21.4p
Adjusted basic earnings per share	**23.5p**	21.2p
	£m	£m
Profit for the financial year	**62.2**	63.4
Adjustments:		
Exceptional items within Operating profit	**6.8**	-
Amortisation of goodwill	**2.0**	1.6
Profit on disposal of Stock Exchange Tower	**(7.2)**	-
Tax effect of exceptional items and amortisation of goodwill	**(0.3)**	(2.9)
Minority interest of exceptional items, goodwill and taxation	**(0.2)**	(0.1)
Adjusted profit for the financial year	**63.3**	62.0
Weighted average number of shares - million	**269.0**	293.0
Effect of dilutive share options and awards - million	**2.9**	2.7
Diluted weighted average number of shares - million	**271.9**	295.7

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 269.0 million (2004: 293.0 million).

The tax effect of exceptional items and amortisation of goodwill for 2004 includes an exceptional tax credit of £2.7m in respect of previous years (see note 5).

During the year the Company paid a special interim dividend of 55p per share and at the same time carried out a consolidation of its share capital. These transactions have the same overall effect on the Company's capital structure as a buyback of shares and, in accordance with FRS 14 Earnings Per Share, earnings per share for prior years has not been restated, other than for the change in accounting policy described in note 1.

NOTES TO THE FINANCIAL STATEMENTS

8. Intangible assets

	Group Goodwill £m
Cost:	
1 April 2004	26.0
Recognition of deferred consideration (see note 11)	5.2
31 March 2005	**31.2**
Amortisation:	
1 April 2004	1.7
Charge for the year	2.0
31 March 2005	**3.7**
Net book values:	
31 March 2005	**27.5**
1 April 2004	24.3

Goodwill arising on the acquisition of subsidiaries is being amortised on a straight line basis over 15 years from date of acquisition.

9. Tangible Assets

	£m
Cost or valuation:	
1 April 2004	315.7
Additions	33.0
Disposals	(112.9)
31 March 2005	**235.8**
Depreciation:	
1 April 2004	147.4
Provision for the year	30.9
Disposals	(57.4)
31 March 2005	**120.9**
Net book values:	
31 March 2005	**114.9**
1 April 2004	168.3

10. Debtors

	2005 £m	2004 £m
Trade debtors	**17.2**	16.4
Amounts owed by joint venture	**0.6**	0.9
Deferred consideration on disposal of Stock Exchange Tower – due December 2005	**31.8**	-
Other debtors	**5.5**	1.9
Prepayments and accrued income	**41.9**	38.5
Deferred taxation	**1.4**	3.4
	98.4	61.1

11. Provisions for liabilities and charges

	Property £m	Deferred consideration £m	Total £m
1 April 2004	38.4	-	38.4
Utilised during the year	(5.3)	-	(5.3)
Interest on discounted provision	1.7	-	1.7
Deferred consideration recognised	-	5.2	5.2
31 March 2005	**34.8**	**5.2**	**40.0**

Property
The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between nine and 23 years to expiry.

Deferred consideration
Deferred consideration relates to the equity derivatives business acquired from OM London Exchange. The deferred consideration has been estimated at £5.2m and can be up to a maximum of £11.2m, payable by March 2006.

12. Reconciliation of movements in shareholders' funds

	2005 £m	2004 £m As restated
Profit for the financial year	**62.2**	63.4
Dividends	**(180.2)**	(14.1)
	(118.0)	49.3
Movement in respect of employee share schemes and own shares	**4.0**	3.6
Net (reduction)/addition to shareholders' funds	**(114.0)**	52.9
Opening equity shareholders' funds (as restated)	**364.7**	311.8
Closing equity shareholders' funds	**250.7**	364.7

NOTES TO THE FINANCIAL STATEMENTS

13. Notes to the consolidated cash flow statement

	2005 £m	2004 £m As restated
i) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**73.2**	81.3
Depreciation of tangible assets	**30.9**	21.9
Amortisation of goodwill	**2.0**	1.6
(Increase)/decrease in debtors	**(8.3)**	0.7
Increase in creditors	**2.1**	0.4
Provisions utilised during the year	**(5.3)**	(1.3)
Share scheme expense	**0.8**	0.8
Net cash inflow from operating activities	**95.4**	105.4
Comprising:		
Ongoing operating activities	**100.9**	105.4
Exceptional items (see note 3)	**(5.5)**	-
Net cash inflow	**95.4**	105.4

	At 1 April 2004 £m	Cash flows £m	Other non-cash changes £m	**At 31 March 2005 £m**
ii) Analysis of changes in net funds				
Cash in hand and at bank	4.9	-	-	**4.9**
Debt due within one year	(4.4)	1.2	0.4	**(2.8)**
Debt due after more than one year	(0.5)	-	-	**(0.5)**
Current asset investments	223.0	(103.5)	-	**119.5**
Total net funds	223.0	(102.3)	0.4	**121.1**

NOTES TO THE FINANCIAL STATEMENTS

14. Pension costs

The Company operates one pension plan which includes separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Company and the funds are managed by Schroder Investment Management Limited and Legal & General Investment Management Limited respectively.

In addition to the normal contributions to the defined benefit scheme, the Company made additional contributions of £3.2m (2004: £3.2m) during the year. These additional contributions are treated as a prepayment in the accounts and are charged to the profit and loss account over the expected remaining service lives of scheme members.

The Company continues to account for pension costs in accordance with SSAP 24 - Accounting for Pension Costs. The following information is provided under the disclosure requirements of FRS 17 - Retirement Benefits. The Accounting Standards Board has deferred the full adoption of FRS 17 until implementation of International Accounting Standards in 2005.

The fair value of the assets and net position in the defined benefit scheme, with the assumed expected rates of return at 31 March 2005 and 2004 are as follows:

	31 March 2005 £m	**Long term expected rate of return**	31 March 2004 £m	Long term expected rate of return
Equities	**52.4**	7.90%	47.1	8.20%
Bonds	**139.1**	4.81%	130.7	4.86%
Total market value of assets	**191.5**		177.8	
Present value of liabilities	**210.0**		196.0	
Deficit in the plan	**(18.5)**		(18.2)	
Related deferred tax asset	**5.6**		5.5	
Net pension liability	**(12.9)**		(12.7)	

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 March 2005 would have been reduced by £23.1m (2004: £22.8m) being the deficit of the pension scheme based on assumptions at that date of £12.9m (2004: £12.7m) plus the prepaid pension contribution of £14.5m (2004: £14.4m) and related deferred tax adjustment of £4.3m (2004: £4.3m).

The plan's assets are invested approximately 27 per cent in equities and 73 per cent in bonds at 31 March 2005 and the trustees of the plan intend to move gradually to 100 per cent investment in bonds over the longer term.

Under SSAP 24, the charge to the profit and loss relating to the defined benefit scheme was £4.2m (2004: £4.4m). Under FRS17, the profit and loss charge comprising service and finance costs would be £2.0m (2004: £2.9m).

15. Abridged accounts

These abridged accounts do not constitute, but have been extracted from, the Company's statutory financial statements. The statutory financial statements, which include an unqualified audit report, will be delivered to the Registrar of Companies in due course.